REC Limited | आर ई सी लिमिटेड
(भारत सरकार का उद्यम) / (A Government of India Enterprise)
Regd. Office: Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi - 110003
Corporate Office: REC World Headquarters, Plot No. I-4, Near IFFCO Chowk Metro Station, Sector-29, Gurugram - 122001 (Haryana)
Tel: +91 124 444 1300 | Website: www.recindia.com
CIN : L40101DL1969GOI005095 | GST No.: 06AAACR4512R3Z3

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

SEC-1/187(2)/2022/900 **Dated: September 9, 2022**

Listing Department, National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Bandra (East), **Mumbai – 400 051.**	**Corporate Relationship Department** BSE Limited 1st Floor, Phiroze Jeejeebhoy Towers Dalal Street, Fort, **Mumbai – 400 001.**
Scrip Code - RECLTD	**Scrip Code—532955**

Sub: Intimation under Regulation 30 of SEBI (LODR) Regulations, 2015.

Dear Sir / Madam,

In accordance with the provisions of Regulation 30 read with Schedule III of SEBI (LODR) Regulations, 2015, it is hereby informed that REC Limited has updated Offering Circular for its existing U.S.$ 7,000,000,000 Global Medium Term Note Programme. A copy of the said Offering Circular is enclosed herewith.

Further, it is also informed that the Offering Circular has been updated at (i) the Singapore Exchange Securities Trading Limited, (ii) the London Stock Exchange's International Securities Market (ISM), (iii) the India International Exchange (IFSC) Limited, and (iv) the NSE IFSC Limited.

This is for your kind information and dissemination.

Thanking you,

Yours faithfully,

(J. S. Amitabh)
Executive Director & Company Secretary

Encl.: as above.

Disclaimer

*This communication is not an offer of securities for sale in the United States or elsewhere. The Securities of REC Limited ("**the Company**") are not being registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or the securities laws of any state of the United States or other jurisdiction and the securities may not be offered or sold in the United States* *or, in certain circumstances, to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act), unless registered under the Securities Act or pursuant to an exemption from such registration. There is no intention to register the Securities of the Company under the Securities Act or conduct a public offering of the Securities in the United States. No money, securities or other consideration is being solicited by this communication or the information contained herein and, if sent in response to this communication or the information contained herein, will not be accepted.*

*This communication does not constitute an offer of securities to the public in the United Kingdom. No prospectus has been or will be approved in the United Kingdom in respect of the securities. This document is only being distributed to and is only directed at: (i) persons who are outside the United Kingdom; or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order); or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "**relevant persons**"). The securities referred to herein are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.*

The Offering Circular and this announcement have not been, nor will it be, registered, produced or published as an offer document (whether a prospectus or a statement in lieu of a prospectus in respect of a public offer or information memorandum or placement memorandum or private placement offer letter or other offering material in respect of any private placement under the Companies Act, 2013 of India or any other applicable Indian laws) with any Registrar of Companies, the Securities and Exchange Board of India, the Reserve Bank of India or Indian stock exchange or any other statutory or regulatory body of like nature in India, and the securities will not be offered or sold, and have not been offered or sold, in India by means of any document or otherwise other than to person permitted to acquire the securities under Indian law, whether as a principal or agent. The securities have not been offered or sold, and will not be offered or sold to any person, in India in circumstances which would constitute an advertisement, invitation, offer, sale or solicitation of an offer to subscribe for or purchase any securities (whether to the public or by way of private placement) within the meaning of the Companies Act, 2013 of India or any other applicable Indian laws for the time being in force. The securities will not be offered, directly or indirectly in an International Financial Services Centre or to, or for the account of or benefit or any person who is a resident in an International Financial Services Centre.

IMPORTANT NOTICE

THIS OFFERING CIRCULAR (AS DEFINED BELOW) IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBs (AS DEFINED BELOW) UNDER RULE 144A UNDER THE SECURITIES ACT (AS DEFINED BELOW), (2) INSTITUTIONAL ACCREDITED INVESTORS (AS DEFINED BELOW) OR (3) ADDRESSEES WHO ARE PURCHASING THE NOTES OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT AND, IN CERTAIN CIRCUMSTANCES, ARE NON-U.S. PERSONS (AS DEFINED BELOW).

IMPORTANT: You must read the following before continuing. The following applies to the offering circular (the **Offering Circular**) following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR, IN CERTAIN CIRCUMSTANCES, TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS OR, IN CERTAIN CIRCUMSTANCES, TO ANY U.S. PERSON. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view the Offering Circular or make an investment decision with respect to the securities, investors must be either (1) qualified institutional buyers (**QIBs**) (within the meaning of Rule 144A under the Securities Act), (2) "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are institutions (**Institutional Accredited Investors**) who agree to purchase the Notes for their own account and not with a view to the distribution thereof or (3) addressees who are eligible to purchase the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act (**Regulation S**) and, in certain circumstances, are non-U.S. persons as defined under Regulation S. By accepting the e-mail and accessing the Offering Circular, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs, (b) Institutional Accredited Investors or (c) addressees who are eligible to purchase the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act (**Regulation S**) and, in certain circumstances, are non-U.S. persons as defined under Regulation S, and that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and (2) you consent to delivery of such Offering Circular and any amendments or supplements thereto by electronic transmission.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorized to, deliver the Offering Circular to any other person.

The materials relating to any offering of securities described in the Offering Circular do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of our Company (as defined in the Offering Circular) in such jurisdiction.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently the Dealers (as defined in the Offering Circular), nor any person who controls each of them nor any director, officer, employee nor agent of each of them or affiliate of any such person, do not accept any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Dealers.

The Offering Circular has not been and will not be registered, produced or made available to all as an offer document (whether a prospectus in respect of a public offer or an information memorandum or private placement offer letter or other offering material in respect of any private placement or public issue under the Companies Act, 2013, and the rules framed thereunder, as amended from time to time, or any other applicable Indian securities laws) with any Registrar of Companies of India (**ROC**) or the Securities and Exchange Board of India (**SEBI**) or the Reserve Bank of India (**RBI**) or any other statutory, regulatory or adjudicatory body of like nature in India. The Offering Circular will be made available to the India International Exchange (IFSC) Limited (**India INX**) and NSE IFSC Limited (**NSE IFSC**) for the purpose of listing the Programme and any Notes (each as defined below).

In addition, holders and beneficial owners shall be responsible for compliance with restrictions on the ownership of the Notes imposed from time to time by applicable laws or by any regulatory authority or otherwise. In this context, holders and beneficial owners of Notes shall be deemed to have acknowledged, represented and agreed that such holders and beneficial owners are eligible to purchase the Notes under applicable laws and regulations and are not prohibited under any applicable law or regulation from acquiring, owning or selling the Notes. Potential investors should seek independent advice and verify compliance with the ECB Investor Requirements (as defined in this Offering Circular and as further set out under "*Subscription and Sale – India*") prior to any purchase of the Notes.

This Offering Circular is being sent at your request and by accepting the e-mail and accessing this Offering Circular you shall be deemed to have represented to us and agreed that you meet the ECB Investor Requirements, are eligible to purchase the Notes (as defined in this Offering Circular) and will meet, for so long as you hold any Notes, the ECB Investor Requirements. Further, all Noteholders represent and agree that the Notes will not be offered or sold on the secondary market to any person who does not comply with the ECB Investor Requirements.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

OFFERING CIRCULAR

REC Limited

(incorporated with limited liability in the Republic of India)

U.S.$7,000,000,000
Global Medium Term Note Programme

Under this U.S.$7,000,000,000 Global Medium Term Note Programme (the **Programme**), REC Limited (our **Company**, the **Company** or the **Issuer**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between us and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form (respectively, **Bearer Notes** and **Registered Notes**). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.$7,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Summary of the Programme*" and any additional Dealer appointed under the Programme from time to time by us (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an on-going basis. References in this Offering Circular to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe to such Notes.

Application has been made to the Singapore Exchange Securities Trading Limited (the **SGX-ST**) for permission to deal in and quotation for any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST (the **Official List**). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the Official List and quotation of any Notes on the SGX-ST are not to be taken as an indication of the merits of our Company, our subsidiaries, our associated companies, the Programme or such Notes. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a pricing supplement (the **Pricing Supplement**) which, with respect to Notes to be listed on the SGX-ST, will be delivered to the SGX-ST on or before the date of issue of the Notes of such Tranche.

Application has been made to the London Stock Exchange for the Notes to be admitted to the London Stock Exchange's International Securities Market (**ISM**). The ISM is not a regulated market for the purposes of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**) (**UK MiFIR**). **International Securities Market is a market designated for professional investors. Securities admitted to trading on International Securities Market are not admitted to the Official List of the Financial Conduct Authority (FCA). London Stock Exchange has not approved or verified the contents of this Offering Circular.**

Application has been made to the Global Securities Market (**GSM**) of the India INX for the Programme and any subsequent Notes to be admitted for trading on the India INX. **The India INX has not approved or verified the contents of the listing particulars.**

Application has been made to the NSE IFSC for the Programme and any subsequent Notes to be admitted for trading on the NSE IFSC. **The NSE IFSC has not approved or verified the contents of the listing particulars.**

The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between us and the relevant Dealer. We may also issue unlisted Notes.

We may agree with any Dealer and the Principal Paying Agent (as defined herein) that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event (in the case of Notes intended to be listed on the SGX-ST, the India INX, and the NSE IFSC) a supplementary Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Notes.

Notes to be listed on the SGX-ST, the ISM, the India INX and the NSE IFSC will be accepted for clearance through Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking S.A. (**Clearstream, Luxembourg**) and/or The Depository Trust Company (**DTC**).

Each Tranche of Bearer Notes of each series (as defined in "*Form of the Notes*") will initially be represented by either a temporary bearer global note (a **Temporary Bearer Global Note**) or a permanent bearer global note (a **Permanent Bearer Global Note** and, together with a Temporary Bearer Global Note, the **Bearer Global Notes**, and each a **Bearer Global Note**) as indicated in the applicable Pricing Supplement, which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream, Luxembourg.

On and after the date (the **Exchange Date**) which, for each Tranche in respect of which a Temporary Bearer Global Note is issued, is 40 days after the Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) definitive Bearer Notes of the same Series.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable for definitive Bearer Notes in certain limited circumstances.

Registered Notes sold in an "offshore transaction" within the meaning of Regulation S (**Regulation S**) under the U.S. Securities Act of 1933, as amended (the **Securities Act**), which will be sold outside the United States (the **U.S.**) and, in certain circumstances, only to non-U.S. persons (as defined in Regulation S), will initially be represented by a global note in registered form, without receipts or coupons, (a **Regulations S Global Note**) and Registered Notes sold in the U.S. to qualified institutional buyers (**QIBs**) (within the meaning of Rule 144A under the Securities Act (**Rule 144A**)) in transactions exempt from registration in reliance on Rule 144A will be represented by a global note in registered form, without receipts or interest coupons (a **Rule 144A Global Note** and, together with a Regulation S Global Note, the **Registered Global Notes**, and each a **Registered Global Note**) and, in each case, deposited with a common depositary for Euroclear and Clearstream, Luxembourg, and registered in the name of a nominee of such common depositary, or deposited with a custodian for, and registered in the name of, a nominee of DTC.

Registered Notes sold to Institutional Accredited Investors pursuant to Section 4(a)(2) under the Securities Act will be in definitive form, registered in the name of the holder thereof (**Definitive IAI Registered Notes**). Institutional Accredited Investors that hold Definitive IAI Registered Notes may not elect to hold such Notes through DTC, Euroclear or Clearstream, Luxembourg, but transferees acquiring such Notes in transactions exempt from Securities Act registration pursuant to Regulation S or Rule 144A under the Securities Act (if available) may do so upon satisfaction of the requirements applicable to such transfer as described under "*Subscription and Sale*" and "*Transfer Restrictions*".

This Offering Circular has not been and will not be registered as a prospectus or a statement in lieu of a prospectus in respect of a public offer, information memorandum or private placement offer letter or any other offering material with the ROC in accordance with the Companies Act 2013, as amended (**Companies Act**) and other applicable Indian laws including, but not limited to, the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 2015, as amended from time to time, and under the listing agreement with any Indian stock exchanges pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, as amended from time to time, or pursuant to the directives of any regulatory, statutory and adjudicatory body in India, for the time being in force. This Offering Circular has not been and will not be reviewed or approved by any regulatory, statutory or adjudicatory authority in India, including, but not limited to, the ROC, SEBI, RBI or any stock exchange in India. This Offering Circular and the Notes are not and should not be construed as an advertisement, invitation, offer or sale of any securities whether to the public or by way of private placement to any person resident in India. The Notes have not been and will not be, offered or sold to any person resident in India. If you purchase any of the Notes, you will be deemed to have acknowledged, represented and agreed that you are eligible to purchase the Notes under applicable laws and regulations and that you are not prohibited under any applicable laws or regulations from acquiring, owning or selling the Notes. *See "Subscription and Sale".*

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) or with any securities regulatory authority of any state or other jurisdiction of the United States and are subject to U.S. tax law requirements. The Notes may not be offered, sold or delivered within the United States or, in certain circumstances, to U.S. persons (as defined in Regulation S under the Securities Act (**Regulation S**)) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. See "*Form of the Notes*" for a description of the manner in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer, see "*Subscription and Sale*" and "*Transfer Restrictions*".

Arrangers and Dealers

Barclays	**DBS Bank Ltd.**	**MUFG**	**Standard Chartered Bank**	**State Bank of India, London Branch**

The date of this Offering Circular is September 8, 2022.

We accept responsibility for the information contained in this Offering Circular. Having taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. We, having made all reasonable enquiries, confirm that this Offering Circular contains or incorporates all information which is material in the context of the Programme and the Notes, that the information contained or incorporated in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which would make this Offering Circular or any of such information or the expression of any such opinions or intentions misleading. We accept responsibility accordingly.

No person is or has been authorized by us to give any information or to make any representation other than those contained in this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made by any other person, such information or representations must not be relied upon as having been authorized by us, the Arrangers, the Dealers or the Principal Paying Agent.

Neither the Arrangers, the Dealers nor the Principal Paying Agent (as defined herein) has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and, to the fullest extent permitted by law, no responsibility or liability is accepted by the Arrangers or the Dealers, the Principal Paying Agent or any of them as to the accuracy or completeness of the information contained or incorporated in this Offering Circular, or for any other statement, made or purported to be made by the Arrangers or the Dealers or on their behalf in connection with us or the Programme or any other information provided by us in connection with the Programme. The Arrangers, the Dealers and the Principal Paying Agent accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which they might otherwise have in respect of this Offering Circular or any such statement.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by us, the Arrangers or the Dealers or the Principal Paying Agent that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any of the Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of us. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of our Company, the Arrangers or the Dealers or the Principal Paying Agent to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning us is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Arrangers, the Dealers and the Principal Paying Agent expressly do not undertake to review the financial condition or affairs of our Company during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

MiFID II product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II Product Governance", which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, **MiFID II**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the **MiFID Product Governance Rules**), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR product governance / target market – The Pricing Supplement in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.

IMPORTANT – EEA RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the **Prospectus Regulation**). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT – UK RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (**UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the **FSMA**) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA (the **UK Prospectus Regulation**). Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. Our Company, the Arrangers, the Dealers and the Principal Paying Agent do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by our Company, the Arrangers, the Dealers or the Principal Paying Agent which would permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the United Kingdom, the European Economic Area (including, for these purposes, Italy), India, Singapore, Japan and Hong Kong, see "*Subscription and Sale*" and "*Transfer Restrictions*".

None of our Company, the Arrangers, the Dealers and the Principal Paying Agent makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

U.S. INFORMATION

This Offering Circular is being submitted on a confidential basis in the United States to a limited number of QIBs and Institutional Accredited Investors (**IAIs**) for informational use solely in connection with the consideration of the purchase of certain Notes issued under the Programme. Its use for any other purpose in the United States is not authorized. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and the regulations promulgated thereunder.

Registered Notes may be offered or sold within the United States only to QIBs or to Institutional Accredited Investors, in either case in transactions exempt from registration under the Securities Act in reliance on Rule 144A or any other applicable exemption. Each U.S. purchaser of Registered Notes is hereby notified that the offer and sale of any Registered Notes to it may be being made in reliance upon the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

Purchasers of Definitive IAI Registered Notes will be required to execute and deliver an IAI Investment Letter (as defined under "*Terms and Conditions of the Notes*"). Each purchaser or holder of Definitive IAI Registered Notes, Notes represented by a Rule 144A Global Note or any Notes issued in registered form in exchange or substitution therefor (together **Legended Notes**) will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in "*Subscription and Sale*" and "*Transfer Restrictions*". Unless otherwise stated, terms used in this paragraph have the meanings given to them in "*Form of the Notes*".

The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Offering Circular or confirmed the accuracy or determined the adequacy of the information contained in this Offering Circular. Any representation to the contrary is unlawful.

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are "restricted securities" within the meaning of the Securities Act, we will furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Notes remain outstanding as "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act and we are neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, (the **Exchange Act**) nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

STABILIZATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilization Manager(s) (or persons acting on behalf of any Stabilization Manager(s)) in the applicable Pricing Supplement may over-allot or effect transactions with a view to supporting the market price of the Notes of the Series (as defined below) of which such Tranche forms part at a level higher than that which might otherwise prevail. However, stabilization may not necessarily occur. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilization action or over-allotment must be conducted by the relevant Stabilization Manager(s) (or persons acting on behalf of any Stabilization Manager(s)) in accordance with all applicable laws and rules.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

Our Company is a limited liability public company incorporated under the laws of the Republic of India (**India**). All of our directors and executive officers named herein reside outside the United States and all or a substantial portion of our assets and of such officers and directors are located outside the United States. As a result, it may not be possible for investors to effect service of process outside India upon us or such persons, or to enforce judgments against them obtained in courts outside India predicated upon civil liabilities of our Company or such directors and executive officers under laws other than Indian law, including any judgment predicated upon United States federal securities laws. As indicated above, the enforcement of a decree solely based on United States federal securities laws may be carried out by filing a suit under Section 13 of the Indian Code of Civil Procedure, as amended from time to time (the **Civil Code**). Under Indian law, foreign law has to be proven as a matter of fact before an Indian court. Accordingly, in the event that such action is filed, United States federal securities law will have to be proven as a matter of fact by expert witness. *See "Service of Process and Enforcement Of Foreign Judgments In India".*

There are restrictions on the offer and sale of the Notes in the United Kingdom. All applicable provisions of the FSMA with respect to anything done by any person in relation to the Notes in, from or otherwise involving the United Kingdom must be complied with. See "*Subscription and Sale*".

In connection with the offering of any series of Notes, each Dealer is acting or will act for us in connection with the offering and will not be responsible to anyone other than us for providing the protections afforded to clients of that Dealer nor for providing advice in relation to any such offering.

For a description of other restrictions, see "*Subscription and Sale*" and "*Transfer Restrictions*".

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the **SFA**) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the **CMP Regulations 2018**), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

The Offering Circular has not been and will not be registered, produced or made available to all as an offer document (whether a prospectus in respect of a public offer or an information memorandum or private placement offer letter or other offering material in respect of any private placement or public issue under the Companies Act, 2013 along with the rules framed thereunder, as amended from time to time, or any other applicable Indian securities laws) with any ROC, the SEBI or the RBI or any other statutory, regulatory body or adjudicatory body of like nature in India. The Offering Circular will be made available to the SGX-ST, the ISM, India INX and NSE IFSC for the purpose of listing the Programme and any Notes. Potential investors should seek independent advice and verify compliance with ECB Investor Requirements prior to any purchase of any Notes (See "*Subscription and Sale – India*").

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

We maintain our financial books and records and prepare our financial statements in Rupees in accordance with the Companies (Indian Accounting Standards) Rules, 2015, as amended, (**Ind-AS**). Ind-AS differs in certain important respects from International Financial Reporting Standards (IFRS). For a discussion of the principal differences between Ind-AS and IFRS as they relate to us, see "*Summary of Significant Differences Between IFRS and Ind-AS*". The consolidated financial statements for the years ended March 31, 2021 and 2022; and the non-consolidated financial statements for the three months ended June 30, 2022, each as included in this Offering Circular have been audited or reviewed, as appropriate, by the auditors as set out in paragraph 10 of the section entitled "*General Information*".

CERTAIN DEFINITIONS

In this Offering Circular, references to **India** are to the Republic of India, references to the **Government** or **GoI** are to the Government of India and references to the **RBI** are to the Reserve Bank of India. References to specific data applicable to particular subsidiaries or other consolidated entities are made by reference to the name of that particular entity. References to **Fiscal** or **Fiscal Year** are to the year ended March 31.

Unless the context otherwise indicates, all references to the **Issuer**, **REC**, **our Company** or **the Company** are to REC Limited on a non-consolidated basis.

Industry and market share data in this Offering Circular are derived from data prepared by the CEA which is the nodal government agency for planning, advising and monitoring the Indian power sector, the MoP, the Planning Commission of India and from industry publications. 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 that the industry data used in this Offering Circular is reliable and take responsibility for the accurate extraction of such data from publicly available sources, it has not been independently verified by us, the Arrangers, the Dealers or the Principal Paying Agent.

As used in this Offering Circular, the terms, **10th Plan**, **11th Plan**, **12th Plan** and **13th Plan** refer to the five-year plans of the Government, and mean the Tenth Five Year Plan covering the period fiscal 2002-2007, the Eleventh Five Year Plan covering the period fiscal 2007-2012, the Twelfth Five Year Plan covering the period 2012-2017 and the Thirteenth Five Year Plan as originally proposed to cover the period 2017-2022, respectively.

All references in this Offering Circular to **U.S. dollars**, **U.S.$** and **USD** refer to United States dollars, to **Rupee**, **Rupees**, **Rs.**, **INR** and **₹** refer to Indian Rupees and to **SGD** refers to Singapore dollars. In addition, references to **Sterling** refers to pounds sterling and to **euro**, **EUR** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Community, as amended.

References to **Lakhs** and **Crores** in our financial statements are to the following:

One lakh	100,000 (one hundred thousand)
One Crore	10,000,000 (ten million)
Ten Crores	100,000,000 (one hundred million)
One hundred Crores	1,000,000,000 (one thousand million or one billion)

In this Offering Circular, where information has been presented in millions or billions of units, amounts may have been rounded, in the case of information presented in millions, to the nearest ten thousand or one hundred thousand units or, in the case of information presented in billions, one, ten or one hundred million units. Accordingly, the totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

In this Offering Circular, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

FORWARD-LOOKING STATEMENTS

We have included statements in this Offering Circular which contain words or phrases such as "will", "would", "aimed", "is likely", "are likely", "believe", "expect", "expected to", "will continue", "will achieve", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "seeking to", "target", "propose to", "future", "objective", "goal", "projected", "should", "can", "could", "may" 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 certain risks or uncertainties associated with our expectations with respect to, but not limited to, regulatory changes relating to the power sector in India and our ability to respond to them, our ability to successfully implement our strategy, our growth and expansion, including our ability to complete our capacity expansion plans, technological changes, our exposure to market risks, general economic and political conditions in India which have an impact on our business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes and changes in competition in our industry.

Any forward-looking statements contained in this Offering Circular speak only as at the date of this Offering Circular. Without prejudice to any requirements under applicable laws and regulations, we expressly disclaim any obligation or undertaking to disseminate after the date of this Offering Circular any updates or revisions to any forward-looking statements contained in it to reflect any change in expectations or any change in events, conditions or circumstances on which any such forward looking statement is based.

For a further discussion on the factors that could cause actual results to differ, see the discussion under "*Risk Factors*" contained in this Offering Circular.

SERVICE OF PROCESS AND ENFORCEMENT OF FOREIGN JUDGMENTS IN INDIA

Our Company is a limited liability public company incorporated under the laws of India. All of our directors and executive officers named herein are residents of India and all or a substantial portion of our assets and such persons are located in India. As a result, it may not be possible for investors to effect service of process on us or such persons in jurisdictions outside of India, or to enforce against them judgments obtained in courts outside of India including those predicated upon civil liabilities of our Company or such directors and executive officers under laws other than Indian law, including any judgment predicated upon United States federal securities laws.

India is not a signatory to any international treaty in relation to the recognition or enforcement of foreign judgments. The statutory basis for recognition and enforcement of foreign judgments is provided for under section 13 and section 44A of the Indian Code of Civil Procedure, 1908 as amended from time to time (the **Civil Code**).

Section 13 of the Civil Code provides that a foreign judgment shall be conclusive as to any matter thereby directly adjudicated upon except: (i) where it has not been pronounced by a court of competent jurisdiction; (ii) where it has not been given on the merits of the case; (iii) where it appears on the face of the proceedings to be founded on an incorrect view of international law or a refusal to recognize the law of India in cases where such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where it has been obtained by fraud; or (vi) where it sustains a claim founded on a breach of any law in force in India.

Section 44A of the Civil Code provides that where a foreign judgment has been rendered by a superior court (as defined in such section) in any country or territory outside India which the GOI has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. Under the Civil Code, a court in India will upon the production of any document purporting to be a certified copy of a foreign judgment, presume that the judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on record but such presumption may be displaced by proving want of jurisdiction. However, section 44A of the Civil Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty and is not applicable to arbitration awards, even if such awards are enforceable as a decree or judgment.

The United Kingdom, Singapore, Hong Kong and United Arab Emirates have been declared by the GOI to be a reciprocating territory and the High Courts in England as the relevant superior courts for the purposes of section 44A of the Civil Code. Accordingly, a judgment of a superior court in the United Kingdom may be enforceable by proceedings in execution, and a judgment not of a superior court, by a new suit resulting in a judgment or order. The United States has not been declared by the GOI to be a reciprocating territory for the purposes of section 44A of the Civil Code. Accordingly, a judgment by a court in the United States may be enforced only by a new suit upon the judgment and not by proceedings in execution. The suit must be brought in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India.

Under section 14 of the Code, a court in India shall presume, upon production of any document purporting to be a certified copy of a foreign judgment, that such judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on the record; but such presumption may be displaced by proving want of jurisdiction. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India.

It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce a foreign judgment if it viewed the amount of damages awarded as excessive or inconsistent with public policy and it is uncertain whether an Indian court would enforce foreign judgments that would contravene or violate Indian law. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI under the Foreign Exchange Management Act, 1999, as amended from time to time, to execute such a judgment and/or to repatriate outside India any amounts recovered pursuant to execution and any such amounts may be subject to tax in accordance with applicable laws. Any judgment in a foreign currency would be converted into Rupees on the date of the decree and not on the date of the payment. The Company cannot predict whether a suit brought in an Indian court will be disposed in a timely manner or be subject to considerable delays. The Company is not entitled to immunity based on sovereignty from any legal proceedings in India.

A party may file suit in India against our Company, our directors or our executive officers as an original action predicated upon the provisions of the federal securities laws in the United States. Under Indian law, foreign law has to be proven as a matter of fact before an Indian court. Accordingly, in the event that such action is filed, United States federal securities law will have to be proven as a matter of fact by an expert witness.

GLOSSARY OF TERMS USED IN THIS OFFERING CIRCULAR

Below are certain terms used in this Offering Circular.

Company-related terms

the Company/our Company/REC	REC Limited, a public limited company incorporated under the Companies Act, 1956. The corporate identification number of our Company is L40101DL1969GOI005095
we/us/our..................................	Our Company together with our subsidiaries, associates and our joint venture on a consolidated basis
Articles/Articles of Association	Articles of Association of our Company as amended from time to time
Board/Board of Directors........	Board of Directors of our Company unless otherwise specified
Shares.......................................	equity shares of our Company of the face value of Rs. 10 each unless otherwise specified
Memorandum/ Memorandum of Association...........................	Memorandum of Association of our Company as amended from time to time

Conventional and General Terms or Abbreviations

₹ or **Rs.** or **Rupees**.....................	Indian Rupees (the lawful currency of India)
$** or **US$ or **U.S.$** or **USD**	United States dollar (the lawful currency of the United States of America)
€ or **Euro** or **EUR**......................	Euro (the official and lawful currency of European Union, which consists of 19 of the 28 member states i.e. Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain)
% or **per cent.**	per cent.
AD Bank...................................	authorised dealer category I bank licensed under FEMA including the designated authorised dealer category I bank of our Company
AS	Accounting Standards as notified under the Companies Act and as applicable to our Company
BPL...	Below Poverty Line
BSE...	BSE Limited
CARE	CARE Ratings
CBDT	Central Board of Direct Taxes
CEO..	Chief Executive Officer

CERC	Central Electricity Regulatory Commission
CGSL	Classic Global Securities Limited
CHF	Swiss franc (the currency and legal tender of Switzerland and Liechtenstein)
CoR	Certificate of Registration
Companies Act	Companies Act, 2013, as amended from time to time, together with rules and regulations thereunder
CPSE	Central Public Sector Enterprise
CPSU	Central Public Sector Undertaking
CPUs	Central Power Utilities
CRAR	Capital to Risk Weighted Assets Ratio
CRISIL	CRISIL Ratings Limited
CSPDCL	Chhattisgarh State Power Distribution Company Limited
CSR	Corporate Social Responsibility
CY	Calendar Year
DDG	Decentralized Distributed Generation
Debt Recovery Act	The Recovery of Debts Due to Banks and Financial Institutions Act, 1993, as amended from time to time
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository(ies)	CDSL and NSDL
DIN	Director Identification Number
DPE	Department of Public Enterprises, Ministry of Heavy Industries & Public Enterprises, Government of India
DRT	Debt Recovery Tribunal
DSIJ	Dalal Street Investment Journal
Electricity Act	The Electricity Act, 2003, as amended from time to time
EESL	Energy Efficiency Services Limited
ERP	Enterprise Resource Planning
ESCOs	Energy Service Companies

F&A...	Finance and Accounts
FATF..	Financial Action Task Force
FATF Compliant Country	a country that is a member of the FATF or a member of a FATF-style regional body; and should not be a country identified in the public statement of the FATF as: (a) a jurisdiction having a strategic anti-money laundering or combating the financing of terrorism deficiencies to which counter measures apply; or (b) a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the FATF to address the deficiencies
FDI	Foreign Direct Investment
FEMA.......................................	Foreign Exchange Management Act, 1999, as amended from time to time
FII...	Foreign Institutional Investor
FIMMDA..................................	Fixed Income Money Market and Derivative Association of India
Fin...	Finance
Financial Year/Fiscal/FY.........	Period of 12 months ended March 31 of that particular year
GDP..	Gross Domestic Product
Gen	Generation
GST Act	The Central Goods and Services Tax Act, 2017, as amended from time to time
GoI or Government	Government of India
HDFC Bank..............................	HDFC Bank Limited
HR	Human Resources
HRM...	Human Resource Management
HVDS	High Voltage Distribution Systems
IA..	Internal Audit
ICRA	ICRA Limited
IEX	Indian Energy Exchange Limited
Income Tax Act/IT Act............	Income Tax Act, 1961, as amended from time to time
India	Republic of India

Insolvency Code	The Insolvency and Bankruptcy Code, 2016, as amended from time to time
IOSCO......................................	International Organisation of Securities Commission
IOSCO Compliant Country....	a country whose securities market regulator is a signatory to IOSCO's Multilateral Memorandum of Understanding (Appendix A Signatories) or a signatory to bilateral Memorandum of Understanding with the Securities and Exchange Board of India for information sharing arrangements
IPO	Initial Public Offer
IRDA	Insurance Regulatory and Development Authority
IREDA......................................	Indian Renewable Energy Development Agency Limited
IRRPL.......................................	India Ratings and Research Private Limited
IT	Information Technology
ITAT..	Income Tax Appellate Tribunal
JICA	Japan International Cooperation Agency
KfW...	Kreditanstalt für Wiederaufbau
kV	Kilo Volt
kWh...	kilowatt hour
KYC	Know Your Customer
LIBOR......................................	London Inter-Bank Offer Rate
LIC	Life Insurance Corporation of India
Listing Agreement....................	The agreement for listing of equity and debt securities on the Indian Stock Exchanges, as the case may be
MCA..	Ministry of Corporate Affairs, Government of India
MoF	Ministry of Finance, Government of India
MoP	Ministry of Power, Government of India
MoU...	Memorandum of Understanding
MTL	Medium Term Loan
NBFC	Non-Banking Financial Company, as defined under applicable RBI guidelines
NBFC-ND	Non-Deposit Taking NBFC

NBFC-ND-SI	Systemically Important Non-Deposit Taking NBFC
NEF	National Electricity Fund
NRI	Non-Resident Indian i.e. a Person resident outside India, as defined under FEMA, and who is a citizen of India
NSE...	National Stock Exchange of India Limited
NTP	National Tariff Policy
PAT	Profit After Tax
PFC...	Power Finance Corporation Limited
PGCIL......................................	Power Grid Corporation of India Limited
PSE	Public Sector Enterprise
RBI	Reserve Bank of India
RECPDCL	REC Power Development and Consultancy Limited (formerly known as REC Power Distribution Company Limited)
RECTPCL	REC Transmission Projects Company Limited
RGGVY....................................	Rajeev Gandhi Grameen Vidyutikaran Yojna
RMC...	Risk Management Committee
RoC...	any registrar of companies and including the Registrar of Companies, National Capital Territory of Delhi and Haryana
RTI	Right to Information Act, 2005, as amended from time to time
SARFAESI/Securitization Act	Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, as amended from time to time
SBI	State Bank of India
SEBI	Securities and Exchange Board of India
SEBI Debt Regulations...........	Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021, as amended from time to time
SLR Bonds...............................	Bonds that qualify under statutory liquidity ratio to be maintained by banks/other institutions as prescribed by the RBI from time to time
SOFR.......................................	Secured Overnight Financing Rate
SORA	Singapore Overnight Rate Average

STL	Short Term Loan
STUs	State Transmission Utilities
T&D	Transmission and Distribution
TFL	Transitional Finance Loan
TONA	Tokyo Overnight Average
u/s	under Section
UCX	Universal Commodity Exchange Limited
USA	United States of America

Business/Industry-Related Terms

ADB	Asian Development Bank
APDRP	Accelerated Power Development and Reform Programme
AT&C	Aggregate Technical and Commercial
CAGR	Compounded Annual Growth Rate
CEA	Central Electricity Authority
CIRE	Central Institute for Rural Electrification
CKms	Circuit Kilometers
DISCOM/Discom	Distribution Company
DPE	Department of Public Enterprises, Government of India
DDUGJY	Deen Dayal Upadhyaya Gram Jyoti Yojana
ECBs	External Commercial Borrowings
GENCO	Generation Company
IFC	Infrastructure Finance Company
IPP	Independent Power Producer
ISO	International Organization for Standardization
ITP	Independent Transmission Project(s)
kV	kilovolt
kWh	kilowatt hour

MNRE	Ministry of New and Renewable Energy, Government of India
MW...	Mega Watts
NHPC...	NHPC Limited
NPAs...	Non-Performing Assets
NTPC	NTPC Limited
PSU...	Public Sector Undertaking
PV...	Photovoltaic
R-APDRP...................................	Restructured Accelerated Power Development and Reform Programme
SEB(s)...	State Electricity Boards
SERC..	State Electricity Regulatory Commission
SPU...	State Power Utility(ies)
SPV...	Special Purpose Vehicle
TRANSCO.................................	Transmission Company
UMPP...	Ultra Mega Power Project

CONTENTS

DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Offering Circular: (a) our most recently published audited consolidated and non-consolidated annual financial statements; and (b) if published later, the most recently published audited or reviewed, as the case may be, interim non-consolidated and consolidated financial results (see "*General Information*" for a description of the financial statements currently published by us).

Any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

We will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to us at our office set out at the end of this Offering Circular. In addition, such documents will be available free of charge from the principal office of the principal paying agent in London (which for the time being is The Bank of New York Mellon, London Branch) (the **Principal Paying Agent**) for the Notes listed on the SGX-ST, the ISM, the NSE IFSC or the India INX. Copies of the audited consolidated annual financial statements of the Company deemed to be incorporated by reference in this Offering Circular may also be obtained without charge from the website of the SGX-ST (https://www.sgx.com).

If the terms of the Programme are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading, to an extent which is material in the context of the Programme, a new offering circular will be prepared.

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, we may from time to time issue Notes denominated in any currency, subject as set out herein. A summary of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed between us and the relevant Dealer prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under "*Form of the Notes*".

This Offering Circular and any supplement will only be valid for listing Notes on the SGX-ST, the ISM, the NSE IFSC or the India INX in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed U.S.$7,000,000,000 or its equivalent in other currencies. For the purpose of calculating the U.S. dollar equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

(a) the U.S. dollar equivalent of Notes denominated in another Specified Currency (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under "*Form of the Notes*") shall be determined, at our discretion, either as of the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the U.S. dollar against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by us on the relevant day of calculation;

(b) the U.S. dollar equivalent of Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under "*Form of the Notes*") shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Notes (in the case of Partly Paid Notes regardless of the subscription price paid); and

(c) the U.S. dollar equivalent of Zero Coupon Notes (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under "*Form of the Notes*") and other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by us for the relevant issue.

The offering of the Notes will be made entirely outside India. This Offering Circular may not be distributed directly or indirectly in India or to residents of India and the Notes are not being offered or sold and may not be offered or sold directly or indirectly in India or to, or for the account or benefit of, any resident of India.

Each purchaser of Notes will be deemed to represent that it is neither located in India nor a resident of India and that it is not purchasing for, or for the account or benefit of, any such person, and understands that the Notes may not be offered, sold, pledged or otherwise transferred to any person located in India, to any resident of India or to, or for the account of, such persons, unless determined otherwise in compliance with applicable law.

We will issue Notes under the Programme in accordance with the ECB Guidelines and the IFSCA Regulations.

The Government does not provide any guarantee or financial support in relation to any payment or obligation in respect of the Notes and has no commitment or obligation whatsoever in relation to any payment or obligation in respect of the Notes.

SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" shall have the same meanings in this summary.

Issuer:	REC Limited
Legal Entity Identifier:	335800B4YRYWAMIJZ374
Investment Considerations:	There are certain factors that may affect our ability to fulfil our obligations under Notes issued under the Programme. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under "*Risk Factors*" and include certain risks relating to the structure of a particular Series of Notes and certain market risks.
Description:	Global Medium Term Note Programme
Arrangers:	Barclays Bank PLC, DBS Bank Ltd., MUFG Securities Asia Limited, Standard Chartered Bank and State Bank of India, London Branch
Dealers:	Barclays Bank PLC, DBS Bank Ltd., MUFG Securities Asia Limited, Standard Chartered Bank and State Bank of India, London Branch and any other Dealers appointed in accordance with the Programme Agreement (as defined under "*Subscription and Sale*").
Certain Restrictions:	Each issue of Notes in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*" and "*Transfer Restrictions*").
Principal Paying Agent:	The Bank of New York Mellon, London Branch (in respect of Notes other than DTC Notes)
DTC Paying Agent and Exchange Agent:	The Bank of New York Mellon (in respect of DTC Notes (as defined in "*Book-Entry Clearance Systems*"))
Transfer Agents:	The Bank of New York Mellon SA/NV, Luxembourg Branch (in respect of Notes other than DTC Notes), The Bank of New York Mellon (in respect of DTC Notes)
Registrars:	The Bank of New York Mellon SA/NV, Luxembourg Branch (in respect of Notes other than DTC Notes), The Bank of New York Mellon (in respect of DTC Notes)
Programme Size:	U.S.$7,000,000,000 (or its equivalent in other currencies calculated as described under "*General Description of the Programme*") in aggregate nominal amount of Notes outstanding at any time. We may

increase the amount of the Programme in accordance with the terms of the Programme Agreement.

Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, any currency agreed between us and the relevant Dealer.
Maturities:	Such maturities as may be agreed between us and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to us including but not limited to the minimum maturity period specified under the ECB Guidelines or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer and/or registered form as described in "*Form of the Notes*".
Fixed Rate Notes:	Fixed interest will be payable at such rate or rates in arrear and on such date or dates as may be agreed between us and the relevant Dealer, subject to any regulatory requirement (including but not limited to the ECB Guidelines) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between us and the relevant Dealer, subject to any regulatory requirement (including but not limited to the ECB Guidelines).
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate, subject to any regulatory requirement including but not limited to the ECB Guidelines, determined: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as of the Issue Date of the first Tranche of the Notes of the relevant Series); or (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (iii) on such other basis as may be agreed between us and the relevant Dealer. The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes, subject to any regulatory requirement (including but not limited to the ECB Guidelines). Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Index Linked Notes: Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as we and the relevant Dealer may agree, subject to any regulatory requirement (including but not limited to the ECB Guidelines).

Other provisions in Floating Rate Notes and Index Linked Interest Notes: Floating Rate Notes and Index Linked Interest Notes may also have a relation to maximum interest rate, a minimum interest rate or both, subject to any regulatory requirement including but not limited to the ECB Guidelines.

Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by us and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

Dual Currency Notes: Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as we and the relevant Dealer may agree, subject to any regulatory requirement (including but not limited to the ECB Guidelines).

Each Dual Currency Note shall have an interest rate in accordance with applicable Indian regulatory requirements (including without limitation, the ECB Guidelines) or any specific approval received by the Issuer (where relevant) from the RBI or the AD Bank, as the case may be, or any other governmental or regulatory authority.

Partly Paid Notes: We may issue Notes in respect of which the issue price is paid in separate instalments in such amounts and on such dates as we and the relevant Dealer may agree.

Each Partly Paid Note shall have an interest rate in accordance with applicable Indian regulatory requirements (including without limitation, the ECB Guidelines) or any specific approval received by the Issuer (where relevant) from the RBI or the AD Bank, as the case may be, or any other governmental or regulatory authority.

Zero Coupon Notes: Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Other Notes: We may agree with any Dealer and the Principal Paying Agent that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event the relevant provisions will be included in the applicable Pricing Supplement.

Redemption: Unless otherwise indicated in the applicable Pricing Supplement, the relevant Notes cannot be redeemed prior to their stated maturity other than (i) in specified instalments, if applicable, (ii) for taxation reasons, (iii) following a Change in Control (as defined in Condition 7.3) or (iv) following an Event of Default (as defined in Condition 10.1). The applicable Pricing Supplement will indicate whether such Notes may be redeemed (either in whole or in part) prior to the stated maturity at the option of the Issuer upon giving notice to the Noteholders on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as set forth in the Terms and Conditions of the Notes or as may be agreed between us and the relevant Dealer.

Please note that any redemption of the Notes prior to their average stated maturity will require the prior approval of an authorized dealer bank (**AD Bank**) or the RBI under the ECB Guidelines.

The applicable Pricing Supplement may provide that Notes may be redeemable in separate instalments in such amounts and on such dates as are indicated in the applicable Pricing Supplement, subject to any regulatory requirement including but not limited to the ECB Guidelines.

Denomination of Notes: Notes will be issued in such denominations as may be agreed between us and the relevant Dealer save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.

Unless otherwise stated in the applicable Pricing Supplement, the minimum denomination of each Legended Note will be U.S.$200,000, or U.S.$500,000 in the case of each Definitive IAI Registered Note, or their respective approximate equivalent in other Specified Currencies.

Taxation: All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction (as defined in Condition 8), subject as provided in Condition 8. In the event that any such deduction is made, we will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.

Without prejudice to our obligation to pay additional amounts as described above, all payments in respect of the Notes will be made subject to any withholding or deduction required pursuant to fiscal and other laws, as provided in Condition 6.8.

Negative Pledge: The terms of the Notes will contain a negative pledge provision as further described in Condition 4.

Cross Default: The terms of the Notes will contain a cross default provision as further described in Condition 10.

Status of the Notes: The Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 4, our unsecured obligations of and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all of our other unsecured obligations (other than subordinated obligations, if any), from time to time outstanding.

Listing:	Application has been made to the SGX-ST for permission to deal in and quotation for any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series. Notes issued under the Programme will be traded on the SGX-ST in a minimum board lot size of SGD200,000 (or its equivalent in other currencies) for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require. Application has been made to the London Stock Exchange for the Notes to be admitted to the London Stock Exchange's ISM. The ISM is not a UK regulated market for the purposes of the UK MiFIR. Application has also been made to the India INX for the Notes to be admitted for trading on the India INX. The listing of the Notes is in compliance with the IFSCA Regulations. Application has also been made to the NSE IFSC for the Notes to be admitted for trading on the NSE IFSC. The listing of the Notes is in compliance with the IFSCA Regulations. Unlisted Notes may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).
Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and construed in accordance with, English law.
Clearing System:	Euroclear, Clearstream, Luxembourg, DTC and/or any other clearing system, as specified in the applicable Pricing Supplement (see "*Form of the Notes*").
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the EEA, the United Kingdom, Italy, Japan, India, Hong Kong and Singapore and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes (see "*Subscription and Sale*" and "*Transfer Restrictions*").
United States Selling Restrictions:	Regulation S, Category 1 or 2, Rule 144A and/or Section 4(a)(2). TEFRA D or C (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the **Code**)), or TEFRA not applicable, as specified in the applicable Pricing Supplement.

FORM OF THE NOTES

The Notes of each Series will either be in bearer form, with or without interest coupons (**Coupons**) attached (**Bearer Notes**), or registered form, without interest coupons attached (**Registered Notes**). Bearer Notes will only be issued outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act (**Regulation S**), and Registered Notes will be issued both outside the United States and, in certain circumstances, only to non-U.S. persons, in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A or Regulation D under the Securities Act or otherwise in private transactions that are exempt from the registration requirements of the Securities Act.

Notes to be listed on the SGX-ST, the ISM, the India INX or the NSE IFSC will be accepted for clearance through Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking S.A. (**Clearstream, Luxembourg**) and/or The Depository Trust Company (**DTC**).

Bearer Notes

Each Tranche of Bearer Notes will be in bearer form and will initially be represented by either a temporary bearer global note (a **Temporary Bearer Global Note**) or a permanent bearer global note (a **Permanent Bearer Global Note** and, together with a Temporary Bearer Global Note, the **Bearer Global Notes**, and each a **Bearer Global Note**) as indicated in the applicable Pricing Supplement, which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream, Luxembourg. While any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the **Exchange Date**) which, for each Tranche in respect of which a Temporary Bearer Global Note is issued, is 40 days after the Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) definitive Bearer Notes (**Definitive Bearer Notes**) of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of Definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement), in each case against certification of beneficial ownership as described above, unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Global Note or for Definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon the occurrence of an Exchange Event.

For these purposes, **Exchange Event** means that (i) an Event of Default has occurred and is continuing, (ii) we have been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor or alternative clearing system is available or (iii) we have or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form. We will promptly give notice to the Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, we may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Notes with a maturity of more than one year, and any receipts, talons and interest coupons relating to such Notes, where TEFRA D is specified in the applicable Pricing Supplement:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts, talons or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts, talons or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Registered Notes

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold outside the United States and, in certain circumstances, only to non-U.S. persons, will initially be represented by a global note in registered form (a **Regulation S Global Note**). If Category 2 is specified in the applicable Pricing Supplement, prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

The Registered Notes of each Tranche offered and sold in the United States may only be offered and sold in private transactions (i) to "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act (**QIBs**) or (ii) to "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are institutions (**Institutional Accredited Investors**) and who execute and deliver an IAI Investment Letter (as defined in the "*Terms and Conditions of the Notes*") in which they agree to purchase the Notes for their own account and not with a view to the distribution thereof. The Registered Notes of each Tranche sold to QIBs will be represented by a global note in registered form (a **Rule 144A Global Note** and, together with a Regulation S Global Note, each a **Registered Global Note**). No sale of Legended Notes (as defined under "*U.S. Information*" above) in the United States to any one purchaser will be for less than U.S.$200,000 (or its foreign currency equivalent) principal amount.

Registered Global Notes will either (i) be deposited with a custodian for, and registered in the name of a nominee of, DTC or (ii) be deposited with, and registered in the name of a nominee of, a common depositary for Euroclear and Clearstream, Luxembourg, as specified in the applicable Pricing Supplement. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form (**Definitive Registered Notes**).

The Registered Notes of each Tranche sold to Institutional Accredited Investors will be in definitive form, registered in the name of the holder thereof (**Definitive IAI Registered Notes**). Unless otherwise set forth in the applicable Pricing Supplement, Definitive IAI Registered Notes will be issued only in minimum denominations of U.S.$500,000 and integral multiples of U.S.$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency). Definitive IAI Registered Notes will be subject to the restrictions on transfer set forth therein and will bear the restrictive legend described under "*Subscription and Sale*" and "*Transfer Restrictions*". Institutional Accredited Investors that hold Definitive IAI Registered Notes may not elect to hold such Notes through DTC, Euroclear or Clearstream, Luxembourg, but transferees acquiring such Notes in transactions exempt from Securities Act registration pursuant to Regulation S or Rule 144A under the Securities Act (if available) may do so upon satisfaction of the requirements applicable to such transfer as described under "*Subscription and Sale*" and "*Transfer Restrictions*". The Registered Global Notes and the Definitive IAI Registered Notes will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 6.4) as the registered holder of the Registered Global Notes. None of the Issuer, any Paying Agent or the Registrar (each as defined under "*Terms and Conditions of the Notes*") will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Definitive Registered Notes will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6.4) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default has occurred and is continuing, (ii) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified us that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act and no alternative clearing system is available, (iii) in the case of Notes registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg, we have been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available or (iv) we have or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form. We will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iv) above, we may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note or in the form of a Definitive IAI Registered Note and Definitive IAI Registered Notes may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such Notes in the form of an interest in a Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. **Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see "*Subscription and Sale*" and "*Transfer Restrictions*".**

General

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN number and, where applicable, a CUSIP and CINS number which are different from the common code, ISIN, CUSIP and CINS assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the Distribution Compliance Period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Bearer Global Note or a Registered Global Note (each a **Global Note**) held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear and/or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Principal Paying Agent, the Issuer and their agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Principal Paying Agent, the Issuer and their agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the Agency Agreement and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 10. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note, then the Global Note will become void as from 8.00 p.m. (London time) on the day immediately following such day. At the same time, holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by

Euroclear and/or Clearstream, Luxembourg and/or DTC on and subject to the terms of the Notes. In addition, holders of interests in such Global Note credited to their accounts with DTC may require DTC to deliver definitive Notes in registered form in exchange for their interest in such Global Note in accordance with DTC's standard operating procedures.

If the applicable Pricing Supplement specifies any modification to the Terms and Conditions of the Notes as described herein, it is envisaged that, to the extent that such modification relates only to Conditions 1, 5, 6, 7 (except Condition 7.2), 11, 12, 13 and/or 14 (insofar as such Notes are not listed or admitted to trade on any stock exchange), they will not necessitate the preparation of a supplement to this Offering Circular. If the Terms and Conditions of the Notes of any Series are to be modified in any other respect, a supplement to this Offering Circular will be prepared, if appropriate.

So long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, we shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption, in the event that a Global Note representing such Notes is exchanged for definitive Notes. In addition, in the event that a Global Note representing such Notes is exchanged for definitive Notes, an announcement of such exchange will be made by the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

FORM OF PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme.

[**MiFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, **MiFID II**); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**UK MIFIR product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (**COBS**), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**UK MiFIR**); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the **Prospectus Regulation**). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[**PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (**UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the **FSMA**) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the **UK Prospectus Regulation**). Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

[**SINGAPORE SFA PRODUCT CLASSIFICATION** – In connection with Section 309B of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the **SFA**) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the **CMP Regulations 2018**), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are [prescribed capital markets products] / [capital markets products other than prescribed capital markets products] (as defined in the CMP Regulations 2018) and are [Excluded] / [Specified] Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products).][1]

[*Date*]

REC Limited
Legal entity identifier (LEI): 335800B4YRYWAMIJZ374

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the U.S.$7,000,000,000
Global Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated [●], 2022 [and the supplements to it dated [●] and [●]] (the **Offering Circular**). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular.

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date*.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular dated [*original date*]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated *[current date]*, save in respect of the Conditions which are extracted from the Offering Circular dated *[original date]* and are attached hereto.]

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement*.]

1.	Issuer:		REC Limited
2.	(a)	Series Number:	[ ]

[1] For any Notes to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.

	(b)	Tranche Number:	[ ] (*If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible*)
	(c)	Date on which the Notes will be consolidated and for a single Series:	The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [●] below, which is expected to occur on or about [*date*]] [Not Applicable]
3.	Specified Currency or Currencies:		[ ]
4.	Aggregate Nominal Amount:		
	(a)	Series:	[ ]
	(b)	Tranche:	[ ]
5.	(a)	Issue Price:	[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*]] [(*in the case of fungible issues only, if applicable*)]
	(b)	[Net proceeds:	[ ]]
6.	(a)	Specified Denominations:	[ ] (*N.B. Notes must have a minimum denomination of €100,000 or equivalent) (Note - where Bearer Notes with multiple denominations above [€100,000] or equivalent are being used with respect to Bearer Notes, the following sample wording should be followed*: "*[€100,000] and integral multiples of* [*€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000]*.") (*N.B. If an issue of Notes is: (i) NOT admitted to trading on a European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Regulation the €100,000 minimum denomination is not required.*) (*In the case of Registered Notes, this means the minimum integral amount in which transfers can be made.*)
	(b)	Calculation Amount (and in relation to calculation of interest	[ ] (*If only one Specified Denomination, insert the Specified Denomination.*

in global form see Conditions):	*If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations*.)
7. (a) Issue Date:	[ ]
(b) Interest Commencement Date:	[*Specify*/Issue Date/Not Applicable] (*N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.*)
8. Maturity Date:	[*Fixed rate – specify date/Floating rate - Interest Payment Date falling in or nearest to* [*specify month and year*]]
9. Trade Date:	[ ]
10. Interest Basis:	[[ ] per cent. Fixed Rate] [[LIBOR/EURIBOR] +/- [ ] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest] [*specify other*] (further particulars specified below)
11. Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency Redemption] [Partly Paid] [Instalment] [*specify other*]
12. Change of Interest Basis or Redemption/Payment Basis:	[Applicable/Not Applicable] (*if applicable, specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis*) (*N.B. Only relevant where Board (or similar) authorization is required for the particular tranche of Notes*)
13. Put/Call Options:	[Issuer Call] [(*further particulars specified below*)]
14. (a) Status of the Notes:	[Senior]
(b) Date of board approval for issuance of Notes obtained:	[ ] [and [ ], respectively]/[None required] (*N.B. Only relevant where regulatory (or similar) approval or consent is required for the particular tranche of Notes*)
(c) Date of regulatory/RBI approval/consent for issuance of Notes obtained:	[ ]/[None required] (*N.B. Only relevant where regulatory (or similar) approval or consent is required for the particular tranche of Notes*)

15. Listing:	[SGX-ST/ISM/GSM of the India INX/NSE IFSC/*specify other*/None] (*N.B. Consider disclosure requirements under the EU Prospectus Regulation applicable to securities admitted to an EU regulated market*)
16. Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

17. Fixed Rate Note Provisions:		[Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph)
(a)	Rate(s) of Interest:	[ ] per cent. per annum payable in arrear on each Interest Payment Date
(b)	Interest Payment Date(s):	[ ] in each year up to and including the Maturity Date (*Amend appropriately in the case of irregular coupons*)
(c)	Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	[ ] per Calculation Amount
(d)	Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	[[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]][Not Applicable]
(e)	Count Fraction:	[Actual/Actual (ICMA)]; [30/360]; [Actual/365 (Fixed)] [*specify other*]
(f)	Determination Date(s):	[[ ] in each year][Not Applicable] (*Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*)
(g)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None/*Give details*]
18. Floating Rate Note Provisions:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)

(a)	Specified Period(s)/ Specified Interest Payment Dates:	[ ][, subject to adjustment in accordance with the Business Day Convention set out in (b) below/not subject to any adjustment, as the Business Day Convention in (b) below is specified to be not applicable.]
(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/[*specify other*]]
(c)	Additional Business Centre(s):	[ ]
(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/[Not Applicable]/[*specify other*]]
(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent):	[ ]
(f)	Screen Rate Determination:	
	• Reference Rate:	[ ] month [LIBOR/EURIBOR/specify other Reference Rate] (*Either LIBOR, EURIBOR or other, although additional information required if other, including fallback provisions in the Agency Agreement.*)
	• Interest Determination Date(s):	[ ] (*Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR*)
	• Relevant Screen Page:	[ ] (*In the case of EURIBOR, if not Reuters EURIBOR 01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
(g)	ISDA Determination:	
	• Floating Rate Option:	[ ]

	•	Designated Maturity:	[ ]
	•	Reset Date:	[ ]
			(*in the case of a LIBOR or EURIBOR based option, the first day of the Interest Period*)
			(*N.B. The fall-back provisions applicable to ISDA Determination under the 2006 ISDA Definitions are reliant upon the provision by reference banks of offered quotations for LIBOR and/or EURIBOR which, depending on market circumstances, may not be available at the relevant time*)
	(h)	Margin(s):	[+/-] [●] per cent. per annum
	(i)	Minimum Rate of Interest:	[ ] per cent. per annum
	(j)	Maximum Rate of Interest:	[ ] per cent. per annum
	(k)	Day Count Fraction:	[Actual/Actual (ISDA)] [Actual/Actual] Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 [30/360], [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)] [*specify other*] (*See Condition [5] for alternatives*)
19.	Zero Coupon Note Provisions:		[Applicable/Not Applicable]
			(*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Accrual Yield:	[ ] per cent. per annum
	(b)	Reference Price:	[ ]
	(c)	Any other formula/ basis of determining amount payable:	[ ]
	(d)	Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360] [Actual/365] [*specify other*]

20.	Index Linked Interest Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a)	Index/Formula:	[*give or annex details*]
(b)	Calculation Agent:	[*give name*]
(c)	Calculation Agent responsible for calculating the interest due:	[ ]
(d)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[ ] (*Need to include a description of market disruption or settlement disruption events and adjustment provisions*)
(e)	Specified Period(s)/ Specified Interest Payment Dates:	[ ]
(f)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
(g)	Additional Business Centre(s):	[ ]
(h)	Minimum Rate of Interest:	[ ] per cent. per annum
(i)	Maximum Rate of Interest:	[ ] per cent. per annum
(j)	Day Count Fraction:	[ ]
21.	Dual Currency Interest Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a)	Rate of Exchange/ method of calculating Rate of Exchange:	[*give details*]
(b)	Party responsible for calculating the Rate of Interest (if not the	[ ]

	Calculation Agent) and Interest Amount (if not the Principal Paying Agent):	
(c)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[ ]
(d)	Person at whose option Specified Currency(ies) is/are payable:	[ ]

PROVISIONS RELATING TO REDEMPTION

22. Issuer Call:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a)	Optional Redemption Date(s):	[ ]
(b)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount/*specify other/*see Appendix]
(c)	If redeemable in part:	
	(i) Minimum Redemption Amount:	[ ]
	(ii) Maximum Redemption Amount:	[ ]
(d)	Notice period (if other than as set out in the Conditions):	[ ] (*N.B. If setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of five clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent*)
23. Final Redemption Amount:		[ ] per Calculation Amount

24. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required):	[[ ] per Calculation Amount/*specify other/*see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Form of Notes:	[Bearer Notes:

[Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Bearer Notes upon an Exchange Event]

[Temporary Bearer Global Note exchangeable for Definitive Bearer Notes on and after the Exchange Date] [Permanent Bearer Global Note exchangeable for Definitive Bearer Notes upon an Exchange Event]

(*Ensure that this is consistent with the wording in the "Form of the Notes" section in the Offering Circular and the Notes themselves. The option for an issue of Notes to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect*:

"[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000]".)]

[Registered Notes:

[Regulation S Global Note(s) [(U.S.$[ ] aggregate nominal amount)] registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg] (*specify nominal amount*)]

[Rule 144A Global Note(s) [(U.S.$[ ] aggregate nominal amount)] registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg] (*specify nominal amount*)]

[Definitive IAI Registered Notes [(U.S.$[ ] aggregate nominal amount)] (*specify nominal amount*)]

(*In the case of an issue with more than one Global Note or a combination of one or more Global Notes and Definitive IAI Registered Notes, specify the nominal amounts of each Global Note and, if applicable, the aggregate nominal*

	amount of all Definitive IAI Registered Notes if such information is available)]
26. Additional Financial Centers:	[Not Applicable/*give details*] (*Note that this item relates to the date of payment and not Interest Period end dates to which items 18(c) and 20(f) relate*)
27. Talons for future Coupons to be attached to Definitive Notes in bearer form (and dates on which such Talons mature):	[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]
28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details. N.B. a new form of Temporary Bearer Global Note and/or Permanent Bearer Global Note may be required for Partly Paid issues*]
29. Details relating to Instalment Notes:	[*Not Applicable*]
(a) [Instalment Amount(s):	[*give details*]]
(b) [Instalment Date(s):	[*give details*]]
30. Permitted Security Interest Date:	[ ] (*See Condition [4]*)
31. Other terms or special conditions:	[Not Applicable/*give details*]

DISTRIBUTION

32. (a) If syndicated, names of Managers:	[Not Applicable*/give names*]
(b) Stabilization Manager(s) (if any):	[Not Applicable*/give name(s)*]
33. If non-syndicated, name of relevant Dealer:	[●]
34. U.S. Selling Restrictions:	Regulation S Compliance Category [1/2]; [Rule 144A/Rule 144A and Section 4(a)(2)] (*Notes offered in reliance on Category 1 must be in registered form*)

35. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable:	[TEFRA D/TEFRA C/TEFRA not applicable]
36. Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified*.)
37. Prohibition of Sales to UK Retail Investors	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified*.)
38. Additional selling restrictions:	[Not Applicable/*give details*]
39. Additional U.S. federal income tax considerations:	[Not Applicable/*give details*] [The Notes are [not] Specified Notes for purposes of Section 871(m) of the U.S. Internal Revenue Code of 1986. [Additional information regarding the application of Section 871(m) to the Notes will be available from [provide appropriate contact details or location of such information].]] [As at the date of this Pricing Supplement, the Issuer has not determined whether the Notes are Specified Notes for purposes of Section 871(m) of the U.S. Internal Revenue Code of 1986; however, indicatively it considers that they will [not] be Specified Notes for these purposes. This is indicative information only subject to change and if the Issuer's final determination is different then it will give notice of such determination. Further information regarding the application of Section 871(m) to the Notes will be available [provide appropriate contact details or location of such information].] (*The Notes will not be Specified Notes if they (i) are issued prior to January 1, 2023 and provide a return that differs by more than a de minimis amount from the return on an investment in any referenced U.S. equity (including any U.S. equity that is a component of a referenced index) or (ii) do not reference any U.S. equity or any index that contains any component U.S. equity or otherwise provide direct or indirect exposure to U.S. equities. If the Notes are issued on or after January 1, 2023 and reference a U.S. equity or an index that contains a component U.S. equity or otherwise*

provide direct or indirect exposure to U.S. equities, further analysis would be required.)

OPERATIONAL INFORMATION

40. Any clearing system(s) other than DTC, Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
41. Delivery:	Delivery [against/free of] payment
42. Additional Paying Agent(s) (if any):	[ ]
43. ISIN:	[ ]
44. Common Code:	[ ]
45. CUSIP:	[ ]
46. CINS:	[ ]
47. FISN:	[ ]/Not Applicable
48. CFI	[ ]/Not Applicable (*If the CFI and/or FISN is not required, requested or available, it/they should be specified as "Not Applicable"*)

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on [SGX-ST]/[ISM]/[India INX]/[NSE IFSC] of the Notes described herein pursuant to the U.S.$7,000,000,000 Global Medium Term Note Programme of REC Limited.

[STABILIZATION

In connection with this issue, [●] (the **Stabilization Manager**) (or persons acting on behalf of any Stabilization Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilization may not necessarily occur. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilization action or over-allotment must be conducted by the relevant Stabilization Manager (or person(s) acting on behalf of any Stabilization Manager) in accordance with all applicable laws and rules.]

INVESTMENT CONSIDERATIONS

There are significant risks associated with the Notes including, but not limited to, counterparty risk, country risk, price risk and liquidity risk. Investors should contact their own financial, legal, accounting and tax advisers about the risks associated with an investment in these Notes, the appropriate tools to analyze that investment, and the suitability of the investment in each investor's particular circumstances. No investor should purchase the Notes unless that investor understands and has sufficient financial resources to bear the price, market liquidity, structure and other risks associated with an investment in these Notes.

Before entering into any transaction, investors should ensure that they fully understand the potential risks and rewards of that transaction and independently determine that the transaction is appropriate given their objectives, experience, financial and operational resources and other relevant circumstances. Investors should consider consulting with such advisers as they deem necessary to assist them in making these determinations.

Responsibility

[[The SGX-ST]/[The ISM]/[India INX]/[NSE IFSC] assume[s] no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Pricing Supplement. The admission of the Notes to [the Official List of the SGX-ST] [and the admission of the Notes to the [ISM]/[India INX]/[NSE IFSC]] is not to be taken as an indication of the merits of the Issuer, the merits of our subsidiaries or associated companies, the Program or the Notes.]

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By: _________________________

Duly authorized

TERMS AND CONDITIONS OF THE NOTES

The following, subject to alteration and except for the paragraphs in italics, are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Notes" for a description of the content of Pricing Supplements which will specify which of such terms are to apply in relation to the relevant Notes.

*The issuance of, and the Terms and Conditions in relation to, the Notes are subject to applicable laws including the Foreign Exchange Management Act, 1999, as amended from time to time ("**FEMA**") and rules, regulations, directions, circulars, and guidelines issued by the RBI in force from time to time. The Notes will, when issued, be issued overseas in accordance with the ECB Guidelines (as defined below).*

This Note is one of a Series (as defined below) of Notes issued by REC Limited (formerly known as Rural Electrification Corporation Limited) (the "**Issuer**") pursuant to the Agency Agreement (as defined below).

References herein to the "**Notes**" shall be references to the Notes of this Series and shall mean:

(i) in relation to any Notes represented by a global Note (a "**Global Note**"), units of the lowest Specified Denomination in the Specified Currency;

(ii) any Global Note in bearer form (a "**Bearer Global Note**");

(iii) any Global Note in registered form (a "**Registered Global Note**");

(iv) definitive Notes in bearer form ("**Definitive Bearer Notes**", and together with Bearer Global Notes, the "**Bearer Notes**") issued in exchange for a Bearer Global Note; and

(v) definitive Notes in registered form ("**Definitive Registered Notes**", and together with Registered Global Notes, the "**Registered Notes**"), whether or not issued in exchange for a Registered Global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an amended and restated Agency Agreement dated October 22, 2018, as amended and supplemented by the First Supplemental Agency Agreement dated February 20, 2020 (such Agency Agreement as may be further amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") and made between the Issuer, The Bank of New York Mellon, London Branch as principal paying agent (the "**Principal Paying Agent**", which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent and the DTC Paying Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents), The Bank of New York Mellon as DTC registrar (the "**DTC Registrar**", which expression shall include any successor registrar), as exchange agent (the "**Exchange Agent**", which expression shall include any additional or successor exchange agents), as DTC transfer agent (the "**DTC Transfer Agent**", which expression shall include any substitute or any additional transfer agents) and as DTC paying agent (the "**DTC Paying Agent**", which expression shall include any additional or successor paying agents) and The Bank of New York Mellon SA/NV, Luxembourg Branch as Euroclear/Clearstream registrar (the "**Euroclear/Clearstream Registrar**", which expression shall include any successor registrar) and as Euroclear/Clearstream transfer agent (the "**Euroclear/Clearstream Transfer Agent**", which expression shall include any substitute or any additional transfer agents).

In these Conditions, "**Registrar**" shall mean (i) in respect of Notes to be cleared through DTC, the DTC Registrar, and (ii) in respect of all other Notes, the Euroclear/Clearstream Registrar, "**Transfer Agent**" shall mean (i) in respect of Notes to be cleared through DTC, the DTC Transfer Agent, and (ii) in respect of all other Notes, the Euroclear/Clearstream Transfer Agent, and "**Agents**" shall mean the Principal Paying Agent, the Paying Agents, the Registrar, the Exchange Agent, the Calculation Agent and the Transfer Agents, collectively.

Interest bearing Definitive Bearer Notes have interest coupons ("**Coupons**") and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in instalments have receipts ("**Receipts**") for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Pricing Supplement for this Note (or the relevant provisions thereof) is attached to or endorsed on this Note and supplements these Terms and Conditions ("**Conditions**") and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify these Conditions for the purposes of this Note. References to the "**applicable Pricing Supplement**" are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference to "**Noteholders**" or "**holders**" in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose names the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to "**Receiptholders**" shall mean the holders of the Receipts and any reference herein to "**Couponholders**" shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and Series means a Tranche of Notes together with any further Tranche or Tranches of Notes which (i) are expressed to be consolidated and form a single series and (ii) have the same terms and conditions which are the same in all respects save for the amount and date of first payment of interest thereon and the date from which interest starts to accrue.

Copies of the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Principal Paying Agent (being, at One Canada Square, London E14 5AL, United Kingdom). Copies of the applicable Pricing Supplement are obtainable during normal business hours at the specified office of the Principal Paying Agent and the corporate office of the Issuer save that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, and are bound by, all the provisions of the Agency Agreement and the applicable Pricing Supplement which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1 FORM, DENOMINATION AND TITLE

The Notes may be in bearer form ("**Bearer Notes**") and/or in registered form ("**Registered Notes**") as specified in the applicable Pricing Supplement and, in the case of definitive Notes, will be serially numbered, in the currency (the "**Specified Currency**") and the denominations (the "**Specified Denomination(s)**"), specified in the applicable Pricing Supplement. Save as provided in Condition 2, Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement, which Interest Basis shall be as per the applicable laws including but not limited to the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations 2000, as amended from time to time, and circulars issued thereunder by the Reserve Bank of India (the "**RBI**") including the Master Direction on External Commercial Borrowing, Trade Credit, Borrowing and Lending in Foreign Currency by Authorised Dealers and Persons other than Authorised Dealers dated 1 January 2016, as amended, updated, modified and supplemented from time to time, and the Master Direction on Reporting under Foreign Exchange Management Act, 1999, dated 1 January 2016, as amended from time to time (the "**ECB Guidelines**").

This Note may also be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery. Title to Registered Notes will pass upon registration of transfers in the books of the Registrar in accordance with the provisions of the Agency Agreement. The Issuer, the Principal Paying Agent, any Paying Agent, the Registrar and the Transfer Agent will (except as otherwise ordered by a court of competent jurisdiction or required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and any person in whose name a Registered Note is registered as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held by a common depositary on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream**"), each person (other than Euroclear or Clearstream) who is for the time being shown in the records of Euroclear or Clearstream as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, any Paying Agents, the Registrar and the Transfer Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer or registered holder of the relevant Global Note shall be treated by the Issuer, any Paying Agent, the Registrar and the Transfer Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly.

For so long as The Depository Trust Company ("**DTC**") or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear and Clearstream, as the case may be. References to DTC, Euroclear and/or Clearstream shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

2 TRANSFERS OF REGISTERED NOTES

2.1 Transfers of Interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be exchangeable for Registered Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

2.2 Transfers of Registered Notes Generally

Registered Notes may not be exchanged for Bearer Notes and vice versa.

Holders of Definitive Registered Notes may exchange such Definitive Registered Notes for interests in a Registered Global Note of the same type at any time.

Upon the terms and subject to the conditions set forth in the Agency Agreement, a Definitive Registered Note may be transferred in whole or in part (in the authorised denominations set out in the applicable Pricing Supplement). In order to effect any such transfer:

(i) the holder or holders must (a) surrender the Definitive Registered Note for registration of the transfer of the Definitive Registered Note (or the relevant part of the Definitive Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (b) complete and deposit such other certifications as may be required by the relevant Transfer Agent; and

(ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, being satisfied with the documents of title and the identity of the person making the request and subject to such reasonable regulations as the Issuer, the Registrar, or as the case may be, the relevant Transfer Agent from time to time may prescribe (such initial regulations being set out in Schedule 4 to the Agency Agreement).

Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by mail to such address as the transferee may request, a new Definitive Registered Note of a like aggregate nominal amount to the Definitive Registered Note (or the relevant part of the Definitive Registered Note) transferred. In the case of the transfer of part only of a Definitive Registered Note, a new Definitive Registered Note in respect of the balance of the Definitive Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

2.3 Registration of Transfer upon Partial Redemption

In the event of a partial redemption of Notes under Condition 7, the Issuer shall not be required to register the transfer of any Registered Note, or a part Registered Note, called for partial redemption.

2.4 Costs of Registration

Registration of transfers will be effected without charge by or on behalf of the Issuer, the Registrar or the relevant Transfer Agent, but upon payment (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to it provided that the Issuer shall not be responsible for any documentary stamp tax payable on the transfer of Notes effected in the Republic of India ("**India**") unless the Issuer is the counterparty directly liable for that documentary stamp tax.

2.5 Transfers of Interests in Regulation S Global Notes

Transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note to a transferee in the United States will only be made:

(i) upon receipt by the Registrar of a written certification substantially in the form set out in Schedule 7 to the Agency Agreement, amended as appropriate (a "**Transfer Certificate**"), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made:

  (A) to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or

  (B) to a person who is an Institutional Accredited Investor;

  together with, in the case of (B), a duly executed investment letter from the relevant transferee substantially in the form set out in Schedule 8 to the Agency Agreement (an "**IAI Investment Letter**") and such other satisfactory evidence as the Issuer may reasonably require from the transferor, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States; or

(ii) otherwise pursuant to an effective registration statement under the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require from the transferor, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States, and,

in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

In the case of Condition 2.5(i)(A) above, such transferee may take delivery through a Legended Note in global or definitive form and, in the case of Condition 2.5(i)(B) above, such transferee may take delivery only through a Legended Note in definitive form. After expiry of the Distribution Compliance Period, if applicable, (i) beneficial interests in Regulation S Global Notes registered in the name of a nominee for DTC may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC and (ii) such certification requirements will no longer apply to such transfers.

2.6 Transfers of Interests in Legended Notes

Transfers of Legended Notes or beneficial interests therein may be made:

(i) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that in the case of a Regulation S Global Note registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream; or

(ii) to a transferee who takes delivery of such interest through a Legended Note:

(A) where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or

(B) where the transferee is an Institutional Accredited Investor, subject to delivery to the Registrar of a Transfer Certificate from the transferor to the effect that such transfer is being made to an Institutional Accredited Investor, together with a duly executed IAI Investment Letter from the relevant transferee and such other satisfactory evidence as the Issuer may reasonably require from the transferor, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction;

(iii) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available); or

(iv) pursuant to an effective registration statement under the Securities Act,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Notes transferred by Institutional Accredited Investors to QIBs pursuant to Rule 144A or outside the United States pursuant to Regulation S will be eligible to be held by such QIBs or non-U.S. investors through DTC, Euroclear or Clearstream, as appropriate, and the Registrar will arrange for any Notes which are the subject of such a transfer to be represented by the appropriate Registered Global Note, where applicable.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the legend (the "**Legend**") applicable to Legended Notes, the Registrar shall deliver only Legended Notes or refuse to remove such Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

2.7 Exchanges of Registered Notes Generally

Holders of Registered Notes in definitive form, other than Institutional Accredited Investors, may exchange such Notes for interests in a Registered Global Note of the same type at any time.

2.8 Closed Periods

No Noteholder may require the transfer of a Registered Note to be registered:

(i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note;

(ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 7.4;

(iii) after any such Note has been called for redemption; or

(iv) during the period of seven days ending on (and including) any Record Date.

2.9 Definitions

In these Conditions, the following expressions shall have the following meanings:

"**Distribution Compliance Period**" means the period that ends 40 days after the completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue);

"**Institutional Accredited Investor**" means an institutional investor that qualifies as an "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act);

"**Legended Note**" means Registered Notes in definitive form that are issued to Institutional Accredited Investors and Registered Notes (whether in definitive form or represented by a Registered Global Note) sold in private transactions to QIBs in accordance with the requirements of Rule 144A;

"**QIB**" means a "qualified institutional buyer" within the meaning of Rule 144A;

"**Regulation S**" means Regulation S under the Securities Act;

"**Regulation S Global Note**" means a Registered Global Note representing Notes sold outside the United States in reliance on Regulation S;

"**Rule 144A**" means Rule 144A under the Securities Act;

"**Rule 144A Global Note**" means a Registered Global Note representing Notes sold in the United States to QIBs; and

"**Securities Act**" means the United States Securities Act of 1933, as amended.

3 STATUS

The Notes and any relative Receipts and Coupons are direct, unconditional and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and (subject to the provisions of Condition 4) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

4 NEGATIVE PLEDGE

4.1 Negative Pledge

So long as any of the Notes remains outstanding, the Issuer will ensure that no Relevant Indebtedness (as defined below) of the Issuer or any of its Material Subsidiaries (as defined below) will be secured by any Security Interest (as defined below) upon, or with respect to, any of the present or future business, undertaking, assets or revenues (including any uncalled capital) of the Issuer or any of its Material Subsidiaries, except for any Permitted Security Interest, unless the Issuer, in the case of the creation of the Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

(a) all amounts payable by it under the Notes are secured by the Security Interest equally and rateably with the Relevant Indebtedness to the satisfaction of the Principal Paying Agent; or

(b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) as is approved by an Extraordinary Resolution (which is defined in the Agency Agreement as a resolution duly passed by a majority of not less than three-fourths of the votes cast thereon) of the Noteholders.

4.2 Interpretation

For the purposes of these Conditions:

(a) "**Indebtedness**" means any obligation (whether present or future, actual or contingent, secured or unsecured, as principal or surety or otherwise) for the payment or repayment of money;

(b) "**Material Subsidiary**" means at any time a Subsidiary of the Issuer:

(i) whose net profit before tax and extraordinary items (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent in each case (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer and its Subsidiaries relate, are equal to) not less than 5 per cent. of the consolidated net profit before tax and extraordinary items of the Issuer, or, as the case may be, consolidated total assets, of the Issuer and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of the Issuer and its Subsidiaries, provided that:

(A) if the then latest audited consolidated accounts of the Issuer and its Subsidiaries show a net loss before tax and extraordinary items for the relevant financial period then there shall be substituted for the words "net profit before tax and extraordinary items" the words "total income" for the purposes of this definition; and

(B) in the case of a Subsidiary of the Issuer acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer and its Subsidiaries relate, the reference to the then latest audited consolidated accounts of the Issuer and its Subsidiaries for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Issuer;

(ii) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer which immediately prior to such transfer is a Material Subsidiary, provided that the transferor Subsidiary shall upon such transfer forthwith cease to be a Material Subsidiary and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this subparagraph (ii) on the date on which the consolidated accounts of the Issuer and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (i) above or, prior to or after such date, by virtue of any other applicable provision of this definition; or

(iii) to which is transferred an undertaking or assets which, taken together with the undertaking or assets of the transferee Subsidiary, generated (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer and its Subsidiaries relate, generate net profit before tax and extraordinary items equal to) not less than 5 per cent. of the consolidated net profit before tax and extraordinary items of the Issuer, or represent (or, in the case aforesaid, are equal to) not less than 5 per cent. of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole, all as calculated as referred to in subparagraph (i) above, provided that the transferor Subsidiary (if a Material Subsidiary) shall upon such transfer forthwith cease to be a Material Subsidiary unless immediately following such transfer its undertaking and assets generate (or, in the case aforesaid, generate net profit before tax and extraordinary items equal to) not less than 5 per cent. of the consolidated net profit before tax and extraordinary items of the Issuer, or its assets represent (or, in the case aforesaid, are equal to) not less than 5 per cent. of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole, all as calculated as referred to in subparagraph (i) above, and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this subparagraph (iii) on the date on which the consolidated accounts of the Issuer and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (i) above or, prior to or after such date, by virtue of any other applicable provision of this definition.

(c) **Permitted Security Interest** means:

(i) any Security Interest existing as at the permitted security interest date (the "**Permitted Security Interest Date**") specified in the applicable Pricing Supplement and disclosed in writing in a letter dated on or before the Permitted Security Interest Date from the Issuer and which secures only Relevant Indebtedness outstanding as at the Permitted Security Interest Date;

(ii) any Security Interest securing any Indebtedness denominated in Rupees and obtained in the domestic markets in India;

(iii) any Security Interest securing indebtedness denominated in a currency other than Rupees and obtained solely from any international funding agency including any governmental export credit agency;

(iv) any Security Interest securing any Indebtedness denominated in any currency and due for repayment within 12 months from the date of incurring such Indebtedness, and in respect of which no commitment, obligations or arrangement exists to renew, rollover, refinance or otherwise extend the term of such Indebtedness;

(v) any lien arising by operation of law and in the ordinary course of its trading activities in respect of any obligation which is less than thirty (30) days overdue or is being contested in good faith and by appropriate means;

(vi) any Security Interest securing Financial Indebtedness which does not at any time exceed an aggregate amount of one hundred million U.S. dollars (U.S.$100,000,000) (or its equivalent in other currencies) provided however that such Financial Indebtedness is raised by a Subsidiary (other than a Material Subsidiary) and which is without any recourse to the Issuer; and

(vii) any Security Interest that has been approved by the Noteholders giving prior written consent to the Issuer (such consent not to be unreasonably withheld);

(d) "**Relevant Indebtedness**" means:

(i) any present or future indebtedness (whether being principal, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any loan or other borrowed money or any liability under or in respect of any acceptance or acceptance credit (together, "**Indebtedness for Borrowed Money**") which:

(a) by their terms are payable in a currency other than Rupees or are denominated in Rupees and more than 50 per cent. of the aggregate principal amount of which is initially distributed outside of India by or with the authorisation of the Issuer; and

(b) are for the time being, or are intended to be, or capable of being quoted, listed or ordinarily dealt in on any stock exchange, over-the- counter or other securities market; and

(ii) any guarantee or indemnity of any such indebtedness;

(e) "**Security Interest**" means any mortgage, charge, pledge, lien or other security interest; and

(f) "**Subsidiary**" means, in relation to the Issuer, any company:

(i) in which the Issuer holds a majority of the voting rights; or

(ii) of which the Issuer is a member and has the right to appoint or remove a majority of the board of directors or (iii) of which the Issuer is a member and controls a majority of the voting rights, and includes any company which is a Subsidiary of a Subsidiary of the Issuer.

5 INTEREST

*All interest payable on the Notes shall be subject to applicable laws including but not limited to the ECB Guidelines and in accordance with any specific approval received by the Issuer from the RBI or designated authorised dealer bank ("**AD Bank**") pursuant to the ECB Guidelines or any other regulatory authority.*

5.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the nominal amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

As used in these Conditions, "**Fixed Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest is required to be calculated in respect of any period by applying the Rate of Interest to:

(A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Each Fixed Rate Note shall have an interest rate which shall be in accordance with Indian regulatory requirements (including but not limited to the ECB Guidelines) or any specific approval received by the Issuer from the RBI or AD Bank pursuant to the ECB Guidelines or any other regulatory authority.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 5.1:

(a) if "**Actual/Actual (ICMA)**" is specified in the applicable Pricing Supplement:

(i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of:

(A) the number of days in such Determination Period; and

(B) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or

(ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination

Period and (y) the number of Determination Dates that would occur in one calendar year;

(b) if "**30/360**" is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; or

(c) if "**Actual/365 (Fixed)**" is specified in the applicable Pricing Supplement, the actual number of days in the Accrual Period divided by 365.

In these Conditions:

"**Determination Period**" means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

"**sub-unit**" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

5.2 Interest on Floating Rate Notes and Index Linked Interest Notes

(a) Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In these Conditions, "**Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

(b) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Pricing Supplement. The Rate of Interest shall be in accordance with Indian regulatory requirements (including the ECB Guidelines) or any specific approval received by the Issuer from the RBI or AD Bank pursuant to the ECB Guidelines or any other regulatory authority.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating

Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as of the Issue Date of the first Tranche of the Notes (the "**ISDA Definitions**") and under which:

(A) the Floating Rate Option is as specified in the applicable Pricing Supplement;

(B) the Designated Maturity is a period specified in the applicable Pricing Supplement; and

(C) the relevant Reset Date is the day specified in the applicable Pricing Supplement.

For the purposes of this sub-paragraph (i), Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity and Reset Date have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Pricing Supplement the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation; or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR as specified in the applicable Pricing Supplement) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as of 11.00 a.m. (London time, in case of LIBOR, or Brussels, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Principal Paying Agent or such other party specified in the applicable Pricing Supplement. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as of the time specified in the preceding paragraph.

(c) ***Minimum and/or Maximum Rate of Interest***

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

The Rate of Interest shall not exceed the rate of interest as specified under the ECB Guidelines or any specific approval received by the Issuer from the RBI or AD Bank pursuant to the ECB Guidelines or any other regulatory authority.

(d) ***Determination of Rate of Interest and Calculation of Interest Amounts***

The Principal Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same. If required to be calculated by it, the Principal Paying Agent or, as the case may be, the Calculation Agent shall cause the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Issuer, each of the Paying Agents, the Noteholders and, if the Notes are listed on a stock exchange and the rules of such stock exchange or other relevant authority so require, the Issuer will notify such stock exchange or other relevant authority as soon as practicable after it is notified of the same by the Calculation Agent.

The Principal Paying Agent or the Calculation Agent, as the case may be, will calculate the amount of interest (the Interest Amount) payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

(A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Each Floating Rate Note or Index Linked Interest Note shall have an interest rate which shall be in accordance with Indian regulatory requirements (including but not limited to the ECB Guidelines) or any specific approval received by the Issuer from the RBI or AD Bank pursuant to the ECB Guidelines or any other regulatory authority.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 5.2:

(i) if "**Actual/Actual (ISDA)**" or "**Actual/Actual**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of:

(A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366; and

(B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;

(iii) if "**Actual/365 (Sterling)**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "**Actual/360**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{\left([360 \times (Y1 - Y2)] + [30 \times (M2 - M1)] + (D2 - D1)\right)}{360}$$

Where:

Y1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D1 is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

D2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

(vi) if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

where:

Y1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D1 is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

D2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30; and

(vii) if "**30E/360 (ISDA)**" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{\left([360 \times (\text{Y1} - \text{Y2})] + [30 \times (\text{M2} - \text{M1})] + (\text{D2} - \text{D1})\right)}{360}$$

where:

Y1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D1 is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

D2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

(e) Notification of Rate of Interest and Interest Amounts

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and the Issuer will cause the Rate of Interest and each Interest Amount for each Interest Period to be notified to any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest

Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression London Business Day means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

(f) Certificates to be Final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5, whether by the Principal Paying Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith, manifest error or proven error) be binding on the Issuer, the Principal Paying Agent, the Registrar, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or, if applicable, the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

5.3 Benchmark discontinuation

(a) Independent Adviser

If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5.3(b)) and, in either case, an Adjustment Spread if any (in accordance with Condition 5.3(c)) and any Benchmark Amendments (in accordance with Condition 5.3(d)).

An Independent Adviser appointed pursuant to this Condition 5.3 shall act in good faith and in a commercially reasonable manner as an expert and in consultation with the Issuer. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Principal Paying Agent, the Paying Agents, or the Noteholders, the Receiptholders or the Couponholders for any determination made by it, pursuant to this Condition 5.3.

If:

(i) the Issuer is unable to appoint an Independent Adviser; or

(ii) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 5.3(a) prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest.

Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period. For the avoidance of doubt, this Condition 5.3(a) shall apply to the relevant next succeeding Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 5.3(a).

(b) ***Successor Rate or Alternative Rate***

If the Independent Adviser, determines that:

(i) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 5.3(c)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5.3); or

(ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 5.3(c)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5.3).

(c) ***Adjustment Spread***

If the Independent Adviser determines:

(i) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be); and

(ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

(d) ***Benchmark Amendments***

If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 5.3 and the Independent Adviser, determines:

(i) that amendments to these Conditions and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the "**Benchmark Amendments**"); and

(ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 5.3(e), without any requirement for the consent or approval of Noteholders, vary these Conditions and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Principal Paying Agent of a certificate signed by two directors of the Issuer pursuant to Condition 5.3(e), the Principal Paying Agent shall (at the expense of the Issuer), without any requirement for the consent or approval of the Noteholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments, provided that the Principal Paying Agent shall not be obliged so to concur if in the opinion of the Principal Paying Agent doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Principal Paying Agent in these Conditions in any way.

In connection with any such variation in accordance with this Condition 5.3(d), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(e) ***Notices, etc.***

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 5.3 will be notified promptly by the Issuer to the Principal Paying Agent, the Calculation Agent, the Paying Agents and, in accordance with Condition 14, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Principal Paying Agent of the same, the Issuer shall deliver to the Principal Paying Agent a certificate signed by two directors of the Issuer:

(a) confirming:

(i) that a Benchmark Event has occurred;

(ii) the Successor Rate or, as the case may be, the Alternative Rate and;

(iii) where applicable, any Adjustment Spread and/or the specific terms of any Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 5.3; and

(b) certifying that the Benchmark Amendments are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread.

The Principal Paying Agent shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) and without prejudice to the Principal Paying Agent's ability to rely on such certificate as aforesaid) be binding on the Issuer, the Principal Paying Agent, the Calculation Agent, the Paying Agents and the Noteholders.

(f) ***Survival of Original Reference Rate***

Without prejudice to the obligations of the Issuer under Condition 5.3 (a), (b), (c) and (d), the Original Reference Rate and the fallback provisions provided for in Clauses 8.2(b) and (c) of the Agency Agreement will continue to apply unless and until a Benchmark Event has occurred.

(g) ***Definitions:***

As used in this Condition 5.3:

"**Adjustment Spread**" means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser, determines is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders, Receiptholders and Couponholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate);

(ii) the Independent Adviser determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); (or if the Issuer determines that no such industry standard is recognised or acknowledged);

(iii) the Independent Adviser, determines to be appropriate.

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Adviser, determines in accordance with Condition 5.3(b) is customary in market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes.

"**Benchmark Amendments**" has the meaning given to it in Condition 5.3(d).

"**Benchmark Event**" means:

(1) the Original Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist; or

(2) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

(3) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or

(4) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes;

(5) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate will be (or will be deemed by such supervisor to be) no longer representative of its relevant underlying market; or

(6) it has become unlawful for any Paying Agent, Calculation Agent the Issuer or other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate;

provided that the Benchmark Event shall be deemed to occur (a) in the case of sub-paragraphs (2) and (3) above, on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, as the case may be, (b) in the case of sub-paragraph (4) above, on the date of the prohibition of use of the Original Reference Rate and (c) in the case of sub-paragraph (5) above, on the date with effect from which the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement.

The occurrence of a Benchmark Event shall be determined by the Issuer and promptly notified to the Principal Paying Agent, the Calculation Agent and the Paying Agents. For the avoidance of doubt, neither the Principal Paying Agent, the Calculation Agent nor the Paying Agents shall have any responsibility for making such determination.

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 5.3(a).

"**Original Reference Rate**" means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes.

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable):

(i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

"**Successor Rate**" means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

5.4 Interest on Dual Currency Interest Notes

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Pricing Supplement.

Each Dual Currency Interest Note shall have an interest rate which shall be in accordance with Indian regulatory requirements (including but not limited to the ECB Guidelines) or any specific approval received by the Issuer from the RBI or AD Bank pursuant to the ECB Guidelines or any other statutory or regulatory authority.

5.5 Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

Each Partly Paid Note shall have an interest rate which shall be in accordance with Indian regulatory requirements (including but not limited to the ECB Guidelines) or any specific approval received by the Issuer from the RBI or AD Bank pursuant to the ECB Guidelines or any other regulatory authority.

5.6 Accrual of Interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from and including the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 14.

5.7 Definitions

In these Conditions, if a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 5.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date:

(a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis*; or

(b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event:

(i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day; and

(ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, "**Business Day**" means:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Additional Business Centre specified in the applicable Pricing Supplement; and

(b) either:

(i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); or

(ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System or any successor system (the "**TARGET2 System**") is open.

6 PAYMENTS

6.1 Method of payment

Subject as provided below:

(a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland); and

(b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

6.2 Presentation of Definitive Bearer Notes, Receipts and Coupons

Payments of principal in respect of Definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Bearer Notes, and payments of interest in respect of Definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America and its possessions).

Payments of Instalment Amounts (if any) in respect of Definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 5.1 above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Definitive Bearer Note to which it appertains. Receipts presented without the Definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any Definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "**Long Maturity Note**" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any Definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Definitive Bearer Note.

6.3 Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Bearer Notes represented by any Bearer Global Note will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer Notes or otherwise in the manner specified in the relevant Bearer Global Note against presentation or surrender of such Bearer Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Bearer Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer Global Note by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

6.4 Payments in respect of Registered Notes

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the "**Register**"):

(i) where in global form, at the close of the business day (being for this purpose, in respect of Notes clearing through Euroclear and Clearstream, a day on which Euroclear and Clearstream are open for business and, in respect of Notes clearing through DTC, a day on which DTC is open for business) before the relevant due date; and

(ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date.

For these purposes, "**Designated Account**" means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by wire transfer in the Specified Currency on the Business Day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register:

(i) where in global form, at the close of the business day (being for this purpose, a day on which Euroclear, Clearstream and DTC are open for business) before the relevant due date; and

(ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a Business Day) before the relevant due date (the "**Record Date**") at his address shown in the Register on the Record Date and at his risk.

Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for payment in such Specified Currency for conversion into U.S. dollars in accordance with the provisions of the Agency Agreement.

None of the Issuer or the Registrar or any Paying Agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

6.5 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream or DTC as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream or DTC, as the case may be, for his share of each payment so made by the Issuer in respect of such Global Note to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States only if:

(a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

6.6 Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 10) is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

(i) in the case of Notes in definitive form only, the relevant place of presentation; and

(ii) any Additional Financial Centre specified in the applicable Pricing Supplement; and

(b) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open; and

(c) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has elected to receive any part of such payment in U.S. dollars, a day other than a Saturday or Sunday or any other day on which commercial banks are not authorized or required by law or regulation to be closed in New York City.

6.7 Interpretation of principal and interest

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 8;

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

(d) the Optional Redemption Amount(s) (if any) of the Notes;

(e) in relation to Notes redeemable in instalments, the Instalment Amounts;

(f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7.5); and

(g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8.

6.8 Payments Subject to Fiscal and Other Laws

Payments will be subject in all cases, to (i) any fiscal or other laws and regulations applicable thereto, but without prejudice to the provisions of Condition 8, in the place of payment, (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Section 1471 through 1474 of the Code, any regulation or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto, and (iii) any withholding or deduction required pursuant to Section 871(m) of the Code ("**871(m) Withholding**"). In addition, in determining the amount of 871(m) Withholding imposed with respect to any amounts to be paid on the Notes, the Issuer shall be entitled to withhold on any "dividend equivalent" (as defined for purposes of Section 871(m) of the Code) at the highest rate applicable to such payments regardless of any exemption from, or reduction in, such withholding otherwise available under applicable law.

Payments on the Notes that reference U.S. securities or an index that includes U.S. securities may be calculated by reference to dividends on such U.S. securities that are reinvested at a rate of 70%. In such case, in calculating the relevant payment amount, the holder will be deemed to receive, and the Issuer will be deemed to withhold, 30% of any dividend equivalent payments (as defined in Section 871(m) of the Code) in respect of the relevant U.S. securities. The Issuer will not pay any additional amounts to the holder on account of the Section 871(m) amount deemed withheld.

7 REDEMPTION AND PURCHASE

7.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date.

7.2 Redemption for Tax Reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if the Notes are neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Note) or on any Interest Payment Date (if the Notes are either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days' notice to the Principal Paying Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if:

(a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes for such Series; and

(b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Principal Paying Agent to make available at its specified office (during the hours of 9:30 a.m. to 3 p.m., Mondays to Fridays (except public holidays)) to the Noteholders (1) a certificate signed by an authorised officer of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 7.2 will be redeemed at their Early Redemption Amount referred to in Condition 7.5 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

ECB Guidelines require the Issuer to obtain the prior approval of the RBI or AD Bank, as the case may be, before providing notice for or effecting such a redemption prior to the Maturity Date and such approval may not be forthcoming.

7.3 Redemption upon Change of Control

Within 15 days following any Change in Control, the Issuer will give notice to the Noteholders and the Principal Paying Agent in accordance with Condition 14 stating that a Change in Control has occurred.

Following the occurrence of a Change in Control, each Noteholder will have the right to require the Issuer to redeem any of the Notes held by such Noteholder at their principal amount outstanding together with interest (including additional amounts pursuant to Condition 8 if any) accrued to (but excluding) the date of redemption.

To exercise the right to require redemption of any Notes, the holder of the Notes must deliver such Notes at the specified office of any Paying Agent, in the case of Bearer Notes, or of any Transfer Agent or the Registrar, in the case of Registered Notes, on any business day (being, in relation to any place, a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in that place) at the place of such specified office falling within the notice period, accompanied by a duly signed and completed notice of exercise in the form (for the time being current and which may, if this Note is held in a clearing system, be any form acceptable to the clearing system delivered in a manner acceptable to the clearing system) obtainable from any specified office of any Paying Agent, Transfer Agent or the Registrar (a "**Put Notice**") and in which the holder must specify a bank account to which payment is to be made under this paragraph accompanied by such Notes or evidence satisfactory to the relevant Paying Agent, Transfer Agent or the Registrar, as the case may be, that such Notes will, following the delivery of the Put Notice, be held to its order or under its control.

Subject to the receipt of RBI approvals, the Issuer is obliged to redeem any such Notes on the first business day in the place where such redemption notice is deposited falling 30 days after such deposit.

A Put Notice given by a holder of any Note shall be irrevocable and no Note deposited with a Paying Agent, Transfer Agent or the Registrar pursuant to this Condition 7.3 may be withdrawn without the prior written consent of the Issuer.

The right of any Noteholder to require the Issuer to redeem any Note upon a Change in Control is not conditional upon a Change in Control notice having been given by the Issuer, but will, if such notice is given by the Issuer, be exercised by such Noteholder within 45 days of the giving of such notice.

A "Change in Control" occurs when:

(a) where the Issuer is not merged into another Person or acquired by another Person, (i) the Government of India ceases to own or (ii) no Government of India Entity individually owns, in each case, directly or indirectly, more than 50 per cent. of the voting rights of the issued share capital of the Issuer;

(b) where the Issuer is acquired by another Person, the Government of India does not own, directly or indirectly, more than 50 per cent. of the voting rights of the issued share capital of such

Person; or such Person ceases to own, directly or indirectly, more than 50 per cent. of the voting rights of the issued share capital of the Issuer;

(c) any Person (other than (x) the Government of India or (y) a Government of India Entity) acquires Control of the Issuer; or

(d) the Issuer consolidates with or merges into or sells or transfers all or substantially all of its assets to any other Person, unless the consolidation, merger, sale or transfer will not result in the Government of India losing Control over the Issuer, such other Person or the successor entity (as applicable).

As of the date of this Offering Circular, the Government of India does not own, directly or indirectly, more than 50 per cent. of the voting rights of the issued share capital of the Issuer, and, for the avoidance of doubt, paragraph (a)(i) of the definition of "Change in Control" above shall only be relevant if, after the date of this Offering Circular, the Government of India does own, directly or indirectly, more than 50 per cent. of the voting rights of the issued share capital of the Issuer.

In this Condition 7.3:

"**Control**" means:

(i) the ownership or control of more than 50 per cent. of the voting rights of the issued share capital of the Issuer; or

(ii) the right to control or be able to direct the affairs and composition of the board of directors or equivalent body of the Issuer, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;

"**Government of India Entity**" means a Person in whom the Government of India owns, directly or indirectly, more than 50 per cent. of the voting rights of its share capital; and

"**Persons**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Issuer's board of directors or any other governing board and does not include the Issuer's wholly owned direct or indirect subsidiaries.

ECB Guidelines require the Issuer to obtain the prior approval of the RBI or the AD Bank, as the case may be, before providing notice for or effecting such a redemption prior to the Maturity Date and such approval may not be forthcoming.

7.4 Redemption at the Option of the Issuer (Issuer Call)

If Issuer Call is specified in the applicable Pricing Supplement, the Issuer may, having given:

(a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14; and

(b) not less than 15 days before the giving of the notice referred to in Condition 7.4(a), notice to:

  (i) the Principal Paying Agent; and

  (ii) in the case of a redemption of Registered Notes, the Registrar,

(which notices shall specify the date fixed for redemption and which shall be irrevocable), redeem all or some only of the Notes then outstanding on any Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and/or not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Pricing Supplement. In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will:

(i) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot not more than 30 days prior to the date fixed for redemption; and

(ii) in the case of Redeemed Notes represented by a Global Note, be selected in accordance with the rules of Euroclear and/or Clearstream and/or, as the case may be, DTC.

In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption.

ECB Guidelines require the Issuer to obtain the prior approval of the RBI or the AD Bank, as the case may be, before providing notice for or effecting such a redemption prior to the Maturity Date and such approval may not be forthcoming.

7.5 Early Redemption Amounts

For the purpose of Condition 7.2 above and Condition 10, each Note will be redeemed at its Early Redemption Amount calculated as follows:

(a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(b) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its nominal amount; or

(c) in the case of a Zero Coupon Note, at an amount (the "**Amortised Face Amount**") calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (+\text{AY})^{y}$$

where:

"**RP**" means the Reference Price;

"**AY**" means the Accrual Yield expressed as a decimal; and

"**y**" is the Day Count Fraction specified in the applicable Pricing Supplement which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365),

or on such other calculation basis as may be specified in the applicable Pricing Supplement.

7.6 Instalments

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 7.5 above.

7.7 Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

7.8 Purchases

The Issuer or any Subsidiary (as defined in the Agency Agreement) of the Issuer may at any time purchase Notes (provided that, in the case of Definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer surrendered to any Paying Agent and/or the Registrar for cancellation in accordance with applicable laws.

7.9 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 7.8 above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent (which shall notify the Registrar of such cancelled Notes in the case of Registered Notes) and may not be reissued or resold.

7.10 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Conditions 7.1, 7.2 or 7.3 above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7.5(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Note has been received by the Principal Paying Agent or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 14.

8 TAXATION

8.1 Payment without Withholding

All payments of principal and interest in respect of the Notes, Receipts and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction (the "**Additional Amounts**"); except that no such Additional Amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) the holder of which is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or

(b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an Additional Amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6.6); or

(c) presented for payment by or on behalf of a holder of such Note, Receipt or Coupon who, at the time of such presentation, is able to avoid such withholding or deduction by making a declaration of non-residence or other similar claim for exemption and does not make such declaration or claim; or

(d) where such withholding or deduction is required pursuant to agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Section 1471 through 1474 of the Code, any regulation or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.

Any payments made by the Issuer are required to be within the all-in-cost ceilings prescribed under the ECB Guidelines and in accordance with any specific approval received by the Issuer from the RBI or AD Bank pursuant to the ECB Guidelines or any other statutory or regulatory authority.

8.2 Interpretation

As used herein:

(i) "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or, as the case may be, the Registrar on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14; and

(ii) "**Tax Jurisdiction**" means India or any political subdivision or any authority thereof or therein having power to tax in respect of payments made by the Issuer of principal and interest in respect of the Notes, Receipts and Coupons.

9 PRESCRIPTION

The Notes (whether bearer or registered form), Receipts and Coupons will become void unless presented for payment within a period of seven years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.

10 EVENTS OF DEFAULT AND ENFORCEMENT

10.1 Events of Default

If any one or more of the following events (each an "**Event of Default**") shall occur and be continuing and subject to receipt of prior RBI or AD Bank approval:

(a) if default is made in the payment of any principal or interest due in respect of the Notes or any of them; or

(b) if the Issuer fails to perform or observe any of its other obligations under these Conditions and (except in any case where the failure is incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 business days following the service by a Noteholder on the Issuer of notice requiring the same to be remedied; or

(c) if:

(i) the Issuer or any of its Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment or, as the case may be, within any applicable grace period originally provided for;

(ii) any security given by the Issuer or any of its Subsidiaries for any Indebtedness for Borrowed Money becomes enforceable; or

(iii) default is made by the Issuer or any of its Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person;

provided that no event described in this subparagraph 10.1(c) shall constitute an Event of Default unless the relevant amount of Indebtedness for Borrowed Money or other relative liability due and unpaid, either alone or when aggregated (without duplication) with other amounts of Indebtedness for Borrowed Money and/or other liabilities due and unpaid relative to all (if any) other events specified in (i) to (iii) above, amounts to at least U.S.$100,000,000 (or its equivalent in any other currency); or

(d) if any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer or any of its Material Subsidiaries, save for the purposes of reorganisation on terms approved in writing by an Extraordinary Resolution of the Noteholders; or

(e) if the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms approved in writing by an Extraordinary Resolution of the Noteholders, or the Issuer or any of its Material Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(f) if (i) proceedings are initiated against the Issuer or any of its Material Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any of its Material Subsidiaries or, as the case may be, in relation to the whole or any part of the undertaking or assets of any of them or an encumbrancer takes possession of the whole or any part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of any of them, and (ii) in any such case (other than the appointment of an administrator) unless initiated by the relevant company is not discharged within 30 business days; or

(g) if the Issuer or any of its Material Subsidiaries (or their respective directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

(h) if any government authority or agency condemns, seizes, compulsorily purchases or expropriates all or any material part of the assets or shares of the Issuer or any of its Material Subsidiaries without fair compensation; or

(i) a moratorium (which expression shall not include any deferral of principal originally contemplated and made in accordance with the terms of any loan or other financing related agreement) is agreed or declared by the Issuer in respect of any Indebtedness for Borrowed Money (including any obligations arising under guarantees) of the Issuer or any of its Material Subsidiaries; or

(j) if the Issuer or any of its Material Subsidiaries is or becomes entitled or subject to, or is declared by law or otherwise to be protected by, immunity (sovereign or otherwise) and Condition 19.4 is held to be invalid or unenforceable; or

(k) it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes,

then any holder of a Note may, by written notice to the Issuer at the specified office of the Principal Paying Agent, effective upon the date of receipt thereof by the Principal Paying Agent, declare any Notes held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

ECB Guidelines require the Issuer to obtain the prior approval of the RBI or the AD Bank, as the case may be, before effecting a redemption of Notes prior to their stated maturity even in case of an event of default and such approval may not be forthcoming.

11 REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced subject to applicable laws, regulations and relevant stock exchange regulations at the specified office of the Principal Paying Agent (in the case of Bearer Notes, Receipts or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and the Principal Paying Agent may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12 PAYING AGENTS, REGISTRAR AND TRANSFER AGENTS

The names of the initial Paying Agents, the initial Registrar and the other initial Transfer Agents and their initial specified offices are set out below.

The Issuer is entitled to vary or terminate the appointment of the Principal Paying Agent, Paying Agent, Registrar or Transfer Agent and/or appoint additional or other Paying Agents, Registrar or Transfer Agents and/or approve any change in the specified office through which any Agent acts, provided that:

(a) there will at all times be the Principal Paying Agent and a Registrar;

(b) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent, which may be the Principal Paying Agent, and Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority);

(c) so long as any of the Registered Global Notes denominated in a Specified Currency other than U.S. dol-lars are held through DTC or its nominee, there will at all times be an Exchange Agent; and

(d) so long as the Notes are listed on the SGX-ST, the India INX or the NSE IFSC, if the Notes are issued in definitive form, (i) in relation to Notes listed on the SGX-ST, there will at all times be a Paying Agent in Singapore unless the Issuer obtains an exemption from the SGX-ST, and (ii) the Issuer will make through the SGX ST, the India INX or the NSE IFSC, an announcement of the exchange that will include all material information with respect to the delivery of the Notes issued in definitive form, including, in relation to Notes listed on the SGX-ST, details of the paying agent in Singapore.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6.5. Notice of any variation, termination, appointment or change in Paying Agents will be given promptly to the Noteholders by the Issuer in accordance with Condition 14.

In acting under the Agency Agreement, the Paying Agents, Registrar and the Transfer Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

13 EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

14 NOTICES

Notices to holders of Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an overseas address) by air mail to them at their respective addresses as recorded in the Register and will be deemed to have been validly given on the fourth day after the date of such mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules.

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading daily newspaper of general circulation in Asia or such other English language daily newspaper with general circulation in Asia. It is expected that such publication will be made in the Asian Wall Street Journal. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange (or any other relevant authority) on which the Notes are for the time being listed including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream and/or DTC, be substituted for such publication in such newspaper(s) or such websites or such mailing the delivery by electronic mail of the relevant notice by the Principal Paying Agent to Euroclear and/or Clearstream and/or DTC for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by the rules of that stock exchange (or any other relevant authority). Any such notice shall be deemed to have been given to the holders of the Notes on the day on which the said notice was given to Euroclear and/or Clearstream and/or DTC.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream and/or DTC, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream and/or DTC, as the case may be, may approve for this purpose.

Receiptholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to Noteholders in accordance with this Condition 14.

15 MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than 5 per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes (except as a result of any modification contemplated in Condition 5.3) or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. The Agency Agreement provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Principal Paying Agent) by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting, and whether or not they voted on the resolution, and on all Receiptholders and Couponholders.

The Principal Paying Agent and the Issuer may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

(i) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Notes, the Receipts, the Coupons or the Agency Agreement which, in the opinion of the Issuer, is not prejudicial to the interests of the Noteholders; or

(ii) any modification of the Notes, the Receipts, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of law.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

16 FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

17 PROVISION OF INFORMATION

The Issuer has covenanted for the benefit of the Noteholders, Receiptholders and Couponholders that for so long as any Notes remain outstanding and are "restricted securities" (as defined in Rule 144(a)(3) under the Securities Act), the Issuer shall, during any period in which it is neither subject to Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, make available to any Noteholder, Receiptholder or Couponholder of, or beneficial owner of an interest in, such Notes, Receipts or Coupons in connection with any resale thereof and to any prospective purchaser designated by such Noteholder, Receiptholder or Couponholder or beneficial owner, in each case upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

18 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19 GOVERNING LAW AND SUBMISSION TO JURISDICTION

19.1 Governing law

The Agency Agreement, the Notes, the Receipts, the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law.

19.2 Submission to jurisdiction

(a) Subject to Condition 19.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes, the Receipts and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Notes, the Receipts and/or the Coupons (a "**Dispute**") and all Disputes will be submitted to the exclusive jurisdiction of the English courts.

(b) For the purposes of this Condition 19.2, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

(c) This Condition 19.2 is for the benefit of the Noteholders, the Receiptholders and the Couponholders only. To the extent allowed by law, the Noteholders, the Receiptholders and the Couponholders may, in respect of any Dispute or Disputes, take:

(i) proceedings in any other court with jurisdiction; and

(ii) concurrent proceedings in any number of jurisdictions.

19.3 Appointment of Process Agent

The Issuer irrevocably appoints Law Debenture Corporate Services Limited at its specified office for the time being at Fifth Floor, 100 Wood Street, London EC2V as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of Law Debenture Corporate Services Limited being unable or unwilling for any reason so to act, it will immediately appoint another person as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

19.4 Waiver of Immunity

To the fullest extent permitted by law, the Issuer irrevocably and unconditionally:

(a) submits to the jurisdiction of the English courts in relation to any Dispute and waives and agrees not to claim any sovereign or other immunity from the jurisdiction of the English courts in relation to any Dispute (including to the extent that such immunity may be attributed to it), and agrees to ensure that no such claim is made on its behalf;

(b) submits to the jurisdiction of the English courts and the courts of any other jurisdiction in relation to the recognition of any judgment or order of the English courts or the courts of any other jurisdiction in relation to any Dispute and waives and agrees not to claim any sovereign or other immunity from the jurisdiction of the English courts or the courts of any other jurisdiction in relation to the recognition of any such judgment or court order and agrees to ensure that no such claim is made on its behalf; and

(c) consents to the enforcement of any order or judgment made or given in connection with any Dispute and the giving of any relief in the English courts and the courts of any other jurisdiction whether before or after final judgment including, without limitation:

(i) relief by way of interim or final injunction or order for specific performance or recovery of any property;

(ii) attachment of its assets; and

(iii) enforcement or execution against any property, revenues or other assets whatsoever (irrespective of their use or intended use) and waives and agrees not to claim any sovereign or other immunity from the jurisdiction of the English courts or the courts of any other jurisdiction in relation to such enforcement and the giving of such relief (including to the extent that such immunity may be attributed to it), and agrees to ensure that no such claim is made on its behalf.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by us to finance the power infrastructure projects in India or to refinance existing borrowings extended to such projects in accordance with the approvals granted by the RBI from time to time and in accordance with the ECB Guidelines.

CAPITALIZATION

The following table sets forth our non-consolidated capitalization and indebtedness as of June 30, 2022. This table should be read in conjunction with our reviewed non-consolidated financial statement as of June 30, 2022 included elsewhere in this Offering Circular, and the notes presented therein.

	As of June 30, 2022	
	(unaudited but reviewed, non-consolidated)	
	(Rs. in millions)	*(U.S.$ in millions)*[1]
Debt securities:		
Secured	425,754.30	5,393.25
Unsecured	1,737,276.40	22,006.97
Total	2,163,030.70	27,400.22
Borrowings (other than debt securities):		
Secured	–	–
Unsecured	1,115,530.60	14,131.00
Total	1,115,530.60	14,131.00
Subordinated Liabilities:		
Secured	–	–
Unsecured	63,968.50	810.32
Total	63,968.50	810.32
Total debt	**3,342,529.80**	**42,341.54**
Shareholders' funds:		
Issued and fully paid up capital[2]	19,749.20	250.17
Reserves & surplus	506,253.40	6,412.97
Total capital and reserves	**526,002.60**	**6,663.14**
Total capitalization	**3,868,532.40**	**49,004.68**

Notes:

(1) U.S. dollar translations have been made using the exchange rate of U.S.$1.00 = Rs. 78.9421 as of June 30, 2022, based on the FBIL reference rate prevailing at that date.

(2) As of June 30, 2022, our authorized capital was Rs. 50,000.0 million comprising 5,000 million ordinary shares of Rs. 10.00 each, of which 1,974.92 million shares were issued.

There has been no significant change to our total non-consolidated capitalization and indebtedness since June 30, 2022.

SELECTED FINANCIAL AND OTHER DATA

The following tables present our selected financial and other data. Unless otherwise indicated:

(i) the selected financial data as at March 31, 2020 and for the financial year ended March 31, 2020 has been derived from the comparative financial information included in the consolidated audited financial statements as at and for the financial year ended March 31, 2021 included elsewhere in this Offering Circular which have been prepared and presented in accordance with Ind-AS (which may differ in material respects from generally accepted accounting principles in other jurisdictions);

(ii) the selected financial data as at March 31, 2021 and March 31, 2022, and for each of the financial years ended March 31, 2021 and March 31, 2022 is derived from our consolidated audited financial statements for those periods and as at the dates indicated included elsewhere in this Offering Circular which have been prepared and presented in accordance with Ind-AS (which may differ in material respects from generally accepted accounting principles in other jurisdictions);

(iii) the selected financial data as at June 30, 2022 (along with comparatives as at March 31, 2022) is derived from our non-consolidated unaudited but reviewed financial statements as at the dates indicated included elsewhere in this Offering Circular which have been prepared and presented in accordance with Ind-AS (which may differ in material respects from generally accepted accounting principles in other jurisdictions); and

(iv) the selected financial data for the three-month period ended June 30, 2022 (along with comparatives for the three-month period ended June 30, 2021) is derived from our non-consolidated unaudited but reviewed financial statements for those periods included elsewhere in this Offering Circular which have been prepared and presented in accordance with Ind-AS (which may differ in material respects from generally accepted accounting principles in other jurisdictions).

In relation to the financial statements as at and for each of the financial years ended March 31, 2020, 2021 and 2022 (and all financial information thereunder), as included in this Offering Circular, (i) audits by the Comptroller and Auditor General of India were concluded with no qualifications and (ii) approvals of the Company's shareholders were received at the Company's respective annual general meetings.

Our unaudited non-consolidated statement of profit and loss for the three-month period ended June 30, 2022 and the balance sheet as of June 30, 2022 have been reviewed in accordance with SRE-2410 "Review of Interim Financial Information performed by the Independent Auditor of the entity", issued by the ICAI. The reviewed financial statements as of and for the three-month period ended June 30, 2022 contain all adjustments that our management believes are necessary for the fair presentation of such information. Results for interim periods are not indicative of results for the full year.

The selected financial data below should be read in conjunction with "*Management's Discussion and Analysis of Results of Operations*" and the financial statements and the notes to those statements included elsewhere in this Offering Circular.

	Year ended March 31,		
	2020	2021	2022
	(audited, consolidated)		
	(Rs. in millions)		
Revenue from Operations			
Interest Income	296,717.8	346,933.5	381,944.9
Dividend Income	369.4	279.7	42.1
Fees and Commission Income	389.5	953.8	5,728.2
Sale of Services	1,821.1	1,636.5	1,509.6
Net Loss /(Gain) on Fair Value Changes	(258.5)	5,723.3	3,465.7
Total Revenue from Operations	299,039.3	355,526.8	392,690.5
Other Income	772.7	227.2	701.5
Total Income	299,812	355,754	393,392
Expenses			
Finance Costs	189,913.0	214,890.5	220,509.6
Net Translation/Transaction Exchange Loss	23,579.0	3,302.6	7,990.5
Fees and Commission Expense	254.4	99.5	167.3
Impairment on Financial Instruments	9,194.9	24,459.4	34,700.2
Cost of Services Rendered	716.1	885.1	651.1
Cost of Material Consumed	—	—	—
Changes in Inventories of Finished Goods and Work-in-Progress	—	—	—
Employee Benefits Expense	1,931.5	1,636.2	1,808.3
Depreciation and Amortization	117.7	108.6	182.4
Corporate Social Responsibility Expenses	2,592.9	1,462.7	1,723.5
Other Expenses	1,304.1	1,093.8	1,235.7
Total Expenses	229,603.6	247,938.4	268,968.6
Share of Profit/Loss of Joint Venture Accounted for using Equity Method	91.4	(19.7)	(118.1)
Profit before Tax	**70,299.8**	**107,795.9**	**124,305.3**
Tax Expense			
Current Tax	16,450.6	29,209.7	30,652.7
Deferred Tax	4,126.5	(5,196.2)	(6,704.4)
Total Tax Expense	20,577.1	24,013.5	23,948.3
Profit for the Year	**49,722.7**	**83,782.4**	**100,357.0**
Other Comprehensive Income/(Loss)			
Items that will not be reclassified to profit or loss			
Re-Measurement Gains/(Losses) on Defined Benefit Plans	(28.7)	(142.6)	(83.3)
Changes in Fair Value of FVOCI Equity Instruments	(1,292.0)	1,665.3	221.9
Share of Profit/(Loss) of Joint Venture Accounted for using Equity Method	(1.2)	(0.5)	(0.2)
Income Tax Relating to These Items			
- Re-Measurement Gains/(Losses) on Defined Benefit Plans	7.2	35.9	21.0
- Changes in Fair Value of FVOCI Equity Instruments	123.9	(60.1)	25.5
Sub-Total (i)	**(1,190.8)**	**1,498.0**	**184.9**

	Year ended March 31,		
	2020	2021	2022
	(audited, consolidated)		
	(Rs. in millions)		
Items that will be reclassified to profit or loss			
Effective portion of cash flow hedges	(3,021.2)	808.1	4,808.4
Cost of hedging reserve	(2,736.1)	3,290.0	(5,845.1)
Share of Other Comprehensive Income/(Loss) of Joint Venture Accounted for using Equity Method	(39.4)	12.9	11.9
Income tax relating to these items			
- Effective portion of cash flow hedges	760.4	(203.4)	(1,210.2)
-Cost of hedging reserve	688.6	(828.0)	1,471.1
Sub-Total (ii)	**(4,347.7)**	**3,079.6**	**(763.9)**
Other Comprehensive Income/(Loss) for the Period (i+ii)	(5,538.5)	4,577.6	(579.0)
Total Comprehensive Income/(Loss) for the Period	44,184.2	88,360.0	99,778.0
Basic & Diluted Earnings per Equity Share of Rs.10 each (in Rs.)			
For continuing operations	25.2	42.4	50.6
For continuing and discontinued operations	25.2	42.4	50.6

Selected Non-Consolidated Income Statement Information for the Three-Month Periods ended June 30, 2021 and June 30, 2022

	Three-month period ended June 30,	
	2021	2022
	(unaudited but reviewed, non-consolidated)	
	(Rs. in millions)	
Income		
Interest income		
Interest income on loan assets	93,742.6	92,623.6
Other interest income	629.7	1,114.2
Sub-total (A) - Interest Income	**94,372.3**	**93,737.8**
Other Operating Income		
Dividend income	—	—
Fees and commission income	1,501.2	556.7
Net gain/ (loss) on fair value changes	(809.9)	304.5
Sub-total (B) - Other Operating Income	**691.3**	**861.2**
Total Revenue from Operations (A+B)	**95,063.6**	**94,599.0**
Other Income	47.6	86.1
Total income	**95,111.2**	**94,685.1**
Expenses		
Finance costs	55,885.6	53,766.9
Net translation/ transaction exchange loss/ (gain)	2,912.8	4,795.5
Fees and commission expense	80.9	54.9
Impairment on financial instruments	7,814.4	5,045.0

	Three-month period ended June 30,	
	2021	**2022**
	(unaudited but reviewed, non-consolidated) *(Rs. in millions)*	
Employee benefits expenses	393.6	754.1
Depreciation and amortization	28.1	58.9
Corporate social responsibility expenses	209.3	569.0
Other expenses	205.9	245.3
Total expenses	**67,530.6**	**65,289.6**
Profit before tax	**27,580.6**	**29,395.5**
Tax expense		
Current tax		
- Current year	7,607.6	6,645.5
- Earlier years	—	(903.6)
Deferred tax	(2,493.0)	(819.0)
Total tax expense (A+B)	**5,114.6**	**4,922.9**
Net profit for the period	**22,466.0**	**24,472.6**
Other comprehensive Income/(Loss)		
Items that will not be reclassified to profit or loss		
Re-measurement gains/(losses) on defined benefit plans	(0.6)	—
Changes in fair value of FVOCI equity instruments	363.2	(333.3)
Income tax relating to these items		
- Re-measurement gains/(losses) on defined benefit plans	0.1	—
- Changes in fair value of FVOCI equity instruments	0.3	(0.7)
Sub-total	**363.0**	**(334.0)**
Items that will be reclassified to profit or loss	**229.9**	**(6,385.5)**
Other comprehensive Income/(Loss) for the period	**592.9**	**(6,719.5)**
Total comprehensive income for the period	**23,058.9**	**17,753.1**
Paid up equity share capital (Face Value Rs.10 per share)	19,749.2	19,749.2
Other equity (as per audited balance sheet as at March 31)		
Basic & Diluted earnings per equity share of Rs. 10 each (in Rs.)		
For continuing operations	**113.8**	**123.9**
For continuing and discontinued operations	**113.8**	**123.9**

Selected Consolidated Balance Sheet Information as at March 31, 2020, March 31, 2021 and March 31, 2022

	As at March 31,		
	2020	2021	2022
	(audited, consolidated) *(Rs. in millions)*		
ASSETS			
Financial Assets			
Cash and Cash Equivalents	17,177.7	11,792.4	1,409.9
Other Bank Balances	22,574.5	22,235.8	25,189.6
Trade Receivables	1,090.7	1,400.7	945.5
Derivative Financial Instruments	33,188.5	23,112.2	55,101.7
Loans	3,120,835.0	3,652,614.9	3,719,305.4
Investments	21,271.1	17,236.8	21,904.4
Other Financial Assets	221,013.2	244,198.8	244,153.1
Total Financial Assets	**3,437,150.1**	**3,972,591.6**	**4,068,009.6**
Non-Financial Assets			
Inventories	—	—	—
Current tax assets (net)	4,099.4	1,689.2	1,915.6
Deferred tax assets (net)	20,505.7	24,610.3	31,601.2
Investment Property	0.1	0.1	—
Property, Plant & Equipment	1,569.7	2,607.0	6,240.4
Capital Work-in-Progress	2,876.2	3,356.7	60.7
Intangible Assets Under Development	07.7	07.7	—
Other Intangible Assets	88.2	61.5	42.8
Other non-financial assets	1,323.7	1,026.7	686.8
Investments accounted for using equity method	2,584.7	2,577.4	—
Total Non-Financial Assets	**33,055.4**	**35,936.6**	**40,547.5**
Assets Classified as Held for Sale	**95.3**	**140.5**	**43.8**
Total Assets	**3,470,300.8**	**4,008,668.7**	**4,108,600.9**
LIABILITIES AND EQUITY			
LIABILITIES			
Financial Liabilities			
Derivative Financial Instruments	13,257.3	8,463.1	5,531.4
Trade Payables			
(i) total outstanding dues of MSMEs	01.5	00.1	—
(ii) total outstanding dues of creditors other than MSMEs	460.0	615.0	364.8
Debt Securities	2,199,182.5	2,372,691.1	2,195,746.1
Borrowings (other than Debt Securities)	615,506.6	855,073.6	1,066,515.9
Subordinated Liabilities	48,196.5	69,468.9	68,164.7
Other Financial Liabilities	237,822.1	262,223.5	257,086.4
Total Financial Liabilities	**3,114,426.5**	**3,568,535.3**	**3,593,409.3**

Non-Financial Liabilities			
Current tax liabilities (net)...	—	144.0	102.5
Provisions..	1,070.9	1,046.8	1,056.7
Other Non-Financial Liabilities...................................	**832.3**	**1,302.5**	**891.3**
Total Non-Financial Liabilities.................................	**1,903.2**	**2,493.3**	**2,050.5**
Liabilities Directly Associated with Assets Classified as Held for Sale	**6.8**	**0.8**	**0.1**
EQUITY			
Equity Share Capital..	19,749.2	19,749.2	19,749.2
Instruments Entirely Equity in Nature..........................	—	5,584.0	5,584.0
Other Equity...	334,215.1	412,306.1	487,807.8
Total Equity	**353,964.3**	**437,639.3**	**513,141.0**
Total Liabilities and Equity	**3,470,300.8**	**4,008,668.7**	**4,108,600.9**

Selected Non-Consolidated Balance Sheet Information as at March 31, 2022 and June 30, 2022

	As at	
	March 31, 2022	**June 30, 2022**
	(Audited, non-consolidated)	**(reviewed, non-consolidated)**
	(Rs. in millions)	
ASSETS		
Financial Assets		
Cash and cash equivalents...	1,264.0	4,232.3
Other Bank Balances...	22,953.0	9,022.1
Derivative financial instruments...	55,101.7	65,774.4
Loans..	3,719,305.4	3,745,782.3
Investments	21,579.7	21,017.1
Other financial assets...	243,969.4	247,194.9
Total - Financial Assets (1)	**4,064,173.2**	**4,093,023.1**
Non-Financial Assets		
Current tax assets (net)..	1,796.4	2,519.9
Deferred tax assets (net)..	31,347.4	34,313.4
Property, Plant & Equipment	6,236.7	6,183.0
Capital Work-in-Progress..	60.7	66.4
Other Intangible Assets	42.5	35.2
Other non-financial assets	460.6	524.9
Total - Non-Financial Assets (2)...	**39,944.3**	**43,642.8**
Assets classified as held for sale (3).....................................	**8.6**	**8.6**
Total ASSETS (1+2+3)..	**4,104,126.1**	**4,136,674.5**
LIABILITIES AND EQUITY		

	As at	
	March 31, 2022	**June 30, 2022**
	(Audited, non-consolidated)	**(reviewed, non-consolidated)**
	(Rs. in millions)	
LIABILITIES		
Financial Liabilities		
Derivative financial instruments	5,531.4	12,576.6
Debt Securities	2,196,335.7	2,163,030.7
Borrowings (other than debt securities)	1,066,515.9	1,115,530.6
Subordinated Liabilities	68,164.7	63,968.5
Other financial liabilities	255,758.4	249,731.2
Total - Financial Liabilities (1)	**3,592,306.1**	**3,604,837.6**
Non-Financial Liabilities		
Current tax liabilities (net)	102.5	2,208.6
Provisions	1,045.1	2,701.4
Other non-financial liabilities	816.4	924.3
Total - Non-Financial Liabilities (2)	**1,964.0**	**5,834.3**
EQUITY		
Equity Share Capital	19,749.2	19,749.2
Instruments Entirely Equity in Nature	5,584.0	5,584.0
Other equity	484,522.8	500,669.4
Total - Equity (3)	**509,856.0**	**526,002.6**
Total - LIABILITIES AND EQUITY (1+2+3)	**4,104,126.1**	**4,136,674.5**

Selected Consolidated Cash Flow Information for years ended March 31, 2020, March 31, 2021 and March 31, 2022

	Year ended March 31,		
	2020	**2021**	**2022**
	(audited, consolidated)		
	(Rs. in millions)		
Cash Flow from Operating Activities			
Net Profit before Tax	70,299.8	107,795.9	124,305.3
Adjustments for:			
Loss on Derecognition of Property, Plant and Equipment (net)	16.9	46.9	9.7
Loss/(Gain) on Derecognition of Assets held for sale (net)	–	–	(301.9)
Depreciation & Amortization	117.8	108.6	182.4
Impairment allowance on Assets Classified as Held for Sale	–	–	97.1
Impairment Losses on Financial Assets	9,194.9	24,459.4	34,700.2
Adjustments towards Effective Interest Rate in respect of Loans	530.2	326.1	(119.5)
Adjustments towards Effective Interest Rate in respect of Borrowings	623.1	1,521.9	(1,113.1)

	Year ended March 31,		
	2020	2021	2022
	(audited, consolidated)		
Fair Value Changes in Derivatives	477.2	(5,459.2)	(3,513.6)
Fair Value Changes in FVTPL Instruments	(64.0)	(24.3)	127.8
Interest on Commercial Paper	4,636.6	353.2	147.6
Interest Accrued on Zero Coupon Bonds	1,052.9	817.8	–
Loss/(Gain) on Exchange Rate Fluctuation	23,422.7	5,267.1	(21,644.2)
Loss/(Gain) on Sale of Investment	(31.6)	–	–
Dividend Income	–	–	–
Interest Income on Investments	–	–	–
Provision made for Interest on Advance Income Tax	–	227.1	–
Liabilities no longer required written back	–	–	–
Interest expenses on other liabilities	–	–	–
Share of Profit/Loss of Joint Venture accounted for using Equity Method	(91.4)	19.7	118.1
Operating profit before Changes in Operating Assets & Liabilities	**110,185.0**	**135,460.2**	**132,995.9**
Inflow/(Outflow) on account of:			
Loan Assets	(416,645.9)	(565,224.2)	(98,771.2)
Derivatives	(4,077.0)	7,112.0	(24,605.2)
Other Operating Assets	(51,128.0)	(18,272.4)	(4,330.9)
Operating Liabilities	54,857.0	32,645.8	(13,604.1)
Cash flow from Operations	(306,808.9)	(408,278.6)	(8,315.5)
Income Tax Paid (including TDS)	(17,773.5)	(26,962.0)	(31,013.9)
Income Tax Refund	166.7	117.3	232.6
Net Cash Flow from Operating Activities	**(324,415.7)**	**(435,123.3)**	**(39,096.8)**
Cash Flow from Investing Activities			
Sale of Property, Plant & Equipment	1.1	3.5	1.0
Sale of assets held for sale	–	–	312.4
Investment in Property, Plant & Equipment (incl. CWIP & Capital Advances)	(975.1)	(733.0)	(479.0)
Investment in Intangible Assets (including intangible assets under development)	(27.5)	(9.5)	(2.5)
Finance Costs Capitalized	(157.9)	(220.4)	(51.0)
Investment in Equity Shares of Joint Venture	(716.0)	–	–
Sale of Equity Share	42.3	2,499.2	4,311.7
Sale/(Investment) of Shares of Associates Company	3.0	(4.0)	8.2
Redemption of Debt Securities (net of investment)	503.1	15,821.5	960.7
Redemption of in HQLA (net of investment)	–	(8,772.8)	(7,161.7)
Interest Income from investments	–	–	–
Investment in Term Deposits (incl. interest)	–	–	–
Investment in Staggered Bonds	–	–	–
Sale of Investments in Bonds	–	–	–
Maturity/(Investment) of Corporate and Term deposits	(183.1)	(29.3)	(774.4)

	Year ended March 31,		
	2020	2021	2022
	(audited, consolidated)		
Dividend Income	–	–	–
Realization of investment accounted for using equity method	21.0	–	–
Net Cash Flow from Investing Activities	**(1,489.1)**	**8,605.2**	**(2,874.6)**
Cash Flow from Financing Activities			
Issue of Rupee Debt Securities (Net of Redemptions)	212,933.9	154,996.6	(208,441.0)
Issue of Commercial Paper (Net of Repayments)	(52,703.0)	(29,250.0)	(147.6)
Raising of Rupee Term Loans/WCDL from Government/Banks/Financial Institutions (net of repayments)	79,046.5	262,704.7	21,641.6
Raising of Foreign Currency Debt Securities and Borrowings (net of redemptions)	126,175.7	28,843.9	243,105.8
Raising of Subordinated Liabilities (net of redemptions)	–	19,995.0	–
Issue of Perpetual Debt Instruments entirely equity in nature	–	5,584.0	–
Issue Expenses on Perpetual Debt Instruments entirely equity in nature	–	(9.4)	–
Coupon Expenses on Perpetual Debt Instruments entirely equity in nature	–	–	(456.0)
Payment of Dividend on Equity Shares	(21,724.1)	(21,724.1)	(24,113.7)
Payment of Corporate Dividend Tax	(4,460.6)	–	–
Repayment toward lease liability	(6.4)	(7.3)	(0.2)
Net Cash flow from Financing Activities	**339,262.0**	**421,133.4**	**31,588.9**
Net Increase/Decrease in Cash & Cash Equivalents	13,357.2	(5,384.7)	(10,382.5)
Cash & Cash Equivalents as at the beginning of the period	3,819.9	17,177.1	11,792.4
Cash & Cash Equivalents as at the end of the period	17,177.1	11,792.4	1,409.9

Selected Non-consolidated Cash Flow Information for the Three-Month Periods ended June 30, 2021 and June 30, 2022

Particulars	Three-month period ended June 30, 2021	2022
	(unaudited but reviewed, non-consolidated)	
	(Rs. in millions)	
Cash Flow from Operating Activities:		
Net Profit before Tax	**27,580.6**	**29,395.5**
Adjustments for:		
Loss on derecognition of Property, Plant and Equipment (net)	1.6	10.8
Depreciation & Amortization	28.1	58.9
Impairment losses on financial instruments	7,814.4	5,045.0
Loss/(Gain) on Fair Value changes (net)	809.9	(301.6)
Effective Interest Rate in respect of Loan Assets and Borrowings	332.0	(212.5)
Unrealised Foreign Exchange Translation Loss/(Gain)	6,731.5	7,970.3
Interest on investments	(129.6)	(38.6)
Operating profit before Changes in Operating Assets & Liabilities	**43,168.5**	**41,927.8**
Inflow / (Outflow) on account of:		
Loan Assets	(20,111.4)	(25,165.5)
Derivatives	(1,779.9)	4,217.9
Other Financial and Non-Financial Assets	55.1	5,315.5
Other Financial and Non-Financial Liabilities and Provisions	(10,870.7)	(19,174.3)
Cash flow from Operations	**10,461.6**	**7,121.4**
Income Tax Paid (including TDS)	(4,012.1)	(4,359.3)
Net Cash Flow from Operating Activities	**6,449.5**	**2,762.2**
Cash Flow from Investing Activities		
Sale of Property, Plant & Equipment	0.1	–
Investment in Property, Plant & Equipment (incl. capital work-in progress & Capital Advances)	(310.8)	(9.4)
Investment in Intangible Assets (including intangible assets under development)	(0.3)	–
Finance Costs Capitalized	(43.2)	–
Sale/(Investment) in Equity Shares and Venture Capital Fund	1,708.4	32.4
Redemption/(Investment) in High Quality Liquid Assets (HQLAs) (net)	(3,056.1)	–
Redemption/(Investment) in Debt Securities other than HQLAs (net)	47.2	47.2
Net Cash Flow from Investing Activities	**(1,654.7)**	**70.2**
Cash Flow from Financing Activities		
Issue/(Redemption) of Rupee Debt Securities (Net)	1,067.9	(32,086.2)
Raising/(Repayments) of Rupee Term Loans/ working capital demand loan from Government/banks/financial institutions (net of repayments)	(20,703.9)	25,162.7
Raising/(Repayments) of Foreign Currency Debt Securities and Borrowings (net)	51,037.1	7,059.5
Repayment towards Lease Liability	(0.1)	–
Net Cash flow from Financing Activities	**31,401.0**	**136.0**
Net Increase/(Decrease) in Cash & Cash Equivalents	**36,195.8**	**2,968.3**

Particulars	Three-month period ended June 30,	
	2021	2022
	(unaudited but reviewed, non-consolidated)	
	(Rs. in millions)	
Cash & Cash Equivalents as at the beginning of the period	11,404.9	1,264.0
Cash & Cash Equivalents as at the end of the period	47,600.7	4,232.3

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

You should read the following discussion and analysis of our results of operations together with our financial statements included in this Offering Circular. You should also read the section titled "Risk Factors" in this Offering Circular, which discusses a number of factors and contingencies that could impact our financial condition and results of operations. This discussion also contains forward-looking statements and you should refer to the section "Forward-Looking Statements" in this Offering Circular.

The following discussion relates to the audited consolidated financial statements of the Group for Fiscal 2020, 2021 and 2022 that have been prepared in accordance with Ind-AS and other applicable provisions of the Companies Act. In addition, this discussion relates to the unaudited non-consolidated financial statements of the Company for the three months ended June 30, 2021 and 2022, that have been prepared in accordance with Ind-AS and which have been subjected to a limited review. Our unaudited non-consolidated statements of profit and loss for the three months ended June 30, 2021 and 2022 have been reviewed in accordance with SRE-2410 "Review of Interim Financial Information performed by the Independent Auditor of the entity", issued by the ICAI. The following discussion, in relevant parts, is also based on internally prepared statistical information and on publicly available information.

The financial or fiscal year of our Company ends on March 31 every year, so all references to a particular financial or fiscal year are to the twelve months ended March 31.

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 segments in the power sector, including renewable energy projects throughout India. We believe our organization occupies a key position in the Government'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 both at the central and state levels and private sector power utilities. We service our clients through a network of regional and state offices spread across India and one national level training center at Hyderabad. Our regional offices play an integral role in the development of our relationships with our clients, in 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 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 Government and, since Fiscal 2003, has permitted us to finance all segments of the power sector, including generation, transmission and distribution, throughout the country. Our mandate was further extended to include financing other activities linked to power projects, such as coal and other mining activities, fuel supply arrangements for the power sector and other power-related infrastructure. In June 2011, we set up a separate division for funding renewable projects in order to further achieve the goal of conserving fossil fuels and reducing our carbon foot print.

Our Company is one of only 13 Indian public sector undertakings to have been granted the "*Navratna*" status by the Department of Public Enterprise by virtue of our operational efficiency and financial strength. The Government had rated our performance as "*Excellent*" from Fiscal 1994 to Fiscal 2017, "Very Good" in Fiscal 2018, "Excellent" in Fiscal 2019, "Very Good" in Fiscal 2020 and "Excellent" in Fiscal 2021. We have also been ranked among the top 10 public sector undertakings in India by the Ministry of Heavy Industries and Public Enterprises for Fiscal 2015, Fiscal 2016, Fiscal 2017 and Fiscal 2018. Further, as per the Public Enterprises Survey for Fiscal 2019, based on profitability our Company was ranked 10th out of 169 profit-making central public sector enterprises in India. Our Company continues to play a strategic role in the Government's initiatives and plays a pre-eminent role in the power sector, in terms of financing state utilities and being an agency to implement key power sector initiatives of the central government. While our Company is no longer directly owned by the Government, the Government continues to exercise control over it through PFC. Our Company remains strategically important to the power sector and its role in implementing key central government policy initiatives in the power sector remains unchanged. Our Company continues to be the nodal agency for various flagship schemes of the Government, namely the Revamped Distribution Sector Scheme, the National Electricity Fund Programme, and through our subsidiary, REC Power Development and Consultancy Limited (formerly REC Power Distribution Company Limited), Urja Mitra, 11 kV Rural Feeder Monitoring Scheme, TARANG and the bid process coordinator for the inter-state transmission lines through tariff based competitive bidding. Domestically, we hold the highest credit rating of "AAA" for long-term borrowing domestic credit rating from CARE, CRISIL, ICRA and IRRPL and, on an international basis, our long-term borrowing ratings from Fitch and Moody's are BBB- and Baa3, which are at par with the sovereign ratings.

We have a branch network of 19 regional offices and one state office spread across India. We also have one training center named RECIPMT located in Hyderabad. Our Company's registered offices in Delhi NCR (registered office at Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi and our corporate office at REC World Headquarters, I-4, Sector 29, Gurugram, Haryana) manage matters relating to planning and policy formulation, resource mobilization and financial operations. Our Company's project, field or regional offices conduct functions relating to preliminary processing of new schemes, monitoring of on-going schemes, scrutiny of loan claims, recovery of dues and maintenance of liaison with the SEBs and state governments for effective implementation of rural electrification programs and projects funded by our Company.

FACTORS AFFECTING RESULTS OF OPERATIONS

Our Company's financial results are dependent on the performance of the Indian economy and the power sector generally along with the projects that our Company finances in particular. Power sector projects are subject to various risks and uncertainties and as such our business is subject to the same, including those discussed in the section titled "*Risk Factors*" of this Offering Circular. Some of the important factors that have affected, and which may continue to affect, our results of operations, financial condition and cash flows are discussed in this section.

Performance of the Indian Economy and Power Sector

Despite the global financial crisis in late 2008, India continued to show one of the highest annual real GDP growth rates in the world. The real GDP growth rate of India for the calendar years 2018, 2019, 2020 and 2021 amounted to 6.5 per cent., 3.7 per cent., -6.6 per cent. and 8.9 per cent., respectively (*Source: IMF*). According to the Reserve Bank of India and professional forecasters, the real GDP growth is expected to be in the range of 7.5 per cent. (*Source: World Bank data*) to 8.2 per cent. (*Source: IMF data*) for CY2022. The growth prospects of our business, including the quality of our assets and our ability to grow our asset portfolio and implement our strategy, are influenced by the growth rate of the economy as a whole. The level of credit disbursed and recovery of loans are affected by these factors. Any slowdown in the growth of the economy, coupled with inflationary pressures, could adversely impact our business.

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 regarding power-related projects.

The Indian power sector is undergoing a significant change that has redefined the industry's outlook. While sustained economic growth continues to drive demand for electricity in India; the Government's focus on attaining "Power for all" has further accelerated capacity addition in India. At the same time, competition is increasing in relation to both the supply of, and demands for, power-related inputs, including fuel, logistics, finances, and manpower.

As of July 2022, the total installed capacity of power stations in India stood at 404.13 Gigawatt (**GW**) according to the executive summary on the power sector for July 2022 published by the Central Electricity Authority. The Government has identified the power sector as a key sector of focus so as to promote sustained industrial growth. Some initiatives of the Government mentioned in the aforesaid report to boost the Indian power sector are described below.

- The Government approved the National Policy on Biofuels – 2018. The expected benefits of this policy relate to health, a cleaner environment, employment generation, reduced import dependency, a boost to infrastructural investment in rural areas and additional income for farmers.

- The Government has released its roadmap to achieve an additional 175 GW capacity in renewable energy by 2022, which includes 100 GW of solar power and 60 GW of wind power. The Government is preparing a "rent a roof" policy for supporting its target of generating GW through solar rooftop projects by 2022. The Government is taking a number of steps and initiatives, such as the 10-year tax exemption for solar energy projects, in order to achieve India's ambitious renewable energy targets of adding 175 GW of renewable energy, including the addition of 100 GW of solar power, by the year 2022. The Government has also sought to restart the stalled hydro power projects and increase the wind energy production target to 60 GW by 2022 from the current 20 GW.

- As part of the COVID-19 relief package, Finance Minister Nirmala Sitharaman had announced Rs. 900 billion liquidity infusion into cash strapped DISCOMs facing demand slump due to COVID-19 crisis. This package was later increased to Rs. 1,200 billion by the Ministry of Power. The loan disbursements under the package are co-funded by our Company and PFC in equal proportion.

- The Revamped Reforms Based and Results Linked Distribution Sector Scheme (**Scheme**) has been formulated by Ministry of Power, GoI by issuing guidelines on July 20, 2021 for supporting DISCOMs to undertake reforms and improve performance in a time bound manner. The Scheme seeks to improve the operational efficiencies and financial sustainability, by providing financial assistance to DISCOMs for strengthening of supply infrastructure based on meeting pre-qualifying criteria and achieving basic minimum benchmarks in reforms. The Scheme will have an outlay of Rs. 3,037,580 million with an estimated Government Budgetary Support from the GoI of Rs. 976,310 million. It is envisaged that about Rs. 2,000 million will be spent by the Indian State Governments towards reforms support in the form of consultancy.

- The Scheme is a Reforms-based and Results-linked scheme to be implemented over a period of five years from FY 2021-22 to FY 2025-26 with the objective to improve the quality, reliability and affordability of power supply to consumers through a financially sustainable and operationally efficient distribution sector. The Scheme aims to reduce the Aggregate Technical and Commercial (AT& C) losses to pan-India levels of 12-15% and Average Cost of Supply-Average Revenue Realised (ACS-ARR) gap to zero by 2024-25 by improving the operational efficiencies and financial sustainability of all DISCOMs/ Power Departments excluding Private Sector DISCOMs. The Company and PFC have been jointly appointed as nodal agencies to this scheme.

Competition

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

Our primary competitors are power sector specific government companies, engaged in power sector financing. Such companies provide funds for power projects in India and act as developmental financial institutions for the power sector in India. One such competitor is the Indian Renewable Energy Development Agency Limited which promotes, develops and extends financial assistance for renewable energy, energy efficiency and energy conservation projects. In addition to power sector specific government companies, there are public sector banks and institutions, private sector banks, financial institutions, state-level financial institutions and multilateral development financial institutions who also participate, either in a consortium or otherwise, in extending funding to the power sector.

We are exposed to the risk of increased and more aggressive competition from banks expanding their infrastructure finance operations across the markets in which we operate, resulting in margin pressures. We believe that our strong financial position, knowledge of the Indian power sector, consistent relationships with our customers and our role as a key strategic player in the Government's plans for growth of the power sector will enable us to remain competitive.

Availability of Cost-Effective Funding Sources and Impact of Interest Rate Volatility

With the growth of our business, we are increasingly relying on funding from the debt capital markets and commercial borrowings. The market for such funds is competitive and our ability to obtain funds at competitive rates will depend on various factors, including our ability to maintain our credit ratings. While our borrowing costs have been competitive in the past due to our credit rating and the quality of our asset portfolio, if we are unable to access funds at an effective cost that is comparable to or lower than our competitors, we may not be able to offer competitive interest rates for our loans. This may adversely affect our results of operations and financial condition.

Our operations are susceptible to interest rate movements. Interest rates are sensitive to many factors which are beyond our control, including the monetary policies of the RBI, COVID-19 related market volatility, domestic and international economic and political conditions, inflation and other factors. We are exposed to interest rate risks. In order to mitigate the same, we have a mix of long-term and short-term borrowings with both fixed and variable rates.

Credit Quality, Write-Offs and Provisions

The credit quality of our loans is a key driver of our results of operations, as quality loans help reduce the risk of losses from loan impairment. Credit risk is 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. The credit risk arises because of the quality of the loan portfolio and it is extremely important to control this risk in the infrastructure finance industry. Any inability to control such risk could adversely affect our financial results and operations.

Our credit impaired asset level is a function of our credit quality, which is further dependent upon our recovery mechanisms and credit appraisal processes. Our consolidated gross credit impaired assets were 6.59 per cent., 4.84 per cent. and 4.45 per cent. as at March 31, 2020, 2021 and 2022, respectively. As at June 30, 2022, our gross credit impaired assets on a non-consolidated basis were Rs. 171,250.4 million (4.41 per cent. of loan assets) and our net credit impaired assets were Rs. 54,655.8 million (1.41 per cent. of loan assets).

Our write-offs in respect of loan assets on a consolidated basis were Rs. 3,784.1 million, Rs. 11,525.5 million and Rs. 19,240.1 million for the years ended March 31, 2020, 2021 and 2022, respectively. Our ability to continue to reduce or contain the level of our Credit Impaired Assets depend on a number of factors beyond our control, such as increased competition, economic conditions, including with respect to specific industries to which we are exposed, decreases in agricultural production, decline in commodity prices, adverse fluctuations in interest and exchange rates or adverse changes in Indian policies, laws or regulations and also on our ability to manage our risk. For the quarter ended June 30, 2022, our write-offs on a non-consolidated basis were Nil.

Interest Rate Risk, Liquidity Risk and Foreign Currency Exchange Rate Risk

Please refer to the section entitled "*Assets and Liabilities – Risk Management – Risk Monitored under ALCO*" in this Offering Circular for more information on our exposure to interest rate risk, liquidity risk and foreign currency exchange rate risk and our management of such risks.

CERTAIN ACCOUNTING POLICIES

Accounting Policies under Ind-AS

The consolidated financial statements of the Company as of and for the fiscal years ended March 31, 2020, 2021 and 2022 (the **Ind-AS financial statements**) and the non-consolidated financial statements of the Company as of and for the three months ended June 30, 2021 and 2022 (the **interim financial statements**), included elsewhere in this Offering Circular, have been prepared for the purpose of inclusion in this Offering Circular and comply with Ind-AS notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended), applicable provisions of the Companies Act, 2013 and other applicable regulatory norms / guidelines. The consolidated and non-consolidated financial statements for the period ended June 30, 2022 were authorized and approved for issue by the Board of Directors on August 4, 2022. The Company has uniformly applied the accounting policies during the periods presented. Unless otherwise stated, all amounts are stated in millions of Rupees.

Significant Accounting Policies

The significant accounting policies applied in preparation of the consolidated financial statements are as given below:

Basis of consolidation

Subsidiary

Subsidiary is the entity controlled by the Group. The Group controls an entity when it has power over the investee, is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiary are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The Group combines the financial statements of the holding company and its subsidiary line by line adding together like items of assets, liabilities, equity, income and expenses.

Equity accounted investees

The Group's interests in equity accounted investees comprise of the interests in associates and joint venture.

An associate is an entity, including an unincorporated entity, over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Interests in associates are accounted for using the equity method. These interests are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of Profit and Loss and Other Comprehensive Income (OCI) of equity-accounted investees until the date on which significant influence ceases. However, in case where it is assessed that the investment/ interest in associates is held for sale, the interest in associates is accounted for under Ind-AS 105.

A joint venture is an arrangement in which the Group has joint control and has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in joint venture are accounted for using the equity method. They are initially recognized at cost which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of Profit and Loss and Other Comprehensive Income (OCI) of equity-accounted investees until the date on which significant influence or joint control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Basis of Preparation and Measurement

The consolidated financial statements have been prepared on a going concern basis following accrual system of accounting on historical cost basis except for certain financial assets and financial liabilities which are measured at fair values as explained in relevant accounting policies. These policies have been applied consistently for all the periods presented in the consolidated financial statements.

Functional and presentation currency

The consolidated financial statements are presented in Indian Rupee which is also the functional currency of the Group.

Income recognition

Interest income

Interest income is recognized on time proportion basis taking into account the amount outstanding and rate applicable.

Unless otherwise specified, the recoveries from the borrowers are appropriated in the order of (i) costs and expenses of REC (ii) delayed and 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, except for credit impaired loans and recalled loans, where principal amount is appropriated only after the complete recovery of other costs, expenses, delayed and penal interest and overdue interest including interest tax, if any. The recoveries under One Time Settlement (**OTS**)/ Insolvency and Bankruptcy Code (**IBC**) proceedings are appropriated first towards the principal outstanding and remaining recovery thereafter, towards interest and other charges, if any.

For financial assets measured at amortized cost, interest income is recorded using the effective interest rate (**EIR**), i.e. the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial assets.

Interest on financial assets subsequently measured at fair value through profit and loss is recognized on an accrual basis in accordance with the terms of the respective contract and is disclosed separately under the head interest income.

Interest income on credit-impaired loan assets is not being recognized as a matter of prudence, pending the outcome of resolutions of stressed assets.

Rebate on account of timely payment of interest by borrowers is recognized on receipt of entire interest amount due in time, in accordance with the terms of the respective contract and is netted against the corresponding interest income.

Income from Government schemes

Income of agency fee on Government schemes is recognized on accrual basis based on the services rendered.

Dividend income

Income from dividend on shares of corporate bodies and units of mutual funds is taken into account on accrual basis when right to receive payment is established.

Provided that in case of final dividend, the right to receive payment shall be considered as established only upon approval of the dividend by the shareholders in the Annual General Meeting.

Dividend on financial assets subsequently measured at fair value through profit and loss is recognized separately under the head 'Dividend Income'.

Other services

Fees/ charges on loan assets, other than those considered an adjustment to EIR, are accounted for on accrual basis. Pre-payment premium is accounted for by the Group in the year of receipt.

Revenue from sale of services

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

The Group uses the principles laid down by the Ind-AS 115 to determine how much and when revenue is recognized, what is the nature, amount, timing and uncertainty of revenues etc. In accordance with the same, revenue is recognized through a five-step approach:

(i) identify the contract(s) with customer;

(ii) identify separate performance obligations in the contract;

(iii) determine the transaction price;

(iv) allocate the transaction price to the performance obligations; and

(v) recognize revenue when a performance obligation is satisfied.

Revenues are measured at the fair value of the consideration received or receivable, net of discounts and other indirect taxes.

In Cost Plus Contracts – Revenue is recognized by including eligible contractual items of expenditures plus proportionate margin as per contract.

In Fixed Price Contracts – Revenue is recognized on the basis of stage of completion of the contract. The Group has assessed that the stage of completion is determined as the proportion of the total time expected to complete the performance obligation to that has lapsed at the end of the reporting period, which is an appropriate measure of progress towards complete satisfaction of these performance obligations under Ind-AS 115.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Professional charges to be charged from the selected bidders/developers for transmission projects put on tariff based bidding is accounted for in the year in which it is reasonably certain that the ultimate collection of the professional charges will be made.

Sale proceeds of Request for Proposal (RFP) documents is credited to the respective SPV and sale proceeds of Request for Qualification (RFQ) documents is retained by the Group and accounted as income of the Group.

Borrowing costs

Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds. Borrowing costs that are directly attributable to the acquisition and/ or construction of a qualifying asset, till the time such qualifying asset becomes ready for its intended use, are capitalized. A qualifying asset is one that necessarily takes a substantial period to get ready for its intended use.

All other borrowing costs are charged to the Statement of Profit and Loss on an accrual basis as per the effective interest rate method.

Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period.

To calculate diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

Foreign Currency Translation

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the Group using the exchange rates prevailing on the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of such transactions and the re-measurement of monetary items denominated in foreign currency at period-end exchange rates are recognized in the Statement of Profit or Loss. However, for the long-term monetary items recognized in the consolidated financial statements before April 1, 2018, such gains and losses are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" and amortized over the balance period of such long term monetary item, by recognition as income or expense in each of such periods.

Non-monetary items are not retranslated at period-end and are measured at historical cost (translated using the exchange rates at the transaction date).

Property, Plant and Equipment (PPE)

Recognition and initial measurement

Land

Land held for use is initially recognized at cost. For land, as no finite useful life can be determined, related carrying amounts are not depreciated.

Land also includes land treated as a Right of Use asset under lease agreement earlier classified as finance lease and is amortised over the lease term.

Other Tangible assets

PPE other than land is initially recognized at acquisition cost or construction cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group beyond one year. Maintenance or servicing costs of PPE are recognized in the Statement of Profit and Loss as incurred.

Subsequent measurement (depreciation method, useful lives, residual value, and impairment)

PPE are subsequently measured at cost less accumulated depreciation and impairment losses. Depreciation on PPE is provided on the straight-line method over the useful life of the assets as prescribed under Part 'C' of Schedule II of the Companies Act, 2013.

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. Depreciation on assets purchased during the year up to Rs. 5,000/- is provided at 100 per cent.

The residual values, useful lives, and method of depreciation are reviewed at the end of each financial year. PPE other than land is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

De-recognition

An item of PPE and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of an item of PPE is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in the Statement of Profit and Loss.

Capital Work-in-Progress

The cost of PPE under construction at the reporting date is disclosed as 'Capital work-in-progress.' The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price. Advances paid for the acquisition/ construction of PPE which are outstanding at the balance sheet date are classified under 'Capital Advances.'

Intangible assets

Recognition and initial measurement

Intangible assets mainly comprise of computer software which is initially measured at cost. Such assets are recognized where it is probable that the future economic benefits attributable to the assets will flow to the Group.

Subsequent measurement (amortization method, useful lives and residual value)

All intangible assets with finite useful life are amortized on a straight line basis over the estimated useful lives, and a possible impairment is assessed if there is an indication that the intangible asset may be impaired. Residual values and useful lives for all intangible assets are reviewed at each reporting date. Changes, if any, are accounted for as changes in accounting estimates. Management estimates the useful life of intangible assets to be five years.

Intangible Assets under Development

Expenditure incurred which are eligible for capitalization under intangible assets is carried as 'Intangible assets under development' till they are ready for their intended use. Advances paid for the acquisition/ development of intangible assets which are outstanding at the balance sheet date are classified under 'Capital Advances'.

Derecognition of Intangible Assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognized in the Statement of Profit and Loss when the asset is derecognized.

Lease accounting:

The Group recognizes a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as short-term or low-value lease.

The Group assesses at contract inception whether a contract is, or contains, a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Assets/ Disposal Groups held for sale

Assets are classified as held for Sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and the sale is highly probable. A sale is considered as highly probable when such assets have been decided to be sold by the Group; are available for immediate sale in their present condition; are being actively marketed for sale at a price and the sale has been agreed or is expected to be concluded within one year of the date of classification. Such assets are measured at lower of carrying amount or fair value less selling costs.

Assets held for sale are presented separately from other assets in the Balance Sheet and are not depreciated or amortised while they are classified as held for sale.

Where the Group is committed to a sale plan involving loss of control of an entity, it classifies investment in the entity (i.e. all the assets and liabilities of that entity) as held for sale.

Investment property

Investment properties are the assets which have undetermined future use. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, the investment properties are stated at cost less accumulated depreciation. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group beyond one year. All other repair and maintenance costs are recognized in the Statement of Profit and Loss as incurred.

Subsequent measurement (depreciation and useful lives)

The Group only has land as an investment property, which is not depreciated.

De-recognition

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Financial Instruments

A Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition and measurement

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- amortized cost;
- financial assets at fair value through profit or loss (**FVTPL**);
- financial assets at fair value through other comprehensive income (**FVOCI**)

All financial assets except for those at FVTPL or equity instruments at FVOCI are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied to each category of financial assets, which are described below.

Amortized cost

A financial asset is measured at amortized cost using Effective Interest Rate (EIR) if both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A loss allowance for expected credit losses is recognized on financial assets carried at amortized cost.

Modification of cash flows

When the contractual cash flows of a financial asset are renegotiated or otherwise modified, and the renegotiation or modification does not result in derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset and recognizes a modification gain or loss in profit or loss. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets that are either do not meet the criteria for amortized cost classification or are equity instruments held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments also fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements may apply. Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Embedded derivatives

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, foreign exchange rate, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract.

Derivatives embedded in all host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts or if the embedded derivative feature leverages the exposure and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss, unless designated as effective hedging instruments.

Financial assets at FVOCI

FVOCI financial assets comprise of equity instruments measured at fair value. An equity investment classified as FVOCI is initially measured at fair value plus transaction costs. Gains and losses are recognized in other comprehensive income and reported within the FVOCI reserve within equity, except for dividend income, which is recognized in profit or loss. There is no recycling of such gains and losses from OCI to Statement of Profit and Loss, even on the derecognition of the investment. However, the Group may transfer the same within equity.

De-recognition of financial assets

De-recognition of financial assets due to a substantial modification of terms and conditions

The Group derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded.

De-recognition of financial assets other than due to substantial modification

Financial assets (or where applicable, a part of financial asset or part of a group of similar financial assets) are derecognized (i.e. removed from the Group's balance sheet) when the contractual rights to receive the cash flows from the financial asset have expired, or when the financial asset and substantially all the risks and rewards are transferred. The Group also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

Classification and subsequent measurement of financial liabilities

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognized in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Hedge accounting

To qualify for hedge accounting, the hedging relationship must meet all of the following requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

All derivative financial instruments designated under hedge accounting are recognized initially at fair value and reported subsequently at fair value at each reporting date. To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognized in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognized immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income.

At the inception of each hedging relationship, the Group formally designates and documents the hedge relationship, in accordance with the Group's risk management objective and strategies. The documentation includes identification of the hedged item, hedging instrument, the nature of risk(s) being hedged, the hedge ratio and how the hedging relationship meets the hedging effectiveness requirements.

Fair Value Hedges

In line with the recognition of change in the fair value of the hedging instruments in the Statement of Profit and Loss, the change in the fair value of the hedged item attributable to the risk hedged is recognised in the Statement of Profit and Loss. Such changes are made to the carrying amount of the hedged item and are adjusted in Effective Interest Rate in the period when the hedging instrument ceases to exist. If the hedged item is derecognised, the unamortised fair value is recognized immediately in Statement of Profit and Loss.

Impairment of financial assets

Loan assets

The Group follows a 'three-stage' model for impairment in the form of Expected Credit Loss (ECL) based on changes in credit quality since initial recognition as summarized below:

- Stage 1 includes loan assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date.

- Stage 2 includes loan assets that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment.

- Stage 3 includes loan assets that have objective evidence of impairment at the reporting date.

The ECL is measured at 12-month ECL for Stage 1 loan assets and lifetime ECL for Stage 2 and Stage 3 loan assets. ECL is the product of the Probability of Default, Exposure at Default and Loss Given Default, defined as follows:

Probability of Default (PD) – The PD represents the likelihood of the borrower defaulting on its obligation either over next 12 months or over the remaining lifetime of the instrument.

Loss Given Default (LGD) – LGD represents the Company's expectation of loss provided that a default occurs. LGD is expressed in percentage and it shows the proportion of the amount that will actually be lost post recoveries in case of a default.

Exposure at Default (EAD) – EAD represents the amounts, including the principal outstanding, interest accrued and outstanding Letters of Comfort that the Company expects to be owed at the time of default.

Forward-looking economic information is included in determining the 12-month and lifetime PD, EAD and LGD. The assumptions underlying the expected credit loss are monitored and reviewed on an ongoing basis.

Financial assets other than Loans

In respect of its other financial assets, the Group assesses if the credit risk on those financial assets has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the Group measures the loss allowance at an amount equal to 12-month expected credit losses, else at an amount equal to the lifetime expected credit losses.

To make that assessment, the Group compares the risk of a default occurring on the financial asset as at the balance sheet date with the risk of a default occurring on the financial asset as at the date of initial recognition. The Group also considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. The Group assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the balance sheet date.

Write-offs

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery or as directed by the order of the Judicial Authority.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments (original maturity less than three months) that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Dividend and Other Payments to holders of Instruments classified as Equity

Proposed dividends and interim dividends payable to the shareholders are recognized as changes in equity in the period in which they are approved by the shareholders' meeting and the Board of Directors respectively. Liability for the payments to the holders of instruments classified as equity are recognized in the period when such payments are authorized for payment by the Group.

Material prior period errors

Material prior period errors are corrected retrospectively by restating the comparative amounts for the prior periods presented in which the error occurred. If the error occurred before the earliest period presented, the opening balances of assets, liabilities and equity for the earliest period presented, are restated.

Prepaid Expenses

A prepaid expense up to Rs. 100,000/- is recognized as expense upon initial recognition.

Taxation

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax. It is recognized in Statement of Profit and Loss, except when it relates to an item that is recognized in OCI or directly in equity, in which case, the tax is also recognized in OCI or directly in equity.

Current tax is determined as the tax payable in respect of taxable income for the year, using tax rates enacted or substantively enacted and as applicable at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable income.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided those rates are enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

Deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deductible temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Employee benefits

Short-term employee benefits

Short-term employee benefits including salaries, short term compensated absences (such as a paid annual leave) where the absences are expected to occur within 12 months after the end of the period in which the employees render the related service, profit sharing and bonuses payable within 12 months after the end of the period in which the employees render the related services and non-monetary benefits for current employees are estimated and measured on an undiscounted basis.

Post-employment benefit plans are classified into defined benefits plans and defined contribution plans as under:

Defined contribution plan

A defined contribution plan is a plan under which the Group pays fixed contributions in respect of the employees into a separate fund. The Group has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution. The contributions made by the Group towards defined contribution plans are charged to the profit or loss in the period to which the contributions relate.

Defined benefit plan

The Group has an obligation towards gratuity, Post-Retirement Medical Facility (PRMF) and Other Defined Retirement Benefit (ODRB) which are being considered as defined benefit plans covering eligible employees. Under the defined benefit plans, the amount that an employee will receive on retirement is defined by reference to the employee’s length of service, final salary, and other defined parameters. The legal obligation for any benefits remains with the Group, even if plan assets for funding the defined benefit plan have been set aside.

The Group’s obligation towards defined benefit plans is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. The liability recognized in the statement of financial position for defined benefit plans is the present value of the Defined Benefit Obligation (**DBO**) at the reporting date less the fair value of plan assets. Management estimates the DBO annually with the assistance of independent actuaries.

Actuarial gains/losses resulting from re-measurements of the liability/asset are included in Other Comprehensive Income.

Other long-term employee benefits

Liability in respect of compensated absences becoming due or expected to be availed more than one-year after the balance sheet date is estimated on the basis of actuarial valuation performed by an independent actuary using the projected unit credit method.

Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged to statement of profit and loss in the period in which such gains or losses are determined.

Loan to employees at concessional rate

Loans given to employees at concessional rate are initially recognized at fair value and subsequently measured at amortized cost. The difference between the initial fair value of such loans and transaction value is recognized as deferred employee benefits, which is amortized on a straight-line basis over the expected remaining period of the Loan. In case of change in expected remaining period of the Loan, the unamortized deferred employee benefits on the date of change is amortized over the updated expected remaining period of the loan on a prospective basis.

Provisions, Contingent Liabilities, and Contingent Assets

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values, where the time value of money is material.

A contingent liability is disclosed for:

- possible obligations which will be confirmed only by future events not wholly within the control of the Group; or

- present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

In those cases, where the outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized or disclosure is made.

Any reimbursement that the Group can be virtually certain to collect from a third party concerning the obligation (such as from insurance) is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

Contingent assets are not recognized. However, when the inflow of economic benefits is probable, the related asset is disclosed.

Fair value measurement

The Group measures financial instruments, such as derivatives at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements regularly, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Business Combination under Common Control

A business combination, if any, involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination and that control is not transitory.

Business combinations involving entities or businesses under common control are accounted for using the pooling of interest method as follows:

- the assets and liabilities of the combining entities are reflected at their carrying amounts;

- no adjustments are made to reflect fair values, or recognize new assets or liabilities. Adjustments are made only to harmonise significant accounting policies; and
- the financial information in the financial statements in respect of prior periods is restated as if the business combination has occurred from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination.

The balance of the retained earnings appearing in the financial statements of the transferor is aggregated with the corresponding balance appearing in the financial statements of the transferee. The identity of the reserves is preserved and the reserves of the transferor become the reserves of the transferee.

The difference, if any, between the amounts recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount of share capital of the transferor is transferred to capital reserve and is presented separately from other capital reserves.

Expenditure on issue of shares

Expenditure on issue of shares, if any, is charged to the securities premium account.

Implementation of New/ Modified Standards

During the year, the Ministry of Corporate Affairs (MCA) has issued amendments to certain Ind-AS. The Group has analyzed the impact of these amendments, which is not material to the Group.

Significant management judgment in applying accounting policies and estimation of uncertainty

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the related disclosures. Actual results may differ from these estimates.

Significant management judgments

Recognition of deferred tax assets/ liability – The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the future taxable income against which the deferred tax assets can be utilized. Further, the Management has no intention to make withdrawal from the Special Reserve created and maintained under section 36(1)(viii) of the Income Tax Act, 1961 and thus, the special reserve created and maintained is not capable of being reversed. Hence, the Group does not create any deferred tax liability on the said reserve.

Recognition of Deferred Tax Liability on Undistributed Reserves of Group Companies – The applicable tax laws provide for tax deduction in respect of dividend income from equity investments, to the extent of dividend declared by the Company to its shareholders during the year. Considering the historical information and dividend distribution policy of the Company, the Company does not expect any tax liability on the undistributed reserves of the Group Companies, as and when such reserves are distributed. Hence, the Company does not create any deferred tax liability on undistributed reserves of Group Companies.

Evaluation of indicators for impairment of assets – The evaluation of the applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets.

Investment in SPVs – Transmission projects are managed as per the mandate from Government of India and the Group does not have the practical ability to direct the relevant activities of these projects unilaterally. The Group therefore considers its investment in respective SPVs as associates having significant influence despite the Company holding 100 per cent. of their paid-up equity share capital.

Non recognition of Interest Income on Credit Impaired Loans - Interest income on credit-impaired loan assets is not being recognized as a matter of prudence, pending the outcome of resolutions of stressed assets.

Significant estimates

Impact of COVID-19 Outbreak - The Group has considered the possible impacts of COVID-19 in preparation of these financial statements, including but not limited to its assessment of, liquidity and going concern assumption, recoverable values of its financial and non-financial assets, impact on revenue recognition and impact on effectiveness of its hedges. The Group has carried out this assessment based on available internal and external sources of information upto the date of approval of these consolidated financial statements and believes that the impact of COVID-19 is not material to these financial statements and expects to recover the carrying amount of its assets. The impact of COVID-19 on the consolidated financial statements may differ from that estimated as at the date of approval of these consolidated financial statements owing to the nature and duration of COVID-19. The extent to which the COVID-19 pandemic will impact the Group will depend on future developments, which are uncertain, including, among other things, any new information concerning the severity of the COVID-19 pandemic and any further action by the Government or the Group to contain its spread or mitigate its impact.

Useful lives of depreciable/amortizable assets – Management reviews its estimate of the useful lives of depreciable/amortizable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of assets.

Defined benefit obligation (DBO) – Management's estimate of the DBO is based on a number of underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

Fair value measurements – Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. In case of non-availability of market-observable data, Level 2 and Level 3 hierarchy is used for fair valuation.

Income Taxes – Significant estimates are involved in determining the provision for income taxes, including amount expected to be paid/recovered for uncertain tax positions and also in respect of expected future profitability to assess deferred tax asset.

Expected Credit Loss (ECL) – The measurement of an expected credit loss allowance for financial assets measured at amortized cost requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g., likelihood of customers defaulting and resulting losses). The Group makes significant judgments about the following while assessing expected credit loss to estimate ECL:

- determining criteria for a significant increase in credit risk;
- establishing the number and relative weightings of forward-looking scenarios for each type of product/ market and the associated ECL;

- establishing groups of similar financial assets to measure ECL; and
- estimating the probability of default and loss given default (estimates of recoverable amounts in case of default).

Changes in Accounting Policies in the last three Fiscal Years

Changes in Accounting Policies for Fiscal 2020, 2021 and 2022

Please refer to the consolidated financial statements as of and for the years ended March 31, 2020, 2021 and 2022 included in this Offering Circular for changes in accounting policies for Fiscal 2020, 2021 and 2022.

DESCRIPTION OF PRINCIPAL COMPONENTS OF INCOME AND EXPENSES

Income

Revenue from Operations

Revenue from operations includes the following:

- *Interest Income* - Interest on loan assets (which comprises interest income from long-term and short-term financing), interest income from investments, interest income from deposits with banks and other interest income.
- *Dividend Income* - Income received from dividend distributions on our long-term investments.
- *Fees and Commission Income* - Income from other financial services, which comprises fee-based income, prepayment income and income from implementation of Government schemes.
- *Sale of services* - Sale of services comprises income from consulting engineering services, execution of IT implementation projects and documentation fees.

Other Income

Other income primarily consists of income from provisions/liabilities written back, fees from training courses and miscellaneous income.

Expenses

Finance Cost

Financing costs primarily consists of interest expenses on our borrowings, debt securities, subordinated liabilities and other interest expense.

Net Translation/Transaction Exchange Loss

Net translation/transaction exchange loss includes amortization of net translation/ transaction exchange loss/(gain) on long term foreign currency monetary items recognized in the financial statements before April 1, 2018.

Fees and Commission Expense

Fees and commission expense include payment of guarantee fee, listing and trusteeship fees, agency fees, credit rating expenses and other finance changes.

Net Loss of Fair Value Changes

Net loss on fair value changes includes changes in fair value of derivatives and changes in fair value of short-term investment of surplus funds in mutual funds.

Expenses towards Impairment of Financial Instruments

Impairment of financial instruments consists of costs towards impairment of loans and other financial instruments.

Cost of Services Rendered

Cost of services rendered consists of costs incurred towards project expenses.

Cost of Material Consumed

Cost of material consumed consists of information technology hardware.

Changes in Inventories of Finished Goods and Work-in-Progress

Changes in inventories of finished goods and work-in-progress represent changes in inventories over the period of the items purchased.

Impairment on financial instruments

Impairment on financial instruments includes impairment of loan and other assets.

Employee Benefits Expenses

Employee benefits expenses include employee salaries and allowances, contribution to the Provident Fund and other funds, gratuity, expenses towards post-retirement medical facility and staff welfare expenses.

Depreciation and Amortization

Depreciation represents depreciation charges on our fixed assets, including intangible assets.

Corporate Social Responsibility Expenses

Corporate social responsibility expenses mainly include expenses undertaken in accordance with the provisions of the Companies Act in accordance with the Company's CSR Policy.

Other Expenses

Other expenses include expenses in relation to travelling and conveyance, publicity and promotion, repairs and maintenance of building, rent and hiring charges, insurance charges and other various expenses.

Results of Operations

	For the three months ended June 30,	
	2021	2022
	(non-consolidated)	
	(Rs. in millions)	
Revenue from Operations		
- Interest Income	94,372.3	93,737.8
- Dividend Income	—	—
- Fees and Commission Income	1,501.2	556.7
- Net gain/(loss) on fair value changes	(809.9)	304.5
Total Revenue from Operations	**95,063.6**	**94,599.0**
Other Income	47.6	86.1
Total Income	**95,111.2**	**94,685.1**
Expenses		
- Finance Costs	55,885.6	53,766.9
- Net translation/transaction exchange loss	2,912.8	4,795.5
- Fees and commission Expense	80.9	54.9
- Impairment on financial instruments	7,814.4	5,045.0
- Employee Benefits Expenses	393.6	754.1
- Depreciation and amortization	28.1	58.9
- Corporate Social Responsibility Expenses	209.3	569.0
- Other Expenses	205.9	245.3
Total Expenses	**67,530.6**	**65,289.6**
Profit before Tax	**27,580.6**	**29,395.5**
Tax Expense		
Current tax		
- Current year	7,607.6	6,645.5
- Earlier years	—	(903.6)
Deferred Tax	(2,493.0)	(819.0)
Total Tax Expense	**5,114.6**	**4,922.9**
Profit for the period	**22,466.0**	**24,472.6**
Other comprehensive Income/(Loss)		
Items that will not be reclassified to profit or loss		
Remeasurement gains/(losses) on defined benefit plans	(0.6)	—
Changes in Fair Value of FVOCI Equity Instruments	363.2	(333.3)
Income tax relating to these items		
- Remeasurement gains/(losses) on defined benefit plans	0.1	—
- Changes in Fair Value of FVOCI Equity Instruments	0.3	(0.7)
Sub-Total (i)	**363.0**	**(334.0)**
Items that will be reclassified to profit or loss		
Effective Portion of Cash Flow Hedges	(21.0)	2,074.6
Cost of Hedging Reserve	328.2	(10,607.8)
Income tax relating to these items		
- Effective Portion of Cash Flow Hedges	5.3	(522.1)
- Cost of Hedging Reserve	(82.6)	2,669.8
Sub-Total (ii)	**229.9**	(6,385.5)
Other comprehensive Income/(Loss) for the period	**592.9**	**(6,719.5)**
Total comprehensive Income for the period	**23,058.9**	**17,753.1**
Basic and Diluted Earnings per Equity Share of Rs. 10 each (in Rs.)		
For continuing operations	113.8	123.9
For continuing and discontinued operations	113.8	123.9

	For the year ended March 31,		
	2020	2021	2022
		(consolidated)	
		(Rs. in millions)	
Revenue from Operations			
- Interest Income	296,717.8	346,933.5	381,944.9
- Dividend Income	369.4	279.7	42.1
- Fees and Commission Income	389.5	953.8	5,728.2
- Net gain on fair value changes	-	5,723.3	3,465.7
- Sale of services	1,821.1	1,636.5	1,509.6
Total Revenue from Operations	299,297.8	355,526.8	392,690.5
Other Income	772.7	227.2	701.5
Total Income	300,070.5	355,754.0	393,392
Expenses			
- Finance Costs	189,913.0	214,890.5	220,509.6
- Net translation/transaction exchange loss…..	23,579.0	3,302.6	7,990.5
- Fees and commission Expense	254.4	99.5	167.3
- Net loss on fair value changes	258.5	-	-
- Impairment on financial instruments	9,194.9	24,459.4	34,700.2
- Cost of services rendered	716.1	885.1	651.1
- Employee Benefits Expenses	1,931.5	1,636.2	1,808.3
- Depreciation and amortization	117.7	108.6	182.4
- Corporate Social Responsibility Expenses	2,592.9	1,462.7	1,723.5
- Other Expenses	1,304.1	1,093.8	1,235.7
Total Expenses	229,862.1	247,938.4	268,968.6
Share of Profit/Loss of Joint Venture accounted for using equity method	91.4	(19.7)	(118.1)
Profit before Tax	70,299.8	107,795.9	124,305.3
Tax Expense			
Current tax	16,450.6	29,209.7	30,652.7
Deferred Tax	4,126.5	(5,196.2)	(6,704.4)
Total Tax Expense	20,577.1	24,013.5	23,948.3
Profit for the year	49,722.7	83,782.4	100,357.0
Other comprehensive Income/(Loss)			
Items that will not be reclassified to profit or loss			
Remeasurement gains/(losses) on defined benefit plans	(28.7)	(142.6)	(83.3)
Changes in Fair Value of FVOCI Equity Instruments	(1,292.0)	1,665.3	221.9
Share of Other Comprehensive Income/(loss) of Joint Venture accounted for using equity method	(1.2)	(0.5)	(0.2)
Income tax relating to these items			
- Remeasurement gains/(losses) on defined benefit plans	7.2	35.9	21.0
- Changes in Fair Value of FVOCI Equity Instruments	123.9	(60.1)	25.5
Sub-Total (i)	(1,190.8)	1,498.0	184.9
Items that will be reclassified to profit or loss			
(a) Effective portion of cash flow hedges	(3,021.2)	808.1	4,808.4
(b) Cost of hedging reserve	(2,736.1)	3,290.0	(5,845.1)
(c) Share of Other Comprehensive Income/(loss) of Joint Venture accounted for using equity method	(39.4)	12.9	11.9
(d) Income tax relation to these items:			
- effective portion of cash flow hedges	760.4	(203.4)	(1,210.2)

	(consolidated) (Rs. in millions)		
- cost of hedging reserve	688.6	(828.0)	1,471.1
Sub-Total (ii)	(4,347.7)	3,079.6	(763.9)
Other comprehensive Income/(Loss) for the period ((i)+(ii))	(5,538.5)	4,577.6	(579.0)
Total comprehensive Income for the period	44,184.2	88,360.0	99,778.0
Basic and Diluted Earnings per Equity Share of Rs. 10 each (in Rs.)			
For continuing operations	25.2	42.4	50.64
For continuing and discontinued operations	25.2	42.4	50.64

Comparison of the relevant non-consolidated financial results for the three months ended June 30, 2022 with the three months ended June 30, 2021

Total Income

Total income for the three months ended June 30, 2022 decreased by 0.45 per cent. from Rs. 95,111.2 million for the three months ended June 30, 2021 to Rs. 94,685.1 million for the three months ended June 30, 2022, primarily due to the marginal decrease in yield on interest bearing loan assets, which resulted in lower interest income on loan assets.

Revenue from Operations

Revenue from operations for the three months ended June 30, 2022 decreased by 0.49 per cent. from Rs. 95,063.6 million for the three months ended June 30, 2021 to Rs. 94,599.0 million for the three months ended June 30, 2022, mainly due to the marginal decrease in yield on interest bearing loan assets, which resulted in lower interest income on loan assets.

Interest Income

Our interest income for the three months ended June 30, 2022 decreased by 0.67 per cent. from Rs. 94,372.3 million for the three months ended June 30, 2021 to Rs. 93,737.8 million for the three months ended June 30, 2022, primarily due to a decrease in the interest income on loan assets from Rs. 93,742.6 million for the three months ended June 30, 2021 to Rs. 92,623.6 million for the three months ended June 30, 2022 due to a marginal decrease in yield on interested bearing loan assets of the Company.

Fees and Commission Income

Our fees and commission for the three months ended June 30, 2022 decreased by 62.92 per cent. from Rs. 1,501.2 million for the three months ended June 30, 2021 to Rs. 556.7 million for the three months ended June 30, 2022, primarily due to a decrease in prepayment premiums from Rs. 1,205.4 million for the three months ended June 30, 2021 to Rs. 19.5 million for the three months ended June 30, 2022. In particular, the decrease in prepayment premiums was due to lower prepayment of loans by the borrowers in comparison to previous period.

Net gain on fair value changes

Our net gain on fair value changes for the three months ended June 30, 2022 increased by 137.60 per cent. from a loss of Rs. 809.9 million for the three months ended June 30, 2021 to a gain of Rs. 304.5 million for the three months ended June 30, 2022, primarily due to favorable changes in the fair value of derivative contracts on account of depreciation of INR against USD during the quarter.

Other Income

Our other income for the three months ended June 30, 2022 increased by 80.88 per cent. from Rs. 47.6 million for the three months ended June 30, 2021 to Rs. 86.1 million for the three months ended June 30, 2022, primarily due to an increase in rental income.

Total Expenses

Our total expenses decreased by 3.32 per cent. from Rs. 67,530.6 million for the three months ended June 30, 2021 to Rs. 65,289.6 million for the three months ended June 30, 2022, mainly due to the decrease in finance cost and lower impairment charges on financial instruments.

Finance Costs

Our finance costs for the three months ended June 30, 2022 decreased by 3.79 per cent. from Rs. 55,885.6 million for the three months ended June 30, 2021 to Rs. 53,766.9 million for the three months ended June 30, 2022, primarily due to a decrease in the cost of funds for the Company. Interest on debt securities decreased slightly by 13.61 per cent. from Rs. 41,852.5 million for the three months ended June 30, 2021 to Rs. 36,156.3 million for the three months ended June 30, 2022 primarily due to the reduction in the outstanding amount of borrowings and lower cost of funds for the Company. Interest on borrowings increased by 18.28 per cent. from Rs. 10,107.6 million for the three months ended June 30, 2021 to Rs. 11,955.7 million for the three months ended June 30, 2022 primarily due to the increase in the outstanding amount of borrowings in the ordinary course of business.

Net Translation/Transaction Exchange Loss

Our net translation and transaction exchange loss increased by 64.64 per cent. from Rs. 2,912.8 million for the three months ended June 30, 2021 to Rs. 4,795.5 million for the three months ended June 30, 2022 primarily due to adverse movements in the USD-INR exchange rate.

Fees and Commission Expense

Our fees and commission expense decreased by 32.14 per cent. from Rs. 80.9 million for the three months ended June 30, 2021 to Rs. 54.9 million for the three months ended June 30, 2022, primarily due to the decrease in debt servicing costs in the ordinary course of business.

Impairment on Financial Instruments

Our impairment on financial instruments decreased by 35.44 per cent. from Rs. 7,814.4 million for the three months ended June 30, 2021 to Rs. 5,045.0 million for the three months ended June 30, 2022, primarily due to lower provisioning on financial assets required in accordance with the Expected Credit Loss (ECL) Model as per Ind-AS 109 Financial Instruments.

Employee Benefit Expenses

Our employee benefit expenses increased by 91.59 per cent. from Rs. 393.6 million for the three months ended June 30, 2021 to Rs. 754.1 million for the three months ended June 30, 2022, primarily due to the provision of Rs. 310 million created on account of regularization of earlier adopted pay scales.

Depreciation and Amortization

Our depreciation and amortization expenses increased by 109.61 per cent. from Rs. 28.1 million for the three months ended June 30, 2021 to Rs. 58.9 million for the three months ended June 30, 2022, primarily due to an increase in property, plant and equipment of the Company.

Corporate Social Responsibility Expenses

Our corporate social responsibility expenses increased by 171.86 per cent. from Rs. 209.3 million for the three months ended June 30, 2021 to Rs. 569.0 million for the three months ended June 30, 2022, primarily due to higher direct expenditure on corporate social responsibility projects during the period.

Other Expenses

Our other expenses increased by 19.14 per cent. from Rs. 205.9 million for the three months ended June 30, 2021 to Rs. 245.3 million for the three months ended June 30, 2022, primarily due to an increase in expenses incurred during the normal course of business.

Profit for the period

As a result of the foregoing, our net profit for the period increased by 8.93 per cent. from Rs. 22,466.0 million for the three months ended June 30, 2021 to Rs. 24,472.6 million for the three months ended June 30, 2022.

Comparison of the relevant consolidated financial results for Fiscal 2022 with Fiscal 2021

Total Income

Total income for Fiscal 2022 increased by 10.58 per cent. from Rs. 355,755.6 million in Fiscal 2021 to Rs. 393,392.0 million in Fiscal 2021, due to the reasons described below.

Revenue from Operations

Revenue from operations for Fiscal 2022 increased by 10.45 per cent. from Rs. 355,528.4 million in Fiscal 2021 to Rs. 392,690.5 million in Fiscal 2022, mainly due to an increase in interest income and fees and commission incomes (see below for further details).

Interest Income

Our interest income for Fiscal 2022 increased by 10.09 per cent. from Rs. 346,935.1 million in Fiscal 2021 to Rs. 381,944.9 million in Fiscal 2022, primarily due to an increase in the interest income on loan assets from Rs. 342,299.2 million in Fiscal 2021 to Rs. 378,108.4 million in Fiscal 2022 driven by an increased loan portfolio of the Company.

Dividend Income

Our dividend income for Fiscal 2022 decreased by 84.95 per cent. from Rs. 279.7 million in Fiscal 2021 to Rs. 42.1 million in Fiscal 2022, primarily due to a decrease in equity portfolio on account of sale of equity shares in some investee companies.

Fees and Commission Income

Our fees and commission for Fiscal 2022 increased by 500.57 per cent. from Rs. 953.8 million in Fiscal 2021 to Rs. 5,728.2 million in Fiscal 2022, primarily due to an increase in fee based income, as well an increase of prepayment premium during Fiscal 2022 due to higher prepayments of the loan assets during the year.

Sale of Services

Our sale of services for Fiscal 2022 decreased by 7.75 per cent. from Rs. 1,636.5 million in Fiscal 2021 to Rs. 1,509.6 million in Fiscal 2022, primarily due to a decrease in consultancy services provided to clients.

Other Income

Our other income for Fiscal 2022 increased by 208.76 per cent. from Rs. 227.2 million in Fiscal 2021 to Rs. 701.5 million in Fiscal 2022, primarily due to an increase in rental income.

Total Expenses

Our total expenses increased by 8.48 per cent. from Rs. 247,940.0 million in Fiscal 2021 to Rs. 268,968.6 million in Fiscal 2022, due to the reasons described below.

Finance Costs

Our finance costs for Fiscal 2022 increased by 2.61 per cent. from Rs. 214,890.5 million in Fiscal 2021 to Rs. 220,509.6 million in Fiscal 2022, primarily due to an increase in overall borrowing amount. Interest on debt securities decreased by 2.74 per cent. from Rs. 165,209.0 million in Fiscal 2021 to Rs. 160,689.20 million in Fiscal 2022, primarily due to an increase in the outstanding debt securities. Interest on borrowings increased by 18.24 per cent. from Rs. 35,424.20 million in Fiscal 2021 to Rs. 41,884.10 million in Fiscal 2022, primarily due to an increase in the loans from banks/financial institutions.

Net Translation/Transaction Exchange Loss

Our net translation and transaction exchange loss increased by 141.95 per cent. from Rs. 3,302.6 million in Fiscal 2021 to Rs. 7,990.5 million in Fiscal 2022 due to adverse movements in the foreign exchange rates during the year.

Fees and Commission Expense

Our fees and commission expense increased by 68.14 per cent. from Rs. 99.5 million in Fiscal 2021 to Rs. 167.3 million in Fiscal 2022, primarily due to higher debt raising and servicing expenses during the period.

Net Gain/(Loss) on Fair Value Charges

Our net gain on fair value charges decreased from Rs. 5,723.3 million in Fiscal 2021 to Rs. 3,465.7 million in Fiscal 2022 as per the mark-to-market changes in the fair value of derivatives during the year.

Impairment on Financial Instruments

Our impairment on financial instruments increased by 41.87 per cent. from Rs. 24,459.4 million in Fiscal 2021 to Rs. 34,700.2 million in Fiscal 2022, primarily due to incremental provisioning on the loan assets of the Company in line with the board-approved ECL methodology.

Cost of Services Rendered

Our cost of services rendered decreased by 26.57 per cent. from Rs. 886.7 million in Fiscal 2021 to Rs. 651.1 million in Fiscal 2022, primarily due to decrease in project expenses undertaken by one of the group companies.

Employee Benefit Expenses

Our employee benefit expenses increased by 10.07 per cent. from Rs. 1,636.2 million in Fiscal 2021 to Rs. 1,800.9 million in Fiscal 2022, primarily due to the recruitment of new employees done by the Company in Fiscal 2022.

Depreciation and Amortization

Our depreciation and amortization expenses increased by 67.96 per cent. from Rs. 108.6 million in Fiscal 2021 to Rs. 182.4 million in Fiscal 2022, primarily due to an increase in the property, plant and equipment of the Company.

Corporate Social Responsibility Expenses

Our corporate social responsibility expenses increased by 17.83 per cent. from Rs. 1,462.7 million in Fiscal 2021 to Rs. 1,723.5 million in Fiscal 2022, primarily due to higher disbursements for CSR projects.

Other Expenses

Our other expenses increased by 13.65 per cent. from Rs. 1,093.8 million in Fiscal 2021 to Rs. 1,243.1 million in Fiscal 2022, primarily due to an increase in expenses incurred during the normal course of business.

Profit for the Fiscal Year

As a result of the foregoing, our profit for the year increased by 19.78 per cent. from Rs. 83,782.4 million in Fiscal 2021 to Rs. 100,357.0 million in Fiscal 2022.

Comparison of the relevant consolidated financial results for Fiscal 2021 with Fiscal 2020

Total Income

Total income for Fiscal 2021 increased by 18.66 per cent. from Rs. 299,812.0 million in Fiscal 2020 to Rs. 355,754.0 million in Fiscal 2021, due to the reasons described below.

Revenue from Operations

Revenue from operations for Fiscal 2021 increased by 18.89 per cent. from Rs.299,039.3 million in Fiscal 2020 to Rs.355,526.8 million in Fiscal 2021, mainly due to an increase in interest income and fees and commission incomes (see below for further details).

Interest Income

Our interest income for Fiscal 2021 increased by 16.92 per cent. from Rs. 296,717.8 million in Fiscal 2020 to Rs. 346,933.5 million in Fiscal 2021, primarily due to an increase in the interest on loan assets from Rs. 294,223.3 million in Fiscal 2020 to Rs. 343,027.6 million in Fiscal 2021 driven by an increased loan portfolio of the Company.

Dividend Income

Our dividend income for Fiscal 2021 decreased by 24.28 per cent. from Rs. 369.4 million in Fiscal 2020 to Rs. 279.7 million in Fiscal 2020, primarily due to a decrease in the portfolio of equity investments on account of sale of equity shares in some investee companies.

Fees and Commission Income

Our fees and commission for Fiscal 2021 increased by 144.88 per cent. from Rs.389.5 million in Fiscal 2020 to Rs. 953.8 million in Fiscal 2021, primarily due to an increase in fee based income, as well an increase of prepayment premium and fee for implementation of government schemes during Fiscal 2021.

Sale of Services

Our sale of services for Fiscal 2021 decreased by 10.14 per cent. from Rs. 1,821.1 million in Fiscal 2020 to Rs. 1,636.5 million in Fiscal 2021, primarily due to a decrease in consultancy engineering services of RECPDCL which is one of the group companies that provides such consultancy engineering services.

Other Income

Our other income for Fiscal 2021 decreased by 70.60 per cent. from Rs. 772.7 million in Fiscal 2020 to Rs. 227.2 million in Fiscal 2021, primarily due to a decrease in miscellaneous income from Rs. 648.8 million in Fiscal 2020 to Rs. 189.5 million in Fiscal 2021, driven by reimbursement of expenses by the Government of India.

Total Expenses

Our total expenses increased by 7.99 per cent. from Rs. 229,603.6 million in Fiscal 2020 to Rs. 247,938.4 million in Fiscal 2021, due to the reasons described below.

Finance Costs

Our finance costs for Fiscal 2021 increased by 13.15 per cent. from Rs. 189,913.0 million in Fiscal 2020 to Rs. 214,890.5 million in Fiscal 2021, primarily due to an increase in the borrowings of the Company. Interest on debt securities increased by 9.15 per cent. from Rs. 152,423.4 million in Fiscal 2020 to Rs. 166,370.8 million in Fiscal 2021, primarily due to an increase in the outstanding debt securities. Interest on borrowings increased by 9.22 per cent. from Rs. 32,556.2 million in Fiscal 2021 to Rs. 35,557.5 million in Fiscal 2020, primarily due to an increase in the loans from banks/financial institutions.

Net Translation/Transaction Exchange Loss

Our net translation and transaction exchange loss decreased by 85.99 per cent. from Rs. 23,579.0 million in Fiscal 2020 to Rs. 3,302.6 million in Fiscal 2021 due to favorable movements in the foreign exchange rates during the year.

Fees and Commission Expense

Our fees and commission expense decreased by 60.89 per cent. from Rs. 254.4 million in Fiscal 2020 to Rs. 99.5 million in Fiscal 2021, primarily due to lower debt raising and servicing expenses during the period.

Net Gain/(Loss) on Fair Value Changes

Our net loss on fair value charges decreased from Rs. 258.5 million in Fiscal 2020 to a gain of Rs. 5,723.3 million in Fiscal 2021, primarily due to favorable changes in fair value of derivatives.

Impairment on Financial Instruments

Our impairment on financial instruments increased by 166.01 per cent. from Rs. 9,194.9 million in Fiscal 2020 to Rs. 24,459.4 million in Fiscal 2021, primarily due to incremental provisioning on the loan assets of the Company in line with the board-approved ECL methodology.

Cost of Services Rendered

Our cost of services rendered increased by 23.60 per cent. from Rs. 716.1 million in Fiscal 2020 to Rs. 885.1 million in Fiscal 2021, primarily due to an increase in project expenses undertaken by one of the group companies.

Employee Benefit Expenses

Our employee benefit expenses decreased by 15.29 per cent. from Rs. 1,931.5 million in Fiscal 2020 to Rs. 1,636.2 million in Fiscal 2021, primarily due to lower business activity in subsidiary companies during the COVID-19 lockdown period.

Depreciation and Amortization

Our depreciation and amortization expenses decreased by 7.73 per cent. from Rs. 117.7 million in Fiscal 2020 to Rs.108.6 million in Fiscal 2021, primarily due to a decrease in depreciation of property, plant and equipment and amortization on intangible assets.

Corporate Social Responsibility Expenses

Our corporate social responsibility expenses decreased by 43.59 per cent. from Rs. 2,592.9 million in Fiscal 2020 to Rs. 1,462.7 million in Fiscal 2021, primarily due to lower disbursements for CSR projects.

Other Expenses

Our other expenses decreased by 16.13 per cent. from Rs. 1,304.1 million in Fiscal 2020 to Rs. 1,093.8 million in Fiscal 2021, primarily due to lower publicity and promotion expenses and lower office expenses.

Profit for the Fiscal Year

As a result of the foregoing, our profit for the year increased by 68.50 per cent. from Rs. 49,722.7 million in Fiscal 2020 to Rs. 83,782.4 million in Fiscal 2021.

LIQUIDITY AND CAPITAL RESOURCES

Summary of Cash Flow

We need cash primarily to finance new borrowers and meet working capital requirements. We fund these requirements through a variety of sources, including taxable bonds, capital gains exemption bonds, foreign currency borrowings and commercial paper. The following table sets forth cash flows from operating activities, investing activities and financing activities of: (a) the Group for the fiscal years ended March 31, 2020, 2021 and 2022, derived from the relevant audited consolidated financial statements; and (b) the Company for the three months ended June 30, 2021 and 2022 derived from the relevant unaudited non-consolidated reviewed financial statements.

	Fiscal	**Three months ended June 30,**

	2020	2021	2022	2021	2022
		(consolidated)		(non-consolidated)	
			(Rs. in millions)		
Net cash generated from operating activities.....................................	(324,415.7)	(435,123.3)	(39,096.8)	6,449.5	2,762.2
Net cash from investing activities .	(1,489.1)	8,605.2	(2,874.6)	(1,654.7)	70.2
Net cash flow from financing activities.....................................	339,262.0	421,133.4	31,588.9	31,401.0	136.0
Net increase (decrease) in cash and cash equivalents..........................	13,357.2	(5,384.7)	(10,382.5)	36,195.8	2,968.3
Closing balance of cash and cash equivalents.................................	17,177.1	11,792.4	1,409.9	47,600.7	4,232.3

Net Cash Flow from Operating Activities

Operating activities consisted of loans disbursed net of recoveries made thereof, cash profits earned during the period from operating activities and changes in operating assets and liabilities.

Our net cash flow from operating activities on a non-consolidated basis was Rs. 6,449.5 million and Rs. 2,762.2 million in the three months ended June 30, 2021 and 2022 respectively, representing a decrease of Rs. 3,687.3 million, or 57.17 per cent. This was mainly due to higher disbursements towards loan assets as compared to the previous Fiscal Year.

Our consolidated net cash flow from operating activities was Rs. (435,123.3) million and Rs. (39,096.8) million in the fiscal years ended March 31, 2021 and 2022, respectively, representing an increase of Rs. 396,026.5 million, or 91.01 per cent. in Fiscal 2022 compared to Fiscal 2021. The increase in Fiscal 2022 was mainly due to lower disbursments towards loan assets during the period.

Our consolidated net cash flow from operating activities was Rs. (324,415.7) million and Rs. (435,123.3) million in the fiscal years ended March 31, 2020 and 2021, respectively, representing a decrease of Rs. 110,707.6 million, or 34.13 per cent. in Fiscal 2021 compared to Fiscal 2020. The decrease in Fiscal 2021 was mainly due to higher disbursements towards loan assets.

Net Cash Flow from Investing Activities

Investing activities consisted of the purchase of fixed assets, including capital work in progress, investments made and income earned thereon.

Our net cash flow from investing activities on a non-consolidated basis was Rs. (1,654.7) million and Rs. 70.2 million in the three months ended June 30, 2021 and 2022, respectively, representing an increase of Rs. 1,724.9 million, or 104.24 per cent. This was mainly due to lower investments towards High Quality Liquid Assets (HQLA) done during the current period when compared to the previous period. The investments in HQLA are made in pursuance of RBI Guidelines.

Our consolidated net cash flow from investing activities amounted to Rs. 8,605.2 million and Rs. (2,874.6 million) for fiscal years ended March 31, 2021 and 2022 respectively, representing a decrease of Rs. 11,479.8 million, or 133.41 per cent. in Fiscal 2022 compared to Fiscal 2021. The decrease was mainly due to higher investments in HQLA.

Our consolidated net cash flow from investing activities amounted to Rs. (1,489.1) million and Rs. 8,605.2 million for fiscal years ended March 31, 2020 and 2021 respectively, representing an increase of Rs. 10,094.3 million, or 677.88 per cent. in Fiscal 2021 compared to Fiscal 2020. The increase was mainly due to redemption of long-term investments by the investee companies.

Net Cash Flow from Financing Activities

Financing activities consisted of the issue of bonds net of redemptions, the payment of dividend on equity shares and dividend tax paid thereon.

Our net cash flow from financing activities on a non-consolidated basis was Rs. 31,401.0 million and Rs. 136.0 million in the three months ended June 30, 2021 and 2022 respectively, representing a decrease of Rs. 31,265 million, or 99.57 per cent. This was mainly due to lower amount of funds raised (net of repayments) during the period when compared to the comparative period.

Our consolidated net cash flow from financing activities amounted to Rs. 421,133.4 million and Rs. 31,588.9 million in the fiscal years ended March 31, 2021 and 2022, respectively, representing a decrease of Rs. 389,544.5 million, or 92.50 per cent. in Fiscal 2022 compared to Fiscal 2021. The decrease in net cash flow from financing activities in Fiscal 2021 was mainly due to lower amount of funds raised which were utilized for making disbursements towards loan assets.

Our consolidated net cash flow from financing activities amounted to Rs. 339,262.0 million and Rs. 421,133.4 million in the fiscal years ended March 31, 2020 and 2021, respectively, representing an increase of Rs. 81,871.4 million, or 24.13 per cent. in Fiscal 2021 compared to Fiscal 2020. The increase in net cash flow from financing activities in Fiscal 2021 was mainly due to higher amount of funds raised which were utilized for making disbursements towards loan assets.

OFF-BALANCE SHEET ITEMS

Contingent Liabilities

The following table sets forth the principal components of our consolidated contingent liabilities as at March 31, 2020, 2021 and 2022 (as per Ind-AS):

	As at March 31,		
	2020	**2021**	**2022**
	(Rs. in millions)		
Claims against the Company not acknowledged as debts	2.2	296.7	302.1
Taxation Demands			
- Demands raised by the Income Tax Department.........................	1,139.9	254.1	1676.9
- Demands against appeals filed by the Income Tax Department against the relief allowed to the Company.....................................	383.0	3.0	9.0
- Demands raised in respect of Service Tax/GST	-	-	178.9
Others			
- Letters of Comfort...	9,512.9	26,088.5	40,689.5
- Bank Guarantees	307.8	384.9	310.6

Our total consolidated contingent liabilities increased by 59.72 per cent. from Rs. 27,027.2 million as at March 31, 2021 to Rs. 43,167.0 million as at March 31, 2022. The increase is primarily due to an increase in letters of comfort given to the borrowers.

Capital to Risk-Weighted Assets Ratio (CRAR)

Pursuant to the RBI Master Direction RBI/DNBR/2016-17/45 DNBR. PD. 008/03.10.119/2016-17 dated September 1, 2016, our Company, being an IFC, is required to have a CRAR of 15 per cent. (with a minimum Tier-l capital of 10 per cent.).

The tables below set forth capital adequacy ratios as at March 31, 2020, 2021 and 2022 (as per Ind-AS), each on a consolidated basis, and as at June 30, 2021 and 2022, each on a non-consolidated basis.

	Ind-AS				
	As at March 31,			As at June 30,	
Particulars	2020	2021	2022	2021	2022
	(Consolidated)			(Non-consolidated)	
			(%)		
CRAR	16.06	19.72	23.61	20.21	24.78
CRAR – Tier I Capital	13.17	16.31	19.58	17.01	21.72
CRAR – Tier II Capital	2.89	3.41	4.03	3.20	3.06

COMPETITIVE CONDITIONS

Please refer to the sections entitled "*Business*", "*Industry Overview*" and "*Risk Factors*" in this Offering Circular regarding competition.

UNUSUAL OR INFREQUENT EVENTS OR TRANSACTIONS

Except as described in this Offering Circular, there have been no other events or transactions to the best of our knowledge which may be described as "unusual" or "infrequent".

KNOWN TRENDS OR UNCERTAINTIES

Except as described in the section titled "*Risk Factors*", this section and elsewhere in this Offering Circular, to the best of our knowledge, there are no known trends or uncertainties that have or had or are expected to have any material adverse impact on the Group's revenues or income from continuing operations.

FUTURE RELATIONSHIP BETWEEN COST AND INCOME

Except as described in the sections titled "*Risk Factors*", "*Business*" and this section, to the best of our knowledge, there are no known factors that will have a material adverse impact on our operations and finances.

RISK FACTORS

Unless stated otherwise, the financial data included in this section for: (i) the three months ended June 30, 2022 has been derived from the non-consolidated financial statements for the three months ended June 30, 2022 prepared under Ind-AS; (ii) the year ended March 31, 2020 has been derived from the consolidated financial statements for the year ended March 31, 2021; and (iii) the years ended March 31, 2021 and 2022 have been derived from the consolidated financial statements for the years ended March 31, 2021 and 2022 prepared under Ind-AS. See "Presentation of financial and other information."

In purchasing the Notes, investors assume the risk that our Company may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in our Company becoming unable to make all payments due. It is not possible to identify all such factors or to determine which factors are most likely to occur, as our Company may not be aware of all relevant factors and certain factors which we currently deem not to be material may become material as a result of the occurrence of events beyond our control. We have identified, in this Offering Circular, a number of factors which could materially adversely affect our business and ability to make payments due. In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views and consult their advisors prior to making any investment decision.

RISKS RELATING TO OUR BUSINESS

Our business, and the industry where we profess our business, are dependent on the policies and support of the Government and we are susceptible to changes to such policies and the level of support we receive. If the changes in Government policies are not in favor of our business, then the same are likely to adversely affect our business, financial condition and results of our operations.

We are a Government-owned company operating in a regulated industry. Our business and our industry are dependent, directly and indirectly, on the policies and support of the Government in many significant ways, including, the cost of our capital, the financial strength of our borrowers, the management and growth of our business, 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 the Government. Currently, we have been receiving 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 certain direct tax benefits provided by the Government.

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

As the Government regulates the industry in which our borrowers operate, our borrowers may also be significantly impacted by the policies of the Government in a variety of ways. For example, the Government has established a number of schemes and provided 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 Government 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 may significantly be impacted by the policies of the Government. Any unfavorable change in Government policies or any variation in the level of direct or indirect support to us, as provided by the Government, in these or other areas could have a material adverse effect on our business, financial condition and results of our operations.

A global outbreak of an infectious disease such as COVID-19 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 could cause the trading price of the Notes to decrease.

The outbreak of a pandemic or 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 and which in turn could have a material adverse effect on our business, financial condition and results of operations.

Since December 2019, there is an on-going outbreak of the 2019 novel coronavirus (**COVID-19**) which has affected countries globally, with the World Health Organization declaring the outbreak a pandemic on March 12, 2020. There have been border controls, lockdowns and travel restrictions imposed by various countries, including India, as a result of the COVID-19 outbreak. Such outbreak of an infectious disease together with any resulting restrictions on travel and/or imposition of lockdown measures have resulted in protracted volatility in domestic and international markets and/or may result in a global recession and may adversely impact our operations, revenues, cash flows and profitability. A number of governments had revised gross domestic product growth forecasts for 2020 downwards in response to the economic slowdown caused by the spread of COVID-19, and it is still possible that the outbreak of COVID-19 will cause a prolonged global economic crisis or recession.

A lockdown to contain the spread of COVID-19 was imposed in India from March 24, 2020 to May 31, 2020 and services resumed in a phased manner starting from June 2020. The lockdown had forced factories, shops and offices in India to close down, resulting in a fall in power consumption, as industrial, trading, construction and many other economic activities have remained largely suspended. There have also been subsequent local and state level lockdowns and movement restrictions in various parts of India to control the spread of further waves of COVID-19. While we have not experienced any delinquencies in the payments from our borrowers, we may face delays associated with collection of payments from our clients, which are in the power infrastructure sector, due to economic slowdown caused by COVID-19, which may adversely affect our cash flows. This may be coupled with difficulty in accessing sources of financing as a consequence of volatility in domestic and international markets and/or a global recession. Further, we may also be required by the Government of India to provide loans to our clients at reduced rates, and/or restructure our loans to, or agree to moratoriums with them.

The second wave of COVID-19 pandemic which struck in March, 2021 appeared to have ascended faster than the first wave that peaked in mid-September, 2020. Previous pandemics have been characterized by waves of activity spread over months. Once the level of disease activity drops, a critical communications task will be to balance this information with the possibility of another wave. Pandemic waves can be separated by months and an immediate “at-ease” signal may be premature. Various ministries and regulators, including the Reserve Bank of India (**RBI**), Ministry of Finance, Ministry of Corporate Affairs and SEBI implemented measures to minimize the compliance burden and impact of the economic slowdown and to protect the interest of investors during market volatility due to the COVID-19 pandemic. For instance, the RBI had permitted all commercial banks, co-operative banks, all-India financial institutions, and non-banking financial companies (including housing finance companies) to grant a moratorium of three months in respect of term loans made by them, on payment of all “instalments” falling due between March 1, 2020 and May, 31 2020. The RBI had, on May 22, 2020, allowed Lending Institutions to further extend the moratorium on instalments of term loans by another three months, from June, 1 2020 to August 31, 2020, along with a similar measure for deferment of interest for another three months on working capital facilities.

Further, in view of the economic disruption caused by the lockdown imposed to contain the COVID-19 outbreak, to facilitate liquidity flow in the power sector, the Ministry of Finance, Government of India, on May 13, 2020, as part of the economic stimulus package, mandated the Company and PFC to infuse liquidity of Rs. 900,000 million to enable electricity DISCOMs for clearance of their outstanding dues as on March 31, 2020. Further, in September 2020, the Government of India allowed enhanced funding to DISCOMs for clearance of their outstanding dues as on June 30, 2020. The Government also allowed funding to DISCOMs in exemption of the working capital limits under the UDAY scheme. Thus, pursuant to the MoP order dated September 2, 2020, DISCOMs were then eligible for loans to clear outstanding dues of CPSU generation companies and transmission companies, IPPs and renewable energy generators up to June 30, 2020. The Company estimated that the total funding to the DISCOMs following the MoP order dated September 2, 2020, would be approximately up to Rs. 1,200,000 million. The loans were to be secured with unconditional and irrevocable guarantees by state governments covering the loan amounts along with interest and any other charges towards the loan. Under the scheme, loans were to be given to the DISCOMs in two tranches, 50 per cent. of the sanctioned loan amount in tranche-I and balance in tranche-II. The loans to the DISCOMs under tranche II are subject to progress achieved in implementation of conditions such as clearance of unpaid electricity dues and unpaid subsidies dues by the respective state governments, installation of smart meters and digital payments of electricity bill. For further details of other regulatory measures taken to mitigate the economic effects of COVID-19, please see "*Regulations and Policies*" in this Offering Circular.

Considering the resurgence in the business and commercial activity leading to increase in power demand and generation and other mitigating factors including our Company's liquidity position and access to diverse sources of funds, there are no reasons to believe that the current crisis will have any significant impact on the Company's ability to maintain its operations, including the going concern assessment. However, the impact will continue to be dependent on future developments, which are uncertain, including, among other things, any new information concerning the severity or new variants of the COVID-19 virus and any further action by the Government or the Company to contain its spread or mitigate its impact. Further, the aforementioned factors and any other measures, which may be announced by the Government or the RBI or any other regulators, may have an adverse effect on our operating results, businesses, assets, financial condition, performance or prospects.

In addition, influenza A H5N1 has had a profound effect on the poultry industry and Nipah virus encephalitis, is an emerging infectious disease of public health importance in Asia. India's southern state of Kerala was put under a lot of stress in May 2018 due to an outbreak of the Nipah virus. Asia is home to dynamic systems in which biological, social, ecological, and technological processes interconnect in ways that enable microbes to exploit new ecological niches. These processes include population growth and movement, urbanization, changes in food production, agriculture and land use, water and sanitation, and the effect of health systems through generations of drug resistance.

We cannot predict the duration or scope of the COVID-19 pandemic or when operations will completely cease to be affected by it. The extent of the COVID-19 pandemic's impact on the operational and financial performance of our Company will depend on future developments, including the duration, spread and intensity of the outbreak and Government responses to control the spread of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving situation. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in the section titled "*Risk Factors*", including those relating to cash flows. There can be no assurance that the on-going situation caused by the COVID-19 pandemic or a future outbreak of an infectious disease among humans or animals (if any) or any other serious public health concern will not have a material adverse effect on our business, financial condition and results of operations and potentially cause the trading price of the Notes to decrease.

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, primarily comprising public sector utilities (State Power Utilities (**SPUs**) and State Electricity Boards (**SEBs**)), many of which are loss-making and may not have the liquidity to repay their borrowings. Our past exposure has been, and future exposure is anticipated to be, concentrated towards these borrowers.

As of June 30, 2022, we had aggregate non-consolidated loans outstanding to state sector borrowers of Rs. 3,473,360.7 million, which constituted about 89.55 per cent. of our total non-consolidated loans outstanding. Historically, state sector utilities have had a relatively weak financial position and have also defaulted on their indebtedness in the past. Consequently, we have had to restructure loans sanctioned to certain SPUs and SEBs, which resulted in our having to reschedule their loans and waive a part of their interest dues because of such restructuring. There can be no assurance that the applicable SEBs and SPUs will be able to perform under the terms of the rescheduled loans.

As of June 30, 2022, our single borrower having the largest amount of outstanding loans accounted for 9.58 per cent. of our total non-consolidated outstanding loans and the borrower group to which we had the largest amount of outstanding loans in the aggregate accounted for 9.58 per cent. of our total non-consolidated outstanding loans. As of June 30, 2022, the top ten individual borrowers to whom we had the largest amount of outstanding loans in the aggregate accounted for 42.05 per cent. of our total non-consolidated outstanding loans and the top ten borrower groups to which we had the largest amount of outstanding loans in the aggregate accounted for 42.05 per cent. of our total non-consolidated outstanding loans. For further details, see the section titled "*Business*" in this Offering Circular. In addition to our exposure to borrowers resulting from our outstanding loans, we may also have exposures to borrowers, including the top ten individual borrowers and borrower groups referred to above, in the form of unfunded loan sanctions.

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 credit-impaired assets or non-performing assets (**NPA**) in our portfolio and that may 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. Credit losses on the individual borrowers or 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 our operations.

Furthermore, as we continue to increase our exposure to generation projects, our individual loan size is expected to increase, thereby increasing our exposure with respect to individual projects.

Our competitive efficiency is dependent on our ability to maintain a low and effective cost of funds; if we are unable to do, so it could have a material adverse effect on our business, financial condition and results of our operations.

Our ability to compete effectively is dependent on our ability to maintain a low and effective cost of funds. Historically, our access to funds has been enhanced and our cost of funds has been reduced by equity financing and loans received directly from the Government, 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 have been otherwise available to us. For further details, see the section titled "*Business*" in this Offering Circular. Further, competition in our industry depends on, among other things, the on-going evolution of the Government 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.

There can be no assurance as to the level of direct or indirect support as may be provided to us by the Government. If there are any unfavorable changes in the policies of the Government in future, the same could materially increase the cost of funds available to us. In particular, the Government has not provided us any direct funding since 2001. Similarly, the Government has not allowed us to issue SLR Bonds since Fiscal 1999. In addition, since January 2007, the Government has limited the amount of our capital gain tax exemption bonds issued under Section 54EC of the Income Tax Act that an individual investor can utilize to offset capital gains to Rs. 5.0 million, which has reduced the amount of bonds that we have been able to offer for subsequent periods. Consequently, our dependency on funding from debt capital markets and commercial borrowings has increased significantly. Further, the allocation of amount in respect of tax-free bonds is subject to the CBDT notification issued by the MoF and we may not be able to issue such bonds prospectively. As a result of these and other factors, our Company's cost of funds (on a non-consolidated basis), during the three months ended on June 30, 2022, was 6.73 per cent. which may increase during subsequent periods. While we generally have been able to pass the increased cost of funds onto our customers over this period, we may not be able to continue to do so in the future. 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 where 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 and many of which are beyond our control, including the economic conditions in the power sector and the Indian economy, and the liquidity in the domestic and global debt markets). There can be no assurance as to whether we will be able to maintain our existing ratings or be able to obtain funds on acceptable terms, or at all. Any deterioration of our ratings (if any) could materially increase the cost of funds available to us, particularly from debt capital markets and commercial borrowings. Furthermore, some of our existing commercial borrowings require us to pay increased rates of interest and/or to repay the loan in its entirety in the event of a ratings downgrade. Our borrowing costs have been competitive in the past due to direct and indirect benefits, including financing we have received from the Government and as a result of our strong credit ratings, which may also be dependent on our relationship with the Government. If we are unable to access funds at an effective cost that is comparable to, or lower than, our competitors, possibly due to a change in the Government's policy, a reduction in our credit rating or due to other factors, we may not be able to offer competitive interest rates to our borrowers. This is a significant challenge for our Company as there are limits to the extent to which higher costs of funds can be passed on to borrowers, thus potentially affecting our Company's net interest income. All of the above factors could adversely affect our profitability and growth, which in turn would have an adverse effect on our business, financial condition and results of operations.

If we are unable to maintain a low effective cost of funds, we may be unable to competitively price our loans. 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.

Prepayment penalties may be imposed in respect of any prepayment of our financial indebtedness.

Our Company enters into financial indebtedness by way of raising term loans from banks and financial institutions regularly. The terms of such financial indebtedness may require the Company to pay prepayment penalties (amounting to a certain percentage of the principal amount of such financial indebtedness) in the event of any prepayment prior to the stated lock-in period (if any). If the Company does prepay any such financial indebtedness in the future, the payment of any prepayment penalty may affect the Company’s profitability, financial condition and/or results of operation.

Our statutory auditors have made observations in their annexure to auditor’s reports on our audited financial statements for Fiscal 2020, 2021 and 2022 and included certain emphasis of matters in the auditor’s report to our audited financial statements for Fiscal 2022.

Our statutory auditors have not given any qualification, reservation, adverse remark or disclaimer in their report on the non-consolidated and consolidated financial statements of the Company but have made certain observations on further strengthening of our internal financial controls. This can be referred to in the respective annexure to the auditors’ reports on our audited financial statements for Fiscal 2020, 2021 and 2022. Our statutory auditors have also included an “emphasis of matter” regarding the determination and provisioning of impairment allowance and the impact of COVID-19 on the financial statements of the Group. Please refer to the auditors’ report to the consolidated audited financial statements for Fiscal 2022.

Our Company may be subject to similar observations and “emphasis of matters” in the future which could have a material adverse impact on our financial condition, profitability and operations.

We may face asset liability mismatches, which could affect our liquidity and consequently have a material and adverse effect on our business, financial performance and results of operations.

We may face potential liquidity risks due to varying periods over which our assets and liabilities mature. We currently fund our business in significant part through the use of borrowings that have shorter maturities than the maturities of all of our new substantial loan assets. In particular, in recent years we have obtained funding through the issuance of capital gains tax exemption bonds issued under Section 54EC of the Income Tax Act. 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 five years from the date of allotment for the bondholders to receive the benefit of these tax concessions and are automatically redeemed at the end of five years from allotment. For additional information with respect to our issuances of long-term tax exemption bonds issued under Section 54EC of the Income Tax Act, see the section titled “*Business*” in this Offering Circular. Our term loans, which constitute the largest component of our loan assets, typically have a maturity of more than ten years. As of June 30, 2022, we had long-term borrowings outstanding of Rs. 3,164,705.3 million (on a non-consolidated basis), which constituted 82.05 per cent. of our outstanding non-consolidated long-term loan assets. Additionally, our other financial products may have maturities that exceed the maturities of our borrowings.

Furthermore, our Company’s inability to effectively manage our funding requirements and the financing our Company provides may also be aggravated if our Company’s borrowers pre-pay or are unable to repay any amount due under the financing facilities granted by our Company. Our Company’s asset-liability management framework categorizes all interest rate sensitive assets and liabilities into various time period categories according to contracted residual maturities or anticipated re-pricing dates, as maybe relevant in each case. The difference between the value of assets and liabilities maturing, or being re-priced, in any time period category provides the measure to which our Company is exposed to the risk of potential changes in the margins on new or re-priced assets and liabilities. Despite the existence of such measures, our Company’s liquidity position could be adversely affected by the development of an asset-liability mismatch, which could have a material adverse effect on our Company’s business, prospects, results of operations and financial condition. To the extent we fund our business through the use of borrowings that have shorter maturities than the loan assets we disburse, our loan assets will not 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 assurance that new borrowings will be available on favorable terms or at all. In particular, we are increasingly reliant on funding from 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.

Any inability to obtain new borrowings, on favorable terms or otherwise, may negatively impact the profitability and growth of our business, which could have an adverse effect on our business, financial condition and results of operations.

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. The size of the projects that we finance has increased. Further, pursuant to a certificate dated September 17, 2010, the RBI further categorized us as an infrastructure finance company (**IFC**). As a result, our Company can now increase its exposure to private sector borrowers.

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.

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. 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.

We are currently engaged in foreign currency borrowings and we are likely to do so at increased levels in the future, which will expose us to fluctuations in foreign exchange rates and if we are unable to hedge the risk effectively, it could adversely affect our business, financial condition and results of operations.

As of June 30, 2022, we had foreign currency borrowings outstanding equal to Rs. 795,660.9 million (on a non-consolidated basis) out of which 18.95 per cent. were unhedged. 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 assurance 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 therefore may be further exposed to fluctuations in foreign currency rates. Volatility in foreign exchange rates and our inability, if any, to hedge the risk effectively could adversely affect our business, financial condition and results of operations. For instance, due to the COVID-19 pandemic, there has been increased volatility in foreign exchange rates in recent months. With volatility in global financial markets expected to continue, the ultimate effect of exchange rate fluctuations on our businesses is uncertain.

We are susceptible to the volatility in interest rates in our operations and therefore may be adversely affected due to the fluctuation in interest rates.

We are susceptible to the 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 all of our long-term loans, permits the borrowers to seek re-pricing of their loans after one, three or ten years. As of June 30, 2022, we had long-term loan assets outstanding of Rs. 3,878,878.2 million (on a non-consolidated basis). 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 would adversely affect our profitability, particularly if we did not have the ability to re-price our borrowings. Additionally, if we are unable or unwilling to competitively re-price our loans, we may have to face 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 fixed rate borrowings and in a falling interest rate scenario, this may impact our results of operations and financial condition.

Our Company's results of operations are therefore dependent on various factors that are indirectly affected by the prevailing interest rate and lending environment, including disbursement and repayment schedules for our Company's loans, the terms of such loans, including interest rate reset terms, as well as the currency of such loans and any exchange gains or losses relating thereto. In addition, the value of any interest rate hedging instruments our Company may enter into in the future may be affected by changes in interest rates. There can be no assurance that our Company will be able to adequately manage our interest rate risk and be able to effectively balance the proportion and maturity of our interest earning assets and interest-bearing liabilities in the future.

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.

The Government, through PFC, continues to exercise control over us, and therefore it can determine the outcome of shareholder voting and influence our operations.

On March 28, 2019, PFC completed its acquisition of the Government's entire shareholding of 52.63 per cent. in our Company pursuant to the decision of the Cabinet Committee on Economic Affairs of India in consideration of Rs. 145,000 million. While the Company is no longer directly owned by the Government, the Government still continues to exercise control over it through PFC. Consequently, the Government, acting through PFC, will continue to control us and will have the power to elect and remove our directors and therefore determine the outcome of most of our proposals for corporate action requiring approval of our board of directors or shareholders, including with respect to the payment of dividends. As we are a Government company in terms of section 2(45) of the Companies Act, 2013 and

PFC (over which the Government exercises control) is our Promoter, the Government has the power to take actions, make decisions, influence policies, issue directives, take positions or exercise control which, in each case, may affect our Company's business.

There may be challenges as a result of, or difficulties in realizing the benefits of, the PFC Acquisition, or any future merger of the Company with PFC's business and/or successfully integrating the Company's business with PFC's or (in the event of a merger) the merged business.

On March 28, 2019, PFC completed the PFC Acquisition (see "*Business – Recent Developments – Integration within the power sector and the PFC Acquisition*"). In addition, while there is a possibility that our Company may merge with PFC, there can be no assurance that such merger will take place in the near future or at all.

While the PFC Acquisition was intended to achieve integration across the power chain, obtain better synergies, create economies of scale and enhance capability to support energy access and energy efficiency in India, we will continue to face a range of operational, financial and other related risks inherent in such acquisitions (and any future merger). The integration process may be complex, costly and time-consuming. The potential difficulties of integrating the operations of our Company with that of PFC and realizing our Company's expectations for the PFC Acquisition (and any future merger with PFC), including the benefits that may be realized, include, among other things:

- failure to implement the business plan for the combined business;
- delays or difficulties in completing the integration of our business and/or its assets, leveraging synergies or rationalizing operations with those of PFC;
- higher than expected costs, lower than expected cost savings, exposure limit ceilings and/or a need to allocate resources to manage unexpected operating difficulties;
- unanticipated issues in integrating logistics, information, communications and/or other systems;
- unanticipated changes in the combined business due to potential divestitures or other requirements imposed by antitrust regulators;
- failure to maintain the continuity and/or assimilation of operations or employees;
- retaining key customers, borrowers and/or employees;
- retaining and obtaining required regulatory approvals, licenses and permits;
- diversion of the attention and resources of management;
- assumption of liabilities not identified in due diligence, including any on-going litigation, claims or disputes; and
- other unanticipated issues, expenses and/or liabilities.

There can be no assurance that any of the foregoing factors relating to the PFC Acquisition (and any future merger with PFC) or any potential difficulties as a result of the PFC Acquisition will not have a material adverse impact on our business, financial condition, results of operations, performance and prospects. For example, to ensure the smooth integration of our business and PFC's business and to create synergies, a certain degree of optimization and integration will be required, including in respect of customer/borrower management, financial accounting and human resources management across both our business and PFC's business. However, it is uncertain whether such integration can be successfully implemented, if at all. If the relevant risks of such integration are not properly managed or the expected benefits of the PFC Acquisition (and any future merger with PFC) fail to materialize, this may result in, *inter alia*, a deterioration of asset quality, the loss of key employees or members of the senior management team, or the deterioration or loss of customer relationships and/or connections. Any of these factors could have a material and adverse effect on our business, financial condition, results of operations, performance and/or prospects. In addition, any integration or merger may also result in increased cost of borrowings (due to restrictions on exposures of banks, mutual funds or other investors to a single company), restrictions on lending exposures by a single integrated/merged company to borrowers, along with other similar adverse issues.

The Government may sell all or part of its shareholding in PFC, and/or PFC may sell all or part of its shareholding in us, which may result in a change in control of our Company.

As at the date of this Offering Circular, the Government does not directly own more than 50 per cent. of the voting rights of the issued share capital of our Company. Nevertheless, as long as the Government's shareholding in PFC and PFC's shareholding in our Company each is not less than 51.00 per cent., our Company will continue to be classified as a Government Company and will be subject to various regulations, regulatory exemptions and benefits generally applicable to government companies in India. As of the date of this Offering Circular, there is no legislation that places a mandatory requirement on the Government to hold a minimum 51.00 per cent. shareholding in PFC. Therefore, the Government may sell all or part of its shares in PFC, and/or PFC may sell all or part of its shareholding in us, which may result in a change in control of our Company and which may, in turn, disqualify us from benefiting from certain regulatory exemptions and other benefits that may be applicable to our Company due to us being a public sector company. If a change of control were to occur, there can be no assurance that our Company will have sufficient funds available at such time to pay the purchase price of any outstanding Notes, as the source of funds for any such purchase will be its available cash or third-party financing which we may not be able to obtain at the time.

Failure to manage any acquisition that our Company makes may cause its profitability to suffer.

Our Company may take advantage of merger and acquisition opportunities in the future if suitable opportunities arise (including a potential merger with PFC — please see "*Risk Factors — There may be challenges as a result of, or difficulties in realizing the benefits of, the PFC Acquisition, or any future merger of the Company with PFC's business and/or successfully integrating the Company's business with PFC's or (in the event of a merger) the merged business*" in this Offering Circular). These may require significant investments which may adversely affect our Company's business and revenues. Furthermore, our Company is not permitted to carry out any merger or acquisitions beyond certain financial ceilings without prior approval from the GoI. Acquisitions involve additional risks, including the following:

- impact of unforeseen risks, such as contingent or latent liabilities relating to the acquired businesses, that become apparent only after the merger or acquisition is finalized;
- success or failure of integration and management of the acquired operations and systems;
- success or failure of retention of select personnel; or
- impact of diversion of our Company management's attention from other on-going business concerns.

If our Company is unable to integrate the operations of an acquired business successfully or manage such future acquisitions profitably, or obtain any necessary approvals to effect any proposed mergers or acquisitions, its revenues and results of operations may be adversely affected.

An inability to develop or implement effective risk management policies and procedures could expose us to unidentified risks or unanticipated levels of risk.

Although we follow various risk management policies and procedures to identify, monitor and manage risks, there can be no assurance that such policies and procedures will be effective in addressing all risks that the Company encounters in its business and operations or that such policies and procedures are as comprehensive as those implemented by other banks and financial institutions. Our risk management policies and procedures are based on, among other considerations, historical market behavior, information regarding borrowers, and market knowledge. Consequently, these policies and procedures may not accurately predict future risk exposures that could vary from, or be greater than, those indicated by historical measures. In addition, information available to us may not be accurate, complete, up-to-date or properly evaluated. Unexpectedly large or rapid movements or disruptions in one or more financial markets or other unforeseen developments could have a material adverse effect on the Company's results of operations and financial condition. Our risk management policies and procedures are also influenced by applicable Government policies and regulations and may prove inadequate or ineffective in addressing risks that arise as a consequence of any development in Government policies and regulations that adversely affect our business and operations.

In addition, we intend to continue to diversify our borrower portfolio and extend fund based and non-fund based financial and other assistance and services to projects that represent forward and backward linkages to the core power sector projects. These business initiatives may involve operational and other risks that are different from those that are currently faced or anticipated, and there can be no assurance that we will be able to effectively identify and address any additional risks that apply to such business initiatives. An inability to develop, modify and implement effective and dynamic risk management policies and procedures may adversely affect our growth strategy. The management of operational, legal and regulatory risk requires, among others, policies and procedures to accurately record and verify transactions and events. There can be no assurance that our policies and procedures will effectively and accurately record and verify such information. Failure of our risk management policies and procedures or exposure to unanticipated risks could lead to losses and adversely affect our business, financial condition and results of operations.

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

We have received, and we are currently receiving, certain 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 2020, Fiscal 2021 and Fiscal 2022, our Company's current tax liability as a percentage (computed by dividing our Company's current non-consolidated tax by profit before tax, according to our Company's non-consolidated financial statements) was 22.30 per cent., 24.95 per cent. and 24.56 per cent. respectively, compared to statutory corporate tax rates (including surcharge and cess) of 25.168 per cent. in each of Fiscal 2020, Fiscal 2021 and Fiscal 2022, respectively. The availability of these tax benefits is subject to the policies of the Government, among other things, and there can be no assurance as to the amount of tax benefits that we will receive in the future, if any.

If the laws or regulations regarding these or other tax benefits were to change further, our taxable income and tax liability may increase, which may adversely affect our financial condition and results of operations.

We may not have obtained sufficient security and collateral from our borrowers, or we may not be able to recover or enforce, or there may be a delay in recovering or enforcing, the expected value from any security and collateral.

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 of June 30, 2022, we had total non-consolidated loan assets outstanding of Rs. 3,878,878.2 million, of which Rs. 2,350,062.9 million, or 60.59 per cent., were secured by charges on assets, Rs. 1,358,512.4 million, or 35.02 per cent. of which were backed by way of state government guarantee and Rs. 170,302.9 million, or 4.39 per cent., were unsecured loan assets including loans to state governments. Although legislation in India is now effective enough to strengthen the rights of creditors to obtain faster realization of collateral in the event of loan default, we may nonetheless be unable 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.

The RBI from time to time provides circulars and directions with respect to corporate debt restructuring, and the resolution of stressed assets for banks and NBFCs, as well as revisions to the framework and directions in respect of identification of stressed assets, implementation of resolution plans, permitted methods, conditions and timing of restructuring or resolution of assets, prudential norms and supervisory review by the RBI, as well as enforcement under the insolvency or other laws of India. In situations where other lenders own more than a requisite specified percentage of the debt of one of our borrowers, we could be required by the other lenders to agree to restructure the debt or take enforcement proceedings, regardless of our preferred method of settlement. We may also be a part of a syndicate of lenders wherein the majority elect to pursue a different course of action than the course of action favorable to us, whether or not such debt is subject to the RBI guidelines. Any such debt restructuring or enforcement could lead to an unexpected loss that could adversely affect our business, financial condition and results of operations.

The escrow account mechanism for the payment obligations of our state sector borrowers may not be effective, which may 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.

We have a mechanism for the creation of escrow accounts with most of our borrowers in the state sector. 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 required to make the default amount available to us on demand.

The escrow agreement mechanism is effective only if the customers of our borrowers, including DISCOMs 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. In addition, as our Company diversifies our loan portfolio and enters into new business opportunities, our Company may not be able to implement such or similar quasi-security mechanisms or arrangements and there can be no assurance that even if such mechanisms and arrangements are implemented, they will be effective.

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

As of June 30, 2022, Rs. 405,517.5 million or 10.45 per cent., of our loans assets outstanding (on a non-consolidated basis) were to borrowers that are private sector power utilities (including project-specific special purpose vehicles). Our exposure to private sector power utilities may increase in the future. 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.

Certain SEBs which were our borrowers have been restructured and we may not have transferred the liabilities associated with our loans to the newly formed entities, which may affect our ability to enforce the applicable provisions of the original loan agreements.

We have granted certain long-term loans to various SEBs of various states. Pursuant to amendments in the Electricity Act, the state governments of these states have restructured their SEBs into separate entities formed for the generation, transmission and/or distribution of electricity. As part of the restructuring, all liabilities and obligations of a restructured SEB were transferred by 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 certain states. There can be no assurance 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.

Our contingent liabilities could adversely affect our financial condition.

As of March 31, 2022, our Company, on a consolidated basis, had non-funded contingent liabilities not provided for of Rs. 43,167.0 million (as disclosed in our consolidated financial statements) as follows:

	(Rs. in million) Amount
Contingent Liabilities not provided for in respect of:	
(a) Claim against the Company not acknowledged as debts	302.1
(b) Taxation demands	
– Demands raised by the Income Tax Department	1,676.9
– Demands against appeals filed by the Income Tax Department against the relief allowed to the Company	9.0
– Demands raised in respect of Service Tax	178.9
(c) Others	
– Letters of Comfort...	40,689.5
– Bank Guarantees	310.6
Total	43,167.0

Note:

(1) We have issued letters of comfort (**LoCs**) to some of our borrowers against loan amounts sanctioned to them. These LoCs are basically used by borrowers to give comfort to LC issuing banks for procurement of power equipment or otherwise similar facilities during execution of contracts.

If these contingent liabilities were to fully materialize or materialize at a level higher than we expect, our financial condition could be adversely affected. For further details on our contingent liabilities, see the section titled "*Index to Financial Statements*" of this Offering Circular.

Our cash flow reflects negative cash flows from operations in view of presentation of borrowings and lending in different categories. There is no assurance that such negative cash flow from operations shall not recur in future Fiscal periods and in case it recurs, then it may adversely affect our business.

In view of the opinion of a committee of the Institute of Chartered Accountants of India, our outward cash flow relating to disbursement of loans and advances (net of any repayments we receive) is reflected in cash flow from our operating activities whereas the inward cash flows from external funding taken (net of any repayments of such funding) to disburse these loans and advances are reflected in our cash flow from financing activities. Consequently, cash flow of our Company (on a consolidated basis) reflects negative net cash flow from operating activities of Rs. 324,415.7 million, Rs. 435,123.3 million and Rs. 39,096.8 million for Fiscal 2020, Fiscal 2021 and Fiscal 2022, respectively. For further details on our Company's non-consolidated cash flow, see the section titled "*Index to Financial Statements*" of this Offering Circular.

Our success depends largely upon our management team and skilled personnel. Our ability to attract and retain such persons and disassociation 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. There is competition for management and other skilled personnel in our industry, and it may be difficult for us to attract and retain the personnel we need in the future. The loss of key personnel, or our inability to attract and retain new personnel, may have an adverse effect on our business, results of operations, financial condition and our ability to grow.

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 from them.

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. Our borrowers may not have the required insurance coverage, or may not renew the insurance policies, or the amount of insurance coverage may be less than the replacement cost of the relevant assets and therefore 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 favor are damaged or our borrowers otherwise suffer a loss because of insufficient insurance to offset the borrower's losses, it may affect our ability to recover the loan amounts due to us from the borrower.

We are subject to restrictive covenants under our credit facilities that limit our flexibility in managing our business. Such restrictive covenants may restrict our operations or ability to expand and may adversely affect 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, our existing credit rating and to 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. Further, 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 Government, in case of any default on our part in payment of interest or principal towards some of our borrowings. Furthermore, we may not have received the consent from some of our lenders for raising new loans or debentures.

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 so as to maintain our interest income and grow our portfolio of assets.

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 funds (on a non-consolidated basis) raised during the three months ended June 30, 2022 is 6.73 per cent. However, we may not be able to maintain the same during subsequent periods without raising funds from the debt market through various concessional debt issues. 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 future. 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 assurance that we will be able to do so and we may suffer reduced profitability or losses. In the event our interest rate margins decrease, the same may adversely affect our business, financial condition and results of operations.

In addition, competition in our Company's industry depends on, among other factors, the on-going evolution of the Government policies relating to the industry, the entry of new participants into the industry and the extent to which there is consolidation among banks, financial institutions and NBFCs in India. Our Company's primary competitors are public sector infrastructure finance companies, public sector banks, private banks (including foreign banks), financial institutions and other NBFCs. Many of our Company's competitors may have larger resources or balance sheet sizes than our Company and may have considerable financing resources. In addition, since our Company is a non-deposit taking NBFC, our Company may have restricted access to funds in comparison to banks and deposit taking NBFCs. Our growth will depend in large part on our ability to respond in an effective and timely manner to the said competitive pressures. In particular, the Electricity Act provides for opportunities in the 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.

Power projects carry certain risks that, to the extent they materialize, could adversely affect our business, financial condition and results of operations.

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:

- non-conversion of letter of assurance and/or Memorandum of Understanding by coal suppliers into binding fuel supply agreement;
- delays in development of captive coal mines;

- 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 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, aggregators or DISCOMs 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 including domestic and imported coal and natural gas;

- delays in inviting bids for procurement of power by state sector state power utilities and DISCOMs;

- delay in obtaining forest clearance, land acquisition, right of way clearance and other relevant clearances;

- adverse geological conditions;

- effectiveness of current technology and its obsolescence in renewable energy;

- 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 their contractual obligations in respect of projects to which we lend;

- adverse developments in the overall economic environment in India;

- adverse fluctuations in liquidity, interest rates or currency exchange rates;

- economic, political and social instability or occurrences of events such as natural disasters, armed conflict and terrorist attacks, particularly where projects are located or in the markets they are intended to serve;

- delays in the implementation of Government policies and initiatives;

- environmental concerns and environmental regulations applicable to power sector projects that our Company finances, including, for example, relevant coal mining areas being classified as "no-go" areas;

- extent and reliability of power sector infrastructure in India;

- strikes, work stoppages or increased wage demands by employees or any other disputes with employees that affect the project implementation schedule or operations of the projects that our Company finances;

- disruption of projects due to explosions, fires, earthquakes and other natural disasters, breakdown, failure or substandard performance of equipment, improper installations or operation of equipment, accidents, operational problems, transportation interruptions, other environmental risks and labor disputes;

- changes in credit ratings of our Company's borrowers affecting their ability to finance projects;

- failure to supply power to the market due to unplanned outages of any projects that our Company finances, failure in transmission systems or inter-regional transmission or distribution systems;

- inherent risks relating to signing, execution and honoring of power purchase agreements and non-permissibility of pass through or escalation in the cost in the dynamic environment;

- rehabilitation, resettlement and local public agitation on project sites/resources;

- low demand and power offtake, resulting in non-conformity with the agreed power purchase agreement and/or power sale agreement signed with DISCOMs;

- the low selling price of merchant power; and

- constraints in power transmission corridors.

Power sector projects may be exposed to unplanned interruptions caused by catastrophic events such as floods, earthquakes, fires, major plant breakdowns, pipeline or electricity line ruptures or other disasters. Operational disruption, as well as supply disruption, could adversely affect the cash flows available from these projects. Furthermore, the cost of repairing or replacing damaged assets could be considerable. Repeated or prolonged interruption may result in a permanent loss of customers, substantial litigation or penalties and/or regulatory or contractual non-compliance. 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 is likely to increase in size, thereby increasing our exposure with respect to individual projects. Accordingly, the potential for adverse effects on our business, financial condition and results of operations may arise in the event these risks relating to the power projects we finance were to materialize.

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

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 affected 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 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.

Material changes in the regulations that govern us and our borrowers could cause our business to suffer.

Our Company is under the administrative control of the MoP. 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 the Stock Exchanges. For details, see the section titled "*Regulations and Policies*" in this Offering Circular. Additionally, our borrowers in the power sector are subject to supervision and regulation by the Central Electricity Authority (**CEA**), Central Electricity Regulatory Commission (**CERC**) and State Electricity Regulatory Commission (**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 u/s 2 (72) of the Companies Act and as an IFC NBFC-ND-SI. With effect from 1 October 2022, our Company will be subject to RBI's scale based regulatory framework for NBFCs which will reclassify NBFCs on the basis of their scale and activities. The impact of this revised NBFC classification cannot be ascertained and any such changes could adversely affect our business, financial condition and results of operations.

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 provides for a framework for reforms in the sector. There could be additional changes in the manner of determination of tariff and other policies and licensing requirements for, and tax incentives applicable to, companies in the power sector. Presently, our Company is not aware of the nature or extent of any future review and amendment of the Electricity Act and rules and policies issued thereunder, and it is possible that any amendments may have an adverse impact on our Company's business, financial condition and results of operations.

The Electricity (Amendment) Bill, 2022 was introduced in Lok Sabha on August 8, 2022. The outcome of the bill, if passed, will have to be considered in light of the overall impact on our Company. For further details on the Electricity (Amendment) Bill, 2022, please see the section titled "*Regulations and Policies*". The above laws and other regulations governing our borrowers and our Company could change in the future and any such changes could adversely affect our business, financial condition and results of operations.

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 licences, which may have a material adverse effect on the continuity of our business and may impede our effective operations in the future.

We usually require certain regulatory approvals, sanctions, licences, registrations and permissions for operating our businesses. However, 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. If we do not receive, renew or maintain such regulatory approvals required to operate our business, the same 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.

We are no longer exempted from the applicability of certain prudential norms by the RBI and this may affect our business.

The RBI, pursuant to a certificate dated September 17, 2010, had categorized our Company as an IFC according to the instructions contained in the Master Direction – Non Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, as amended from time to time (**Systemically Important NBFC Directions**). In this regard, a fresh certificate of registration bearing no. 14.000011 dated November 28, 2018 has been allotted by the RBI in the name of our Company.

As an IFC, the total permissible exposure for lending is 25 per cent. of owned funds in the case of a single borrower, and 40 per cent. in the case of a single group of borrowers and exposure for lending and investing taken together can be up to 30 per cent. and 50 per cent. of owned funds, respectively as per RBI's credit concentration norms. REC has been following the credit concentration norms in respect of the private sector borrowers. However, in respect of exposure to central/state government entities, RBI had allowed, vide its letter dated June 16, 2016, an exemption to our Company from applicability of concentration of credit/investment norms until March 31, 2022. As such, our maximum credit exposure limits to such utilities varies from 50 per cent. to 250 per cent. of our net worth, depending on the entity appraisal and status of unbundling of the respective state utilities.

Subsequent to March 31, 2022, RBI, vide its letter dated August 24, 2022, has not acceded to our Company's request for exemption from credit concentration norms for government sector borrowers. While RBI has allowed the existing breaches of the Company (as on the date of the letter referenced above) to continue until maturity without invoking any regulatory violation, any new exposures must conform to the prescribed concentration norms. As of the date of this Offering Circular, we have not taken any new exposures which exceed the concentration norms post August 24, 2022 in accordance with RBI's response letter referenced above.

If any fresh sanction of loans to the power sector borrowers is not backed by concomitant infusion of fresh capital, the applicability of the above credit concentration norms for government sector borrowers may affect our business in respect of some of the borrowers which have already reached the applicable threshold, consequently affecting our profitability.

There are a number of legal and tax-related proceedings involving us. Any unfavorable 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 operation.

We are involved in certain legal and tax-related proceedings. These proceedings are pending at different levels of adjudication before various courts, tribunals and appellate authorities.

The legal proceedings generally arise because we seek to recover our dues from our borrowers or because customers seek claims against us. The majority of these cases arise in the normal course of business and we believe, based on the facts of the cases and consultation with counsel, that these cases generally do not involve risk of a material adverse impact on our financial performance. In certain instances, present and former employees have instituted legal and other proceedings against us alleging irregularities. We make necessary provisions when it is probable that an outflow of resources will be required to settle certain obligations arising out of the legal proceedings and a reliable estimate of the amount of the obligation can be made. We determine the amount of necessary provisions based on our estimate of the amount required to settle the obligation at the balance sheet date, supplemented by our experience in similar situations. When there is only a remote risk of loss, we do not recognize a provision nor do we include a disclosure in our consolidated financial statements in relation to such legal proceedings.

Litigation or arbitration could result in substantial costs to, and a diversion of effort by, our Company and/or subject our Company to significant liabilities to third parties. There can be no assurance that the results of such legal proceedings will not materially harm our Company's business, reputation or standing in the market or that our Company will be able to recover any losses incurred from third parties, regardless of whether the Company is at fault. There can be no assurance that losses relating to litigation or arbitration will be covered by insurance, that any such losses would not have a material adverse effect on the results of the Company's business, operations or financial condition, or that provisions made for litigation and arbitration related losses will be sufficient to cover the Company's ultimate loss or expenditure.

For further details, see the section titled "*Business – Material Outstanding Litigations and Defaults*" in this Offering Circular.

We are subject to stringent labor laws and trade union activity and any work stoppage could have an adverse material effect on our business, financial condition and results of operations.

India has stringent labor legislation, which protects the interests of workers, including legislation which sets forth detailed procedures for employee removal, 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 although not quantifiable, may adversely affect our business and profitability.

Moreover, we are one of the few Government enterprises which have a registered trade union under the Indian Trade Unions Act, 1926. Although we consider our relations with our unionized employees to be stable and have not lost any time on account of strikes or labor unrest as of the date of this Offering Circular, 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 effect on our business, financial condition and results of operations.

Some of our immovable properties may 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. Some 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 or 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 may have expired or are yet to be renewed. 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.

Further, the registration of the conveyance deed with respect to the following is yet to be executed: (i) land acquired by our Company for the purpose of construction of a staff colony at Sector 57, Gurugram, Haryana; and (ii) our office building at SCOPE complex in New Delhi.

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

As of June 30, 2022, our Company has made investments aggregating to an amount of approximately Rs. 21,304.30 million on a non-consolidated basis, of which Rs. 4,663.20 million is in debt instruments. While we believe that our debt investments carry interests at prevailing market rates, when invested, these rates can change due to various factors that may affect the value of our investments. Consequently, these instruments may carry interest at a lower rate than the prevailing market rate.

Changes in legislation (including tax legislation) or policies applicable to us could adversely affect our results of operations.

Our business and operations are governed by various laws and regulations. Our business and financial performance could be materially adversely affected by any change in laws or interpretations of existing laws, or the promulgation of new laws, rules and regulations applicable to our business. Unfavorable changes in or interpretations of existing, or the promulgation of new, laws, rules and regulations including foreign investment laws governing our Company's business, operations and group structure may result in our Company being deemed to be in contravention of such laws. The Government or state governments could implement new regulations and policies, which could require us to obtain approvals and licences from the Government and other regulatory bodies or impose onerous requirements and conditions on our operations. Our Company may incur increased costs and other burdens relating to compliance with such new requirements, which may also require significant management time and other resources. For example, our Company will be subject to RBI's scale based regulatory framework for NBFCs from 1 October 2022 which will reclassify NBFCs on the basis of their scale and activities. Any such changes and the related uncertainties with respect to the implementation of the new regulations as well as any failure to comply may have a material adverse effect on our business, prospects, financial condition and results of operations. Uncertainty in the applicability, interpretation or implementation of any amendment to, or change in, governing law, regulation or policy, including by reason of an absence, or a limited body of administrative or judicial precedent may be time consuming as well as costly for it to resolve and may impact the viability of our Company's current business or restrict its ability to grow its business in the future.

Tax and other levies imposed by the central and state governments in India that affect our Company's tax liability include: central and state taxes and other levies, income tax, stamp duty and other special taxes and surcharges which are introduced on a temporary or permanent basis from time to time. Moreover, the central and state tax scheme in India is extensive and subject to change from time to time. Any tax amendments from time to time may affect the overall tax efficiency of companies operating in India and may result in significant additional taxes becoming payable. Additional tax exposure could adversely affect our Company's business and results of operations.

At present, our Company has the benefit of the deductions under Sections 36(1) (viia)(c) and 36(1) (viii) of the Income Tax Act. The Government is decreasing the corporate tax rate for the companies over the years, and this process of reduction has to be necessarily accompanied by rationalization and removal of various kinds of tax exemptions and incentives for corporate taxpayers. Non-availability of deduction under Sections 36(1)(viia)(c) and 36(1)(viii) of the Income Tax Act may increase our tax liability.

We are subject to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**SEBI LODR Regulations**), which was notified by the Securities and Exchange Board of India on September 2, 2015. The SEBI LODR Regulations have requirements such as the disclosure of material events or information, and making prior notifications of certain proposals to raise funds. The requirement for compliance with such applicable regulations presents a number of risks, particularly in areas where applicable regulations may be subject to varying interpretations. Further, if the interpretations of the regulators and authorities are different, we may be subject to penalties and our business could be adversely affected. Furthermore, to ensure compliance with the requirements of the SEBI LODR Regulations, we may need to allocate additional resources, which may increase our regulatory compliance costs and divert management attention.

With the implementation of GST in India from July 1, 2017, while there is a general expectation of overall reduction in prices and related costs to us (given that 50 per cent. of the GST paid on procurements by us are a cost) in the long run, the said benefits may not accrue immediately. In the short term, given that the GST rates in relation to the value added tax rates have overall been higher in most products, the tax costs to our Company may increase until the base price of products and services are reduced by the vendors (this being on account of the efficiencies accruing to the vendor by introduction of GST). Also, the compliance costs for our Company have overall increased on account of compliances under multiple registrations as against the earlier centralized registration. There is no GST on transmission or distribution of electricity by an electricity transmission or distribution utility. However, other services are taxable. So long as the earlier benefits like deemed exports, concessional rate of duties for power sector are not fully reinstated in the GST law, the costs for power sector may increase overall and entail higher demand for loans from our Company.

The General Anti-Avoidance Rules (**GAAR**) have been made effective from April 1, 2017. The said rules are a part of the Income Tax Act and are in nature of anti-abuse provisions which denies the tax benefits to the parties involved in the arrangement so entered. The tax consequences of the GAAR provisions being applied to an arrangement could result in denial of tax benefit among other consequences. GAAR provisions cannot be invoked in every case and can be done only after seeking the approval of tax authorities in India. In the absence of any precedents on the subject, the application of these provisions is uncertain. If the GAAR provisions are made applicable, it may have an adverse tax impact on our Company and investors. Further, the provisions of GAAR may restrict the benefits available to a non-resident under the tax treaty entered into by India with such country of which the concerned non-resident is the resident if the tax benefits are not duly addressed by the limitation of benefit clause in the relevant tax treaty. As the GAAR provisions are relatively untested till date, the consequential effects on the Issuer cannot be determined as of the date of this Offering Circular and there can be no assurance that such effects would not adversely affect the Issuer's business, future financial performance or the trading price of the Notes.

Under Indian tax laws, generally a domestic company is liable to corporate tax rate of 30 per cent. However, the Income Tax Act provides a lower corporate tax rate of 25 per cent. for domestic companies whose annual turnover or gross receipts did not exceed Rs. 4 billion in the Fiscal Year 2019-20. Additionally, the Income Tax Act has also been amended to reduce the minimum alternate tax to 15 per cent. on the book profits of the companies computed in the prescribed manner.

Further, the GoI has also amended the Income Tax Act, with effect from April 1, 2019, to provide an option to the domestic companies to pay a reduced statutory corporate income tax of 22 per cent., provided such companies do not claim certain specified deduction or exemptions. Further, where a company has opted to pay the reduced corporate tax rate of 22 per cent., the minimum alternate tax provisions would not be applicable. Thus, the Company may choose not to claim any of the specified deductions or exemptions and claim the lower corporate tax, in which case, the minimum alternate tax provisions would not be applicable. Alternatively, the Company may choose to pay the higher of corporate tax; i.e., 30 per cent. or 25 per cent., as the case may be, after claiming the applicable deductions and exemptions or the minimum alternate tax at the rate of 15 per cent.

Additionally, prior to Finance Act, 2020, distribution of dividends by a domestic company was subject to Dividend Distribution Tax (**DDT**), in the hands of the company at an effective rate of 20.56 per cent. (inclusive of applicable surcharge and health and education cess). Such dividends were generally exempt from tax in the hands of the shareholders. However, the Finance Act, 2020 has amended the Income Tax Act to abolish the DDT regime. Accordingly, any dividend distributed by a domestic company is subject to tax in the hands of the investor at the applicable rate. Additionally, the company is required to withhold tax on such dividends distributed at the applicable rate.

As the taxation system undergoes changes and evolves, the effect of such changes on the financial system may not be determined and there can be no assurance that such effects would not adversely affect our business, prospects, financial condition and results of operations.

Our insurance may not be adequate to protect us against all potential losses to which we may be subject.

We maintain insurance for our physical assets, such as our office and residential properties, against standard fire and special perils (including earthquakes). In addition, we maintain a group personal accident insurance as well as directors' and officers' insurance policies. However, the amount of our insurance coverage may be less than the replacement cost of such property and the same may not be sufficient to cover all financial losses that we may suffer should a risk materialize. If we were to incur a significant liability for which we were not fully insured or a loss in excess of our insured limits, it could have a material adverse effect on our operations.

In addition, in the future, we may not be able to maintain insurance of the types or in the amounts which we deem necessary or adequate or at premiums which we consider acceptable. The occurrence of an event for which we are inadequately or insufficiently insured or the successful assertion of one or more large claims against us that exceed available insurance coverage, or changes in our insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), could have a material and adverse effect on our business, financial condition, results of operations and cash flows.

Any cross default of financial indebtedness may trigger payment to all other borrowings made by our Company, thereby adversely affecting the liquidity position of our Company, and which may adversely affect our financial condition.

Our Company has given a cross default covenant in certain of its borrowings. If our Company defaults in any of its obligations under those loans, the loans which contain the cross default covenant will also become payable even if there is no breach of covenant or default of payment on such loans. The occurrence of any such default would have an impact on our Company's liquidity.

We have entered, and may enter, into certain transactions with related parties, which may not be on an arm's length basis or which may lead to conflicts of interest.

We have entered and may enter into transactions with related parties, including our directors. There can be no assurance that we could not have achieved more favorable terms on such transactions had they not been entered into with related parties. Furthermore, it is likely that we will enter into related party transactions in the future. There can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition and results of operations. The transactions we have entered into, and any future transactions we will enter into, with related parties have involved, or could potentially involve, conflicts of interest.

Our directors may have interests in companies or entities similar to ours, which may result in a conflict of interest that may adversely affect future financing opportunity referrals.

Some of our directors have interests in other companies that are in businesses similar to our Company. This may result in potential conflicts of interest. For further information with respect to directorships of certain of our directors, see the section titled "*Management*" in this Offering Circular. Accordingly, potential conflicts of interest may arise out of common business objectives shared by us and our directors and there can be no assurance that these or other conflicts of interest will be resolved in an impartial manner.

Any downgrading of our debt rating or India's sovereign rating by a credit rating agency could have a negative impact on our business.

Any adverse revisions of our credit rating or India's sovereign credit ratings for domestic and international debt by credit rating agencies may adversely impact our ability to raise additional financing, the interest rates and other commercial terms at which such additional financing is available. This could have a material adverse effect on our business and financial performance and our ability to obtain financing for lending operations.

The security of our Company's IT systems may fail and adversely affect our Company's business, operations, financial condition and reputation.

Our Company is dependent on the effectiveness of its information security policies, procedures and capabilities to protect its computer and telecommunications systems and the data such systems contain or transmit. An external information security breach, such as a hacker attack, fraud, a virus or worm, or an internal problem with information protection, such as a failure to control access to sensitive systems, could materially interrupt our Company's business operations or cause disclosure or modification of sensitive or confidential information. Our Company's operations also rely on the secure processing, storage and transmission of confidential and other information in its computer systems and networks. Our Company's computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious code and other events that could compromise data integrity and security. Although our Company maintains procedures and policies to protect its IT systems, such as a data back-up system, disaster recovery and a business continuity system, any failure of our Company's IT systems could result in business interruption, material financial loss, regulatory actions, legal liability and harm to our Company's reputation. Furthermore, any delay in implementation or disruption of the functioning of our Company's IT systems could disrupt its ability to track, record, process financial information or manage creditors/debtors or engage in normal business activities.

This Offering Circular includes certain unaudited financial information in relation to our Company. Reliance on such information should, accordingly, be limited.

This Offering Circular includes unaudited non-consolidated financial results in relation to our Company for the three months ended June 30, 2022 and comparatives for the three months ended June 30, 2021, in respect of which M/s S.K. Mittal & Co., Chartered Accountants and M/s O.P. Bagla & Co. LLP, Chartered Accountants, the statutory auditors of our Company for Fiscal 2022, have issued their limited review report dated August 4, 2022 for the three-month period ended June 30, 2022. As this financial information has been subject only to limited review, in accordance with the SEBI LODR Regulations, and not subject to an audit, any reliance by prospective investors on such unaudited non-consolidated financial information for the three months ended June 30, 2022 and comparatives for the three months ended June 30, 2021 should, accordingly, be limited. Moreover, our financial results for any given fiscal quarter or period, including the three months ended June 30, 2022, may not be directly comparable with our financial results for any full fiscal or for any other fiscal quarter or period.

Accordingly, prospective investors in the Notes are advised to read such unaudited non-consolidated financial information for the three months ended June 30, 2022 and June 30, 2021 in conjunction with the audited financial statements set out elsewhere in this Offering Circular while keeping the aforesaid in view.

If the level of credit impaired assets or non-performing assets in our loan portfolio were to increase, our financial condition would be adversely affected.

Our Company's gross consolidated credit impaired assets (Stage 3) were Rs. 212,555.5 million, Rs. 182,569.3 million and Rs. 171,598.9 million, which constituted 6.59 per cent., 4.84 per cent. and 4.45 per cent. of our total consolidated loan assets as of March 31, 2020, 2021 and 2022, respectively. As of June 30, 2022, our non-consolidated gross credit impaired assets (Stage 3) were Rs. 171,250.4 million. Upon the implementation of Ind-AS, the provisioning in respect of loan assets is made on the basis of Expected Credit Loss (ECL) methodology, which considers the probability of default and the expected loss to the Company. We may, from time to time and for compliance with any direction issued pursuant to a statute/by a regulatory authority or for better presentation, amend our policies and procedures regarding asset classification of our loans, which may increase our level of credit impaired assets.

RBI has issued a circular – "*Prudential Framework for Resolution of Stressed Assets by Banks*" dated June 7, 2019, as amended (the **Framework**) with a view to providing a framework for earlier recognition, reporting and time bound resolution of stressed assets. These guidelines are applicable to all scheduled commercial banks (excluding regional rural banks), all-India term financial institutions (such as Export Import Bank of India, National Bank for Agriculture and Rural Development, National Housing Bank and Small Industries Development Bank of India), small finance banks and Systemically Important Non-Deposit taking Non-Banking Financial Companies (including our Company) and Deposit taking Non-Banking Financial Companies (**NBFC-D**).

The Framework mandates higher provisioning if a resolution plan is not implemented within a stipulated time period. Certain projects have been driven to NCLT, which may or may not require a significant hair-cut. The resolution under NCLT is required within a time span of 180 days, extendable further for 90 days. The resolution process has to be completed within a period of 330 days (including extension periods and time taken for legal proceedings) from the insolvency commencement date. Considering these timelines, it is envisaged that the resolution of these stressed projects may not happen within prescribed timelines and the project may go into liquidation. The Company may have to take haircuts at the time of resolution of these stressed assets. The funds realized from the sale of these assets will be reinvested at a lower rate, and will have an impact on the Company's financials going forward. The Company faces the risk of higher provisioning and significant haircuts, wherever its projects fall under the 'stressed assets' category. Accordingly, the Framework will impact our asset quality and profitability.

Depreciation of the Rupee against foreign currencies may have an adverse effect on our Company's results of operations and financial conditions.

As of June 30, 2022, our Company had outstanding foreign currency borrowing of approximately JPY 58,729.9 million, U.S.$ 9,574.0 million, SGD 72.1 million and EUR 21.1 million. Approximately 81.05 per cent. of total foreign currency borrowings are hedged by a mix of derivative instruments. All of our Company's revenues are denominated in Rupees.

The Rupee has been quite volatile from fiscals 2014 to 2019 when compared against the U.S. dollar. First, it depreciated by 26.7 per cent. from 54.28 per U.S.$1.00 as at March 31, 2013 to an all-time low of 68.82 per U.S.$1.00 as at August 28, 2013 and then appreciated by 12.9 per cent. to close Fiscal 2014 at 59.89 per U.S.$1.00. In Fiscal 2015, the Rupee depreciated by 4.4 per cent. to close the year at 62.50 per U.S.$1.00 and in Fiscal 2016, the Rupee depreciated by 6 per cent., to close the year at 66.25 per U.S.$1.00. In Fiscal 2017, the Rupee first depreciated 3.9 per cent. from 66.21 as at April 4, 2016 to 68.78 as at November, 28 2016 and then appreciated 5.7 per cent. to 64.85 as at March 31, 2017. In Fiscal 2018, the rupee remained range bound from 65.03 as at April 3, 2017 to 65.18 as at March 28, 2018 with a low of 65.71 on September 27, 2017 and a high of 63.37 on January 5, 2018. In Fiscal 2019, the Rupee remained range bound from 64.97 as at April 6, 2018 to 69.16 as at March 29, 2019 with a high of 73.76 on October 5, 2018. From the end of March 2019 to November 30, 2019, high volatility has been observed in the Rupee with the Rupee touching a low of 68.42 on July 5, 2019. In Fiscal 2020, the Rupee has seen heightened volatility in the second half and has reached a new high of 75.16 at the end of Fiscal 2020 due to weakening of domestic economy and COVID-19 related uncertainties. The rupee has remained within a range during Fiscal 2022, ranging broadly between 72.48 to 76.92 per U.S.$1.00. Volatility in India's currency and the possibility of slower growth pose significant risks for the financial prospects of companies in India, as well as a greater default risk for Indian companies with foreign-denominated debt. Accordingly, the volatility of the Rupee against the U.S. dollar and other major currencies may increase the Rupee cost to our Company of servicing and repaying its foreign currency borrowing. Although our Company has made suitable hedging arrangements for a major part of its foreign currency exposure that may not fully protect our Company from foreign exchange fluctuations. Any drastic depreciation of the Rupee against foreign currencies may have an adverse effect on our Company's results of operation and financial conditions.

A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy, which could have an adverse impact on us. A rapid decrease in reserves would also create a risk of higher interest rates and a consequent slowdown in growth.

India's foreign exchange reserves stood at U.S.$573 billion as of August 5, 2022 (*Source: RBI*). Flows to foreign exchange reserves can be volatile, and past declines may have adversely affected the valuation of the Rupee. There can be no assurance that India's foreign exchange reserves will not decrease again in the future. Further decline in foreign exchange reserves, as well as other factors, could adversely affect the valuation of the Rupee and could result in reduced liquidity and higher interest rates that could adversely affect our business, financial condition and results of operations.

Our Company may in the future conduct additional business through joint ventures and strategic partnerships, exposing our Company to certain regulatory and operating risks.

Our Company intends to continue to pursue suitable joint venture and strategic partnership opportunities in India, in particular with companies or firms whose resources, capabilities and strategies are likely to enhance and diversify our Company's business operations in the power sector. Our Company may not be able to identify suitable joint venture or strategic partners, that may complete transactions on terms commercially acceptable to our Company, or which may not complete transactions at all. Our Company may not be able to successfully form such alliances and ventures or realize the anticipated benefits of such alliance and joint ventures. Furthermore, such partnerships may be subject to regulatory approvals, which may not be received in a timely manner, or at all. Furthermore, the success of the joint venture is dependent upon the cooperation of the Company's joint venture partners. The joint venture is subject to the risk of non-performance by our Company's joint venture partners of their obligations, including their financial obligations, in respect of the joint venture. Joint venture partners may have business interests or goals that may differ from our Company's business interests or goals, or those of our Company's shareholders. Any disputes that may arise between our Company and its joint venture partners may cause delays in completion or the suspension or abandonment of the venture. Although the joint venture confers rights on our Company, its joint venture partners have certain decision-making rights that may limit tour Company's flexibility to make decisions relating to such business, and may cause delays or losses. In addition, our Company's expected strategic benefits or synergies of any future partnerships may not be realized. Furthermore, such investments in strategic partnerships may be long-term in nature and may not yield returns in the short to medium-term. Such initiatives will place significant strains on our Company's management, financial and other resources and any unforeseen costs or losses could adversely affect our business, profitability and financial condition.

RISKS RELATING TO THE POWER SECTOR AND POWER SECTOR FINANCING IN INDIA

Private participation in the power sector in India is dependent on the continued growth of the Indian economy and regulatory developments in India. Any adverse change in policy, implementation or industry demand may adversely affect us.

Although the power sector is a rapidly growing sector in India, we believe that further development of this sector is dependent upon the formulation and effective implementation of regulations and policies that facilitate and encourage private sector investment in power projects. Many of these regulations and policies are evolving and their success will depend on whether they are designed to adequately address the issues faced and whether they are effectively implemented. In addition, these regulations and policies will need continued support from stable and experienced regulatory regimes that not only stimulate and encourage the continued investment of private capital into power projects, but also lead to increased competition, appropriate allocation of risk, transparency and effective dispute resolution. The availability of private capital and the continued growth of the private power sector in India are also linked to the continued growth of the Indian economy. Many specific factors in the power sector may also influence the success of power projects, including changes in policies, regulatory and statutory frameworks and market structures. Any adverse change in the policies relating to the power sector may leave us with unutilized capital and interest and debt obligations to fulfil. If the central and state governments' initiatives and regulations in the power sector do not proceed in the desired direction, or if there is any downturn in the macroeconomic environment in India, our business, prospects, results of operations and financial condition could be adversely affected. In addition, it is generally believed that demand for power in India will increase in connection with expected increases in India's GDP. India's power sector is characterized by a myriad, and often highly inefficient, policy interventions. Controls on supply and the lack of transparent price signals reduce incentives to invest. Distribution creates a bottleneck and poses a bigger problem than generation capacity. Political constraints will make any change incremental rather than wholesale.

Some of the defining features of energy policy and regulation in India are (i) subsidies that are aimed at improving access for poor and rural communities; (ii) central and state governments providing financial support for distribution companies, including occasional bailouts, to cover losses for supplying power at artificially low rates; (iii) regulated energy prices such as electricity tariffs to end-users are regulated by state utilities below the cost of supply in many states, making any pass-through of higher priced imports difficult; (iv) no formal provision for different peak and off-peak tariffs making it harder for distribution companies to recover costs; (v) difficult land acquisition laws; (vi) development of transnational pipelines which is limited due to strict land acquisition laws; (vii) environmental concerns; (viii) policy and investment decisions being influenced by the sensitivity of land and water use, as well as the worsening air quality in many of India's major cities.

However, there can be no assurance that the demand for power in India will increase to the extent we expect, or at all. In the event the demand for power in India does not increase as anticipated, 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.

Setting up and operating power projects in India requires a number of approvals and permits, and the failure to obtain or renew them in a timely manner may adversely affect the operations of our borrowers and in turn adversely affect the quality of our loans.

Setting up and operating power projects requires a number of approvals, licences, registrations and permissions. Some of these approvals are subject to certain conditions, the non-fulfilment of which may result in revocation of such approvals. Moreover, some of the conditions may be onerous and may require our customers to incur substantial expenditure, specifically with respect to compliance with environmental laws. Furthermore, certain of our borrowers' contractors and other counterparties are required to obtain approvals, licences, registrations and permits with respect to the services they provide to our borrowers. Our borrowers, their contractors or any other party may not be able to obtain or comply with all necessary licences, permits and approvals required for the power projects in a timely manner to allow for the uninterrupted construction or operation of the power plants, or at all. Any failure to renew the approvals that have expired or any failure to apply for and obtain the required approvals, licences, registrations or permits, or any suspension or revocation of any of the approvals, licences, registrations and permits that have been or may be issued to our borrowers, may adversely affect our operations. This in turn could adversely affect the quality of our loans or may put our customers in financial difficulties (which could increase the level of non-performing assets in our portfolio) and may adversely affect our business and financial condition.

Shortages in the supply of crude oil, natural gas or coal (domestic and imported) could adversely affect the Indian economy and the power sector projects to which we have exposure.

India imports majority 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 and our ability to implement our strategy.

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 in the past. India's natural gas demand has been mainly affected by: (i) lower availability; (ii) price affordability; (iii) inadequate transmission and distribution infrastructure; and (iv) limited gas import facilities. Continued difficulties in obtaining a reliable and consistent supply of natural gas could adversely affect some of the projects that 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 a shortage of coal (domestic and imported). Continued shortages of fuel could adversely affect some of the projects that we finance and could impact the quality of our asset portfolio, which in turn could have a material adverse effect on our business, financial condition and results of operations.

We are exposed to project execution and construction delays faced by domestic power companies.

Domestic power companies face significant project execution and construction delay risks which could adversely affect projects financed by us. Power companies could experience longer than expected construction periods due to delays in obtaining environmental permits and infrastructure-related delays in connecting with the grid. Accessing offtake and finalizing fuel supply agreements could cause further delays.

Changes in environment standards in relation to power projects impose significant risks to our Company's business.

With the change in requirements and adoption of stricter norms by borrower power projects in order to bring projects in line with global parameters of environmental standards and climate conservation, there may be delays in the execution of such projects. Any delay in the implementation of the projects of our Company's borrowers may in turn lead to delay or impediments to future sanctions, disbursements and recovery from such sectors, which may adversely affect our Company's business and financial condition.

RISKS RELATING TO INDIA

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 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.

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 global financial turmoil in 2008, which was an outcome of the sub-prime mortgage crisis that originated in the United States of America, led to a worldwide loss in investor confidence. The Indian financial markets also experienced the effect of the global financial turmoil, as evidenced by the sharp decline in stock exchange indices. Additionally, the result of the referendum which led the United Kingdom to opt out of the European Union membership (**Brexit**) has generated significant uncertainty as to the impact of Brexit on general economic conditions in the United Kingdom and the European Union and any consequential impact on global financial markets. These issues and any other prolonged financial crisis may have an adverse impact on the Indian economy, thereby resulting in a material adverse effect on the Issuer's business, financial condition and results of operations.

There are also a number of uncertainties in the global markets such as trade tensions between the United States of America and major trading partners, most notably China, are still heightened following the introduction of a series of tariff measures in both the United States of America and China and a recent investment ban by the United States of America on several Chinese companies and these tensions could significantly impact global trade.

In the January 2020 World Economic Outlook Update, the International Monetary Fund (**IMF**) estimated that the global economy contracted by 3.5 per cent. in 2020, which is more severe than that observed during the "Global Financial Crisis" in 2008 to 2009. The IMF projected that the global economy would grow 5.5 per cent. in 2021 and 4.2 per cent. in 2022, reflecting expectations of the strengthening of activities later in the year and additional policy support in certain large economies. However, the IMF noted that the strength of the recovery is projected to vary significantly across countries, depending on access to medical interventions, effectiveness of policy support, exposure to cross-country spillovers and structural characteristics entering the crisis. The development of significant global macroeconomic events, such as the US-China trade tensions and the exit of the United Kingdom from the European Union, continue to bring uncertainty which could have a significant negative impact on international markets. A weakening sentiment in the global financial markets is also projected to be deeper than anticipated. These could include further falls in stock exchange indices, a fall in the value of Sterling, an increase in exchange rates between Sterling and the Euro and/or greater volatility of markets in general due to the increased uncertainty.

As per global economic surveys, after experiencing one of the world's tightest lockdowns and recording the deepest GDP contraction among G20 economies in the second quarter of 2020, the Indian economy started recovering, albeit with some hesitancy. While agriculture has benefited from favourable weather conditions, manufacturing and services are penalised by remaining containment measures and uncertainty. Significant social hardship persists and the fall in the unemployment rate must be seen against the background of declining labour force participation.

Supply chain disruptions have pushed inflation above the target range of the central bank. GDP is set to shrink by 10% in Fiscal Year 2021, with household consumption sluggish and investment largely unresponsive to easier monetary conditions. Despite a projected rebound of around 8% and 5% in Fiscal Year 2022 and Fiscal Year 2023, respectively, due to base effects and returning confidence, the GDP loss will be substantial.

COVID-19 is exacerbating pre-existing vulnerabilities related to poverty, high informality, environmental degradation and lack of employment opportunities. To increase resilience, the government has responded with three stimulus packages, but additional fiscal measures are needed to mitigate the damage, together with a credible medium-term consolidation plan. The reform effort has continued, notably in the areas of agriculture and employment. However, poor performance of public banks, a pervasive regulatory burden, and understaffing of the judiciary hinder the proper allocation of resources needed for inclusive growth. This and 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.

The ultimate extent of the COVID-19 pandemic and its impact on regional and global markets and overall economic activity in India or globally is unknown and impossible to predict with certainty. The extent and duration of the impact of COVID-19 on our business over the long term remain largely uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the severity and transmission rate of COVID-19, the extent and effectiveness of containment actions taken, the efficacy of vaccines and the mutationof the COVID-19 virus. To the extent the COVID-19 pandemic adversely affects the Issuer's business and financial results, it may also have the effect of heightening many of the other risks described in this section, including those relating to cash flows.

In addition, the aforementioned factors and any other measures, which may be announced by the Government of India or the RBI, may have an adverse effect on the Issuer's operating results, businesses, assets, financial condition, performance or prospects.

We can give no assurance that the ongoing situation caused by the COVID-19 pandemic or a future outbreak of an infectious disease among humans or animals (if any) or any other serious public health concern will not have a material adverse effect on our business, financial condition and results of operations and potentially cause the trading price of the Notes to decrease.

Inflation in India could have an adverse effect on the Company's profitability and, if significant, on the Company's financial condition

The Indian economy has had sustained periods of high inflation in the recent past which has contributed to an increase in interest rates. High fluctuation in inflation rates may make it more difficult for the Company to accurately estimate or control its costs. Continued high rates of inflation may increase the Company's expenses related to salaries or wages payable to its employees or any other expenses. There can be no assurance that the Company will be able to pass on any additional expenses or that the Company's revenue will increase proportionately corresponding to such inflation. Accordingly, high rates of inflation in India could have an adverse effect on the Company's profitability and, if significant, on the Company's financial condition.

Public companies in India, including the Company, are required to compute Income Tax under the Income Computation and Disclosure Standards (ICDS).

MOF notified ICDS which created a new framework for the computation of taxable income applicable from Fiscal Year 2017 onwards and impacted on computation of taxable income from Fiscal Year 2017 onwards. ICDS deviate in several respects from concepts that are followed under general accounting standards, including Indian GAAP and Ind-AS. The transition to ICDS in India began recently and the Company may be negatively affected by such transition. There can be no assurance that the adoption of ICDS will not adversely affect our Company's business, results of operations and financial condition.

Significant differences exist between Ind-AS and other accounting principles, such as US GAAP and IFRS, which may be material to investors' assessments of the Company's financial condition.

Our Company has not attempted to quantify the impact of US GAAP or IFRS on the financial data included in this Offering Circular, nor does it provide a reconciliation of its financial statements to those of US GAAP or IFRS. US GAAP and IFRS differ in significant respects from Ind-AS, see "*Summary of Significant Differences Between IFRS and Ind-AS*". Accordingly, the degree to which the Ind-AS financial statements included in this Offering Circular will provide meaningful information is entirely dependent on the readers level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Offering Circular should accordingly be limited.

Political instability or changes in the Government could delay the liberalization of the Indian economy and adversely affect economic conditions in India generally.

We are incorporated in India, derive our revenues from operations in India and all of our assets are located in India. Consequently, our performance 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 the Notes, 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's policies in the future could affect business and economic conditions in India in general. In addition, any political instability in India or geopolitical instability affecting India will adversely affect the Indian economy and the Indian securities markets in general.

Our ability to raise foreign funds may be constrained by Indian law.

As an Indian company, we are subject to regulatory approvals and 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 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.

Terrorist attacks, civil unrest and other acts of violence or war involving India and other countries could adversely affect the financial markets.

Terrorist attacks and other acts of violence or war may negatively affect the Indian markets in which our securities 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 eventually adversely affect our business. Any deterioration in relations between India and its neighboring 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 could be materially adversely affected by any such events.

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

India has experienced several natural calamities such as earthquake, flood and droughts in recent years. In Fiscal 2015, the agricultural sector was adversely affected by unseasonal rains and hailstorms in northern India during March 2015. Some parts of the country faced severe drought in 2016, the states of Andhra Pradesh, Karnataka, Maharashtra, and Uttar Pradesh being most severely affected, leading to serious food and drinking water and security concerns. Severe floods affected the state of Kerala due to unusually high rainfall during the monsoon season in 2018. Further, for the second consecutive year in 2019, incessant rains across Kerala caused flooding in many parts across the State. In Fiscal 2020, India experienced many natural calamities, namely, Cyclone Nisarga which struck the western coast of India in Maharashtra, locust attacks, Cyclone Nivar, Cyclone Burevi, Assam floods, Hyderabad floods and oil and gas leak in Assam. Recently, an avalanche near Tapovan in Uttarakhand has damaged a part of our Company's under construction hydropower project Tapovan Vishnugad (520 MW) in the region. 139 persons are feared to have lost their lives in the incident.

Such spells of natural calamities could have a negative impact on the Indian economy, affecting our Company's business and potentially causing the trading price of the Notes to decrease.

In Fiscal 2010, there were outbreaks of swine flu, caused by the H1N1 virus, in certain regions of the world including India and several other countries in Asia, similarly in 2012 there were outbreaks of the Middle East respiratory syndrome coronavirus in several countries and in 2018, there had been an outbreak of the Nipah virus encephalitis in the South-East Asia Region with human cases reported in Bangladesh and India. Furthermore, health epidemics and pandemics like the recent COVID-19 pandemic have also affected the Indian economy negatively. Any future outbreak of health epidemics may restrict the level of business activity in affected areas, which may in turn adversely affect our business, and potentially cause the trading price of the Notes to decrease.

Difficulties faced by other financial institutions or the Indian financial sector generally could have an impact on the business of our Company.

Our Company is exposed to the risks consequent to being part of 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 cooperative banks have also faced serious financial and liquidity difficulties. As the Indian financial system operates within an emerging market, it faces risks of a nature and extent not typically faced in more developed economies. Any major difficulty or instability experienced by the Indian financial sector could create adverse market perception, which, in turn, could adversely affect our Company's business and financial performance. For instance, towards the end of 2018, defaults in debt repayments by a large NBFC in India, Infrastructure Leasing & Financial Services Limited, which had a significant shareholding from government-owned institutions, led to heightened investor focus around the health of the broader NBFC sector as well as their sources of liquidity. This has led to some tightening in liquidity available to certain NBFCs and, as a result, it has become more difficult for certain NBFCs to renew loans and raise capital in recent times. If any event of similar nature or magnitude affecting the market sentiment surrounding the sector occurs again in the future, it may result in increased borrowing costs and difficulties in accessing cost-effective debt for our Company, which in turn could adversely affect our business, financial condition and results of operations. Our Company's cost of borrowings is sensitive to interest rate fluctuations which exposes our Company to the risk of reduction in spreads, on account of volatility in interest rates.

Any downgrade of India's sovereign rating by a credit rating agency could have a negative impact on our business, financial condition and results of operations.

In October 2021, ratings agency Moody's changed India's sovereign rating outlook from "Negative" to "Stable" and affirmed the country's rating at "Baa3". The ratings agency explained India's downside risks from negative feedback between real economy and financial system were receding, hence the upgrade to a "Stable" outlook.

In November 2021, Fitch affirmed India's long-term foreign-currency issuer default rating (**IDR**) at 'BBB-' with a negative outlook, unchanged from its previous review. In June 2022, Fitch revised India's long term foreign-currency issuer default rating to stable from negative while retaining the 'BBB-' rating, stating that the downside risks to medium-term growth have diminished due to India's rapid economic recovery and easing financial sector weaknesses, despite near-term headwinds from the global commodity price shock.

With higher capital cushions and greater liquidity, banks and non-bank financial institutions pose much lesser risk to the sovereign than Moody's previously anticipated. And while risks stemming from a high debt burden and weak debt affordability remain, Moody's expects that the economic environment will allow for a gradual reduction of the general government fiscal deficit over the next few years, preventing further deterioration of the sovereign credit profile.

Having said that, any further 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 downgrades, 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 would be subjected to greater levels of prepayments on our loans as borrowers would seek loans from competitors that are priced lower because of the lower cost of capital. Accordingly, any adverse revisions to our credit rating or to India's sovereign credit rating could have a material adverse effect on our business, financial condition and results of operations, as well as our ability to obtain financing for lending operations.

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

The Indian capital market is developing and maturing at a good pace, which may cause a shift in the pattern of power sector financing. In particular, financially stronger borrowers, including SPUs might source their fund requirement directly from the market. We have a large exposure to SPUs (which have weak financial risk profiles) and such changes may have an adverse impact on our profitability and growth, which would have a negative effect on our business, financial condition and results of our operations.

Certain 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.

Certain global market and economic conditions have been unprecedented and challenging, with tighter credit conditions and recessions in most major economies. 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, as well as for the 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 have 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, as well as 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 in turn may continue to have a material adverse effect on our business and our financial performance.

The global credit and equity markets have experienced substantial dislocations, liquidity disruptions and market corrections. The collapse of the sub-prime mortgage loan market in the United States that began in September 2008 led to increased liquidity and credit concerns and volatility in the global credit and financial markets in following fiscal years. The European sovereign debt crisis has led to renewed concerns for global financial stability and increased volatility in debt and equity markets. Furthermore, on January 31, 2020, the United Kingdom officially exited the European Union following a UK-EU Withdrawal Agreement signed in October 2019. There is significant uncertainty at this stage as to the impact of the final terms agreed for Brexit on general economic conditions in the United Kingdom and the European Union, and any consequential impact on global financial markets. For example, the uncertainty regarding the final outcome of Brexit could give rise to increased volatility in foreign exchange rate movements and the value of equity and debt investments and this may also adversely affect the Issuer’s ability to raise medium/long-term funding in the international capital markets. Russia's invasion of Ukraine in February 2022 and the resulting conflict has caused significant instability in global financial markets and has increased the threat of cyberattacks, nuclear incidents, environmental damage and further escalation of geopolitical tensions. The invasion has also led to multiple countries imposing economic sanctions and enhanced export controls on the activities of certain individuals and Russian entities, and to numerous market participants voluntarily ceasing, suspending or reducing business with counterparties connected to Russia. Global and local macroeconomic impacts including increased inflationary pressures, volatility in the price and supply of energy and other commodities, disruption to supply chains, economic pressure caused by movement of displaced persons and significant uncertainty in the commercial, legal and political environment are likely to further adversely impact individuals and businesses. These and other related factors such as concerns over recession, inflation or deflation, energy costs, geopolitical issues, slowdown in China’s economic growth and Renminbi, commodity prices and the availability and cost of credit have had a significant impact on the global credit and financial markets as a whole, including reduced liquidity, greater volatility, widening of credit spreads and a lack of price transparency in the United States and global credit and financial markets.

There may be less company information available in Indian securities markets than in securities market in other more developed countries.

There is a difference between the level of regulation, disclosure and monitoring of the Indian securities market and the activities of investors, brokers and other participants and that of markets in the United States and other more developed economies. The SEBI is responsible for ensuring and improving disclosure and other regulatory standards for the Indian securities markets. The SEBI has issued regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in more developed economies.

As a result, investors may have access to less information about our business, results of operations and financial conditions, and those of the competitors, that are listed on the BSE and the NSE and other stock exchanges in India on an on-going basis than you may find in the case of companies subject to reporting requirements of other more developed countries. There is a lower level of regulation and monitoring of the Indian securities market and the activities of its investors, brokers and other participants than in certain Organisations for Economic Cooperation and Development (**OECD**) countries. The SEBI received statutory powers in 1992 to assist it in carrying out its responsibilities for improving disclosure and other regulatory standards for the Indian securities market. Subsequently, the SEBI has prescribed certain regulations and guidelines in relation to disclosure requirements, insider dealing and other matters relevant to the Indian securities markets. However, there may still be less publicly available information about Indian companies than is regularly made available by public companies in certain OECD countries.

The risks to financial stability could adversely affect our business.

The gross non-performing assets in the Indian banking system have grown, while stressed advances, including standard restructured loans, have risen since September 2014. This deterioration in asset quality is expected to continue into the next few quarters, however, profitability measured by return on assets and return on equity remained around the same level during the last two years. The overall risks to the banking sector remain elevated due to asset quality concerns. In addition, the banking stability map suggests that the overall risks to the banking sector have moderated marginally. Nonetheless, concerns remain over the continued weakness in asset quality and profitability. Deterioration in the asset quality and the progressive implementation of Basel III norms, which require greater buffers, have led to public sector banks (**PSBs**) receiving capital infusions through the issuance of recapitalization bonds and budgetary support. The RBI's revised prompt corrective action framework became effective in April 2017 and was further revised with effect from January 2022. Eleven PSBs placed under this framework so far have been restricted in their operations and have been subjected to remedial action plans to prevent further capital erosion.

The stress tests carried out by the RBI suggest that, under the baseline assumption of the prevailing economic situation and COVID-19 related stress, the gross non-performing assets ratio of scheduled commercial banks may increase in 2020-2021, as per RBI's latest annual report. Further, the gross non-performing assets of scheduled commercial banks reduced to 8.5 per cent. of the gross advances at the end of March 2020 due to past efforts aimed at solution of stressed assets.

Central banks across the world are bracing up to deal with the expected deterioration in asset quality of banks in view of the impairment to loan servicing capacity among individuals and businesses. The initial assessment of major central banks is that while the banks' financial positions have been shored up, there has been no significant rise in non-performing loans (**NPLs**) and policy support packages helped in maintaining solvency and liquidity. Economic recovery, however, remains fragmented and overcast with high uncertainty.

Our Company has little or no control over any of these risks or trends and may be unable to anticipate changes in economic conditions. Adverse effects on the Indian banking system could impact our Company's funding and adversely affect our business, operations and financial condition and the market price of the Notes.

Investors in the Notes may not be able to enforce a judgment of a foreign court against our Company.

All of the directors of our Company and key managerial personnel named in this Offering Circular are residents of India. Further, all the assets of our Company are located in India. As a result, it may be difficult for investors to effect service of process upon our Company or to enforce judgments obtained against our Company. The recognition and enforcement of foreign judgments in India is governed by Sections 13 and 44A of the Civil Code, which provide that a suit must be brought in India within three years from the date of the judgment sought to be enforced. Generally, there are considerable delays in the disposal of suits by Indian courts.

It is unlikely that a court in India would award damages on the same basis as a foreign court if an action were to be brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if that court was of the view that the amount of damages awarded was excessive or inconsistent with Indian practices. A party seeking to enforce a foreign judgment in India is required to obtain prior approval from the RBI under the Foreign Exchange Management Act, 1999 to repatriate any amount recovered. For further details, see "*Service of Process and Enforcement of foreign judgments in India*".

The Company's business and activities are regulated by the Competition Act, 2002 (the Competition Act) and any application of the Competition Act to the Company may be unfavorable or have an adverse effect on the Company's business, financial condition and results of operations.

The Indian Parliament has enacted the Competition Act under the auspices of the Competition Commission of India to prevent business practices that have an appreciable adverse effect on competition in India, which (other than for certain provisions relating to the regulation of combinations) became effective in 2009. Under the Competition Act, any arrangement, understanding or action in concert between enterprises, whether formal or informal, which causes or is likely to cause an appreciable adverse effect on competition in India is void and attracts substantial monetary penalties.

Any agreement which directly or indirectly determines purchase or sale prices, limits or controls production, shares the market by way of geographical area, market or number of customers in the market is presumed to have an appreciable adverse effect on competition. Furthermore, if it is proved that the contravention committed by a company took place with the consent or involvement or is attributable to any neglect on the part of any director, manager, secretary or other officer of such company, that person shall be guilty of a contravention and liable to be punished.

If the Company is affected, directly or indirectly, by any provision of the Competition Act or its application or interpretation, including any enforcement proceedings initiated by the Competition Commission of India and any adverse publicity that may be generated due to scrutiny or prosecution by the Competition Commission of India, it may have a material adverse effect on the Company's business, financial condition and results of operations.

The insolvency laws of India may differ from other jurisdictions with which holders of the Notes are familiar.

As our Company is incorporated under the laws of India, an insolvency proceeding relating to our Company, even if brought in another jurisdiction, would likely involve Indian insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of another jurisdiction. Insolvency laws in India are evolving, with a new legal framework thereof being established in 2016 and codified as part of the major economic reforms of the Government of India in the financial and banking services sector. As such, their impact on companies cannot be fully ascertained at this point.

The insolvency laws have already been amended several times in consideration of industry requirements and best practices. Potential investors should analyse the risks and uncertainties carefully before making an investment in the Notes.

Changing laws, rules and regulations and legal uncertainties, including adverse application of corporate and tax laws, may adversely affect the Company's business, prospects, results of operations and financial condition.

The regulatory and policy environment in which the Company operates is evolving and subject to change. Such changes, including the instances mentioned below, may adversely affect the Company's business, prospects, results of operations and financial condition, to the extent that the Company is unable to suitably respond to and comply with any such changes in applicable law and policy.

In addition, the Company is subject to tax-related enquiries and claims. The Company may be particularly affected by claims from tax authorities on account of income tax assessment, service tax and GST.

Furthermore, the Company as a regulated entity may be subject to legal and regulatory actions including fines and penalties due to late filings or any other actions pursuant to redressal of complaints from various security holders (including shareholders, debenture holders) that may adversely affect the Company's business, prospects, results of operations and financial condition if not suitably responded to.

In addition, unfavourable changes in or interpretations of existing, or the promulgation of new laws, rules and regulations, including foreign investment laws governing the Company's business, operations and group structure, may result in it being deemed to be in contravention of such laws and/or may require the Company to apply for additional approvals. The Company may incur increased costs and other burdens relating to compliance with such new requirements, which may also require significant management time and other resources, and any failure to comply may adversely affect the Company's business, financial condition, results of operations and prospects. Uncertainty in the applicability, interpretation or implementation of any amendment to, or change in, governing law, regulation or policy, including by reason of an absence, or a limited body of administrative or judicial precedent may be time consuming, as well as costly for the Company to resolve and may impact the viability of the Company's current business or restrict its ability to grow its business in the future.

Furthermore, the Company could be adversely affected if additional legislation or amendments to existing regulations are introduced to require changes in the Company's business practices or if such legislation or regulations are interpreted or implemented in ways that adversely affect the Company's business, financial condition and results of operations.

The insolvency and bankruptcy code in India may affect our right to recover loans from our borrowers.

The Insolvency and Bankruptcy Code, 2016 (the **Insolvency Code**), which was passed by both houses of Parliament and received Presidential assent in 2016, offers a uniform, comprehensive insolvency legislation encompassing all companies, partnerships and individuals.

The Insolvency Code as originally enacted excluded financial service providers from the definition of a corporate person and therefore, the Insolvency Code as a whole does not apply to financial service providers. However, pursuant to the Insolvency and Bankruptcy (Insolvency and Liquidation Proceedings of Financial Service Providers and Application to Adjudicating Authority) Rules, 2019 and Ministry of Corporate Affairs Notification S.O. 4139(E) dated November 18, 2019, RBI can commence corporate insolvency resolution process against NBFCs with an asset size of at least INR 5 billion. Furthermore, such NBFC may commence voluntary liquidation under the Insolvency Code with prior RBI permission. The Insolvency Code allows creditors to assess the viability of a debtor as a business decision and agree upon a plan for the revival or a speedy liquidation of the debtor.

If the Insolvency Code provisions are invoked against any of our borrowers, it may affect our ability to recover amounts due under the loans made available to the said borrowers, during the moratorium period as part of the resolution proceedings.

RISKS RELATING TO AN INVESTMENT IN THE NOTES

Notes may not be a suitable investment for all investors.

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

- understand thoroughly the terms of the relevant Notes and be familiar with the behavior of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The Notes are unsecured obligations and will rank effectively subordinated to all of our present and future secured indebtedness.

The Notes are our unsecured obligations and will rank effectively subordinated to all of our present and future secured indebtedness. In the daily course of our operations, as is customary for companies operating in our industry, a portion of our domestic loans, bonds and other financial indebtedness are secured by our assets. As at June 30, 2022, our Company had total Rupee-denominated borrowings of Rs. 2,503,396.2 million, of which Rs. 418,710.0 million, or 16.73 per cent., were secured by charges on assets. The Notes will rank effectively subordinated to this secured indebtedness. In addition, the amount of our secured indebtedness may fluctuate over time and, to the extent it increases, the Notes will be effectively subordinated to an even greater amount. As a result, upon any distribution to creditors in a bankruptcy, liquidation, or similar proceeding relating to us, the holders of our secured indebtedness will be entitled to be paid to the extent of the value of such secured assets before any payment would be made with respect to the Notes.

The Notes are not guaranteed by the Republic of India.

The Notes are not the obligations of, or guaranteed by, the Republic of India. In addition, the Government is under no obligation to maintain our solvency. Therefore, investors should not rely on the Government to ensure that we fulfil our obligations under the Notes.

Early redemption of the Notes (including Rupee Denominated Notes) prior to its stated average maturity may require the prior approval of the RBI or other approvals in accordance with the ECB Guidelines.

Any early redemption of the Notes (including Rupee Denominated Notes) (whether due to certain tax events described in Condition 7.2 or due to change of control events described in Condition 7.3 or due to an Event of Default as specified in Condition 10 or otherwise) will be subject to limitations on our ability to redeem the Notes (including Rupee Denominated Notes) prior to their stated maturity date, including obtaining the prior written approval of the RBI or AD Bank approval (as the case may be) or any other regulatory or statutory approval, and maintaining compliance with any conditions that the RBI, AD Bank or other relevant Indian authorities may impose in accordance with ECB Guidelines at the time of such approval. Prior approval of the RBI or AD Bank may be required by us for the payment of withholding tax in any Tax Jurisdiction (as defined in Condition 8.2) other than India in a foreign currency. There can be no assurance that the RBI or other relevant Indian statutory or regulatory authorities will provide such approval in a timely manner, or at all.

Remittances of funds outside India pursuant to indemnification by us in relation to the Notes require prior RBI approval.

Remittance of funds outside India by us pursuant to indemnity clauses under the Terms and Conditions of the Notes, the Agency Agreement or any other agreements in relation to the Notes requires prior RBI approval. Such an approval from the RBI, if and when required, for the remittance of funds outside India is at the discretion of the RBI and there can be no assurance that we will be able to obtain such approvals.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Modification and waivers of the Notes.

The Terms and Conditions of the Notes and the Agency Agreement contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Principal Paying Agent and the Company may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to: (i) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Notes, the Receipts, the Coupons or the Agency Agreement which, in the opinion of the Company, is not prejudicial to the interests of the Noteholders; or (ii) any modification of the Notes, the Receipts, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

The Notes are subject to the risk of change in law.

The Terms and Conditions of the Notes are based on English law in effect as of the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes, and any such change could materially and adversely impact the value of any Notes affected by it.

The price of the Notes following the offering may be volatile.

The price and trading volume of the Notes may be highly volatile. Factors such as variations in our revenues, earnings and cash flows and proposals of new investments, strategic alliances and/or acquisitions and interest rates could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the volume and price at which the Notes will trade. There can be no assurance that these developments will not occur in the future.

The Notes may have limited liquidity.

The Notes constitute a new issue of securities for which there is no existing market.

Application has been made to the SGX-ST for permission to deal in and quotation for any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. The offer and sale of the Notes are not conditioned on obtaining a listing of the Notes on the SGX-ST or any other exchange. Application has been made to the London Stock Exchange for the Notes to be admitted to the London Stock Exchange's ISM. Application has also been made to the Global Securities Market of the India INX for the Notes to be admitted for trading on the India INX. Application has also been made to the NSE IFSC for the Notes to be admitted for trading on the Debt Securities Market of the NSE IFSC.

No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for, the Notes. If an active trading market for the Notes does not develop or is not maintained, the market price and liquidity of the Notes may be adversely affected. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the price at which the Notes are issued, depending on many factors, including:

- prevailing interest rates;
- our results of operations and financial condition;
- political and economic developments in and affecting India;
- the market conditions for similar securities; and
- the financial condition and stability of the Indian power sector.

Investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

Notes where denominations involve integral multiples: definitive Notes.

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination (as specified in the applicable Pricing Supplement) plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his or her account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes, such that its holding amounts to a Specified Denomination.

Transfers of interests in the Notes will be subject to certain restrictions and interests in Global Notes can only be held through a clearing system.

The Notes have not been and are not expected to be registered: (i) under the Securities Act or any applicable state's or other jurisdiction's securities laws; or (ii) with the U.S. Securities and Exchange Commission or any other applicable state's or other jurisdiction's regulatory authorities. The offering of the Notes will be made pursuant to exemptions from the registration requirements of the Securities Act and from other securities laws. Prospective investors may not offer or sell any Notes, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Similar restrictions will apply in other jurisdictions. Accordingly, reoffers, resales, pledges and other transfers of interests in the Notes will be subject to certain transfer restrictions. Each investor is advised to consult its legal advisers in connection with any such reoffer, resale, pledge or other transfer. See "*Subscription and Sale*" and "*Transfer Restrictions*".

Because transfers of interests in the Global Notes can be effected only through book entries at Euroclear, Clearstream, Luxembourg and/or DTC (as applicable) for the accounts of their respective participants, the liquidity of any secondary market for investments in the Global Notes may be reduced to the extent that some investors are unwilling to invest in notes held in book-entry form in the name of a participant in Euroclear, Clearstream, Luxembourg or DTC as applicable. The ability to pledge interests in the Notes may be limited due to the lack of a physical certificate. Beneficial owners of Global Notes may, in certain cases, experience a delay in the receipt of payments of principal or interest since such payments will be forwarded by the paying agent to Clearstream, Euroclear or DTC, as applicable, who will then forward payment to their respective participants, who (if not themselves the beneficial owners) will thereafter forward the payments to the beneficial owners of the interests in the Global Notes. In the event of the insolvency of Euroclear, Clearstream, DTC or any of their respective participants in whose name interests in the Notes are recorded, the ability of beneficial owners to obtain timely or ultimate payment of principal and interest on the Notes may be impaired.

Noteholders are required to rely on the procedures of the relevant clearing system and its participants while the Notes are cleared through the relevant clearing system.

Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or may be deposited with a nominee for DTC. Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of DTC, Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes, we will discharge our payment obligation under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. We have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

If definitive Notes are issued, holders should be aware that definitive Notes that have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Noteholders' right to receive payments is junior to certain tax and other liabilities preferred by law.

The Notes are unsecured obligations of our Company and will rank subordinated to certain liabilities preferred by law, such as claims of the Government on account of taxes and certain liabilities incurred in the ordinary course of our business, and will be effectively subordinated to our secured obligations. In particular, in the event of bankruptcy, liquidation or winding-up, our assets will be available to pay obligations on the Notes only after all of the above liabilities that rank senior to these Notes have been paid (including liabilities which have the benefit of security). In the event of bankruptcy, liquidation or winding-up, there may not be sufficient assets remaining, after paying amounts relating to these proceedings, to pay amounts due on the Notes.

Decisions may be made on behalf of all Noteholders that may be adverse to the interests of individual Noteholders.

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Some of the information included in this Offering Circular has been prepared by third parties and may be inaccurate or outdated.

This Offering Circular includes information on the Republic of India, the Indian economy and the Indian power industry taken from third parties, which we believe to be reliable. However, the information taken from third parties and included in this Offering Circular may be inaccurate and outdated, and we make no representation or warranty, express or implied, as to the accuracy or completeness of this information. Statements from third parties that involve estimates are subject to change, and actual amounts may differ materially from those included in this Offering Circular. We also cannot provide any assurance that the third parties have used correct or sound methodology to prepare the information included in this Offering Circular.

The Notes are subject to selling restrictions and restrictions on transfer, and may be transferred only to a limited pool of investors, which may adversely affect their liquidity and the price at which they may be sold.

The Notes cannot be issued to or subscribed or held by investors who do not meet the ECB Investor Requirements. We are not obligated to, and do not intend to, register the Notes under the Securities Act or the securities laws of any other jurisdiction and, unless so registered, the Notes may not be offered or sold except pursuant to an exemption from, or a transaction not subject to the registration requirements of, the Securities Act and any other applicable laws. As a result, the Notes can only be transferred to a limited group of investors, which may adversely affect their liquidity and the price at which they may be sold. See "*Subscription and Sale*".

We are not registered, and will not register, as an "investment company" under the Investment Company Act.

We will seek to qualify for an exemption from the definition of "investment company" under the Investment Company Act and will not register as an investment company in the United States under the Investment Company Act. The Investment Company Act provides certain protections to investors and imposes certain restrictions on registered investment companies, none of which will be applicable to us or our investors.

U.S. Dividend Equivalent Withholding may affect payments on the Notes.

Section 871(m) of the U.S. Internal Revenue Code of 1986 causes a 30 per cent. withholding tax on amounts attributable to U.S. source dividends that are paid or "deemed paid" under certain financial instruments if certain conditions are met (such instruments, **Specified Notes**). If the Company or any withholding agent determines that withholding is required, neither the Company nor any withholding agent will be required to pay any additional amounts with respect to amounts so withheld. Prospective investors should refer to the section "*Taxation – U.S. Dividend Equivalent Withholding*".

For purposes of withholding under the U.S. Foreign Account Tax Compliance Act, commonly known as FATCA, Specified Notes are subject to a different grandfathering rule than other Notes. Prospective investors should refer to the section "*Taxation – Foreign Account Tax Compliance Act*".

We will follow the applicable corporate disclosure standards for debt securities listed on the ISM, SGX-ST, India INX and NSE IFSC, as applicable, which standards may be different from those applicable to debt securities listed in certain other countries.

We will be subject to reporting obligations in respect of the Notes to be listed on the ISM, SGX-ST, India INX and NSE IFSC, as applicable. The disclosure standards imposed by such exchanges may be different than those imposed by securities exchanges in other countries or regions such as the United States. As a result, the level of information that is available may not correspond to what investors in the Notes are accustomed to.

Investment in the Notes is subject to interest rate risks.

Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of them.

RISKS RELATED TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption.

An optional redemption feature of Notes is likely to limit their market value. During any period when we may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

We may be expected to redeem Notes when our cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Inverse Floating Rate Notes.

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as the London Interbank Offered Rate. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which would further adversely affect the market value of those Notes.

Fixed/Floating Rate Notes.

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate or from a floating rate to a fixed rate. Where we have the right to effect such a conversion, this will affect the secondary market and the market value of the Notes, since we may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If we convert from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favorable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If we convert from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than the then prevailing rates on its Notes.

Notes issued at a substantial discount or premium.

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

The regulation and reform of "benchmark" rates of interest and indices may adversely affect the value of Notes linked to or referencing such "benchmarks".

Reference rates and indices, including interest rate benchmarks, which are used to determine the amounts payable under financial instruments or the value of such financial instruments (i.e., "benchmarks"), have, in recent years, been the subject of political and regulatory scrutiny as to how they are created and operated. This has resulted in regulatory reform and changes to existing benchmarks, with further changes anticipated. These reforms and changes may cause a benchmark to perform differently than it has done in the past or to be discontinued. Any change in the performance of a benchmark or its discontinuation could have a material adverse effect on any Note referencing or linked to such benchmark.

More broadly, any of the international or national reforms or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

The potential elimination of any benchmark (including, for example, EURIBOR), or changes in the manner of administration of any benchmark, could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Notes linked to such benchmark. Such factors may have the following effects on certain benchmarks: (i) discourage market participants from continuing to administer or contribute to the benchmark; (ii) trigger changes in the rules or methodologies used in the benchmark; or (iii) lead to the disappearance of the benchmark.

Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a benchmark.

Investors should be aware that, if any benchmark were discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes which reference such benchmark will be determined for the relevant period by the fall-back provisions applicable to such Notes, including by reference to a successor rate or an alternative reference rate and that such successor rate or alternative reference rate may be adjusted (if required), all as determined by us in consultation with an Independent Adviser, acting in good faith and in a commercially reasonable manner. Any adjustment spread could be positive, negative or zero. In making such determinations, it is possible that the interests of the Issuer might not align with those of Noteholders. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Notes which reference the benchmark.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by any of the international or national reforms and the possible application of the benchmark replacement provisions of the Notes in making any investment decision with respect to any Notes linked to or referencing a benchmark.

RISKS RELATED TO THE MARKET GENERALLY

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally.

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks that are designed for specific investment objectives or strategies or that have been structured to meet the investment requirements of limited categories of investors. These types of Notes would generally have a more limited secondary market and more price volatility than conventional debt securities would. Illiquidity may have a severe adverse effect on the market value of Notes.

The market value of the Notes may fluctuate.

Trading prices of the Notes are influenced by numerous factors, including the operating results, business and/or financial conditions of the Issuer, political, economic, financial and any other factors that can affect the capital markets, the business or the Issuer. Adverse economic developments, acts of war and health hazards in countries in which the Issuer operates could have a material adverse effect on the Issuer's operations, operating results, business, financial position and performance. Any such developments may result in large and sudden changes in the volume and price at which the Notes will trade. There can be no assurance that these developments will not occur in the future.

Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected.

We will pay principal and interest on the Notes in the currency specified in the relevant Pricing Supplement (the **Specified Currency**). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal at all.

Changes in market interest rates may adversely affect the value of Notes (including Fixed Rate Notes).

Investment in Notes (including Fixed Rate Notes) involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes (including Fixed Rate Notes).

Ratings of Notes.

Credit ratings assigned to us or any Notes may not reflect all the risks associated with an investment in those Notes.

One or more independent credit rating agencies may assign credit ratings to us or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) Notes are legal investments for it; (ii) Notes can be used as collateral for various types of borrowing; and (iii) other restrictions apply to the purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Investments in the Notes are subject to inflation risk.

Noteholders may suffer erosion on the return of their investments due to inflation. Noteholders would have an anticipated rate of return based on expected inflation rates on the purchase of the Notes. An unexpected increase in inflation could reduce the actual returns.

RISKS RELATING TO AN INVESTMENT IN RUPEE DENOMINATED NOTES

Rupee Denominated Notes are subject to exchange rate risks and exchange controls.

India maintains a managed floating exchange rate system under which market forces determine the exchange rate for the Rupee. Under the RBI's policies, the RBI may intervene in the market to maintain orderly market conditions and limit sharp fluctuations in the exchange rate. Interventions by the RBI have taken the form of transparent measures and have included clearly delineated periods and amounts involved, as well as the explanations for these actions. The RBI's foreign exchange policy objectives include maintaining price stability, promoting and maintaining monetary stability and the convertibility of the Rupee and protecting its international reserves during times of impending or on-going exchange crises or national emergencies.

Rupee Denominated Notes are denominated in Rupee and payable in foreign currency. This entails risks which are not associated with a similar investment in a foreign currency denominated security. Such risks include, without limitation, the possibility of significant changes in the exchange rate between Rupee and the relevant foreign currency if such currency risk is unhedged and the possibility of imposition or modification of exchange controls by the RBI. Such risks are usually dependent on various economic and political events over which our Company has no control. Recently, exchange rates have been volatile and such volatility is expected in the near future as well, so the risk pertaining to exchange rate fluctuation persists. However, the recent fluctuations in exchange rates are not indicative in nature. If the Rupee depreciates against the relevant foreign currency, the effective yield on the Rupee Denominated Notes will decrease below the interest rate on the global bonds, and the amount payable on maturity may be less than the investment made by the investors. This could result in a total or substantial loss of the investment made by the investor towards the Rupee Denominated Notes. Rates of exchange between the foreign currency and Rupee may be significantly varied over time. However, historical trends do not necessarily indicate future fluctuations in rates and should not be relied upon as indicative of future trends. Political, economic or stock exchange developments in India or elsewhere could lead to significant and sudden changes in the exchange rate between the Rupee and the relevant foreign currency.

Furthermore, the overseas investors are eligible to hedge the above-mentioned exchange rate risk only by way of permitted derivative products with: (i) AD Category – I banks in India; (ii) the offshore branches or subsidiaries of Indian banks; or (iii) branches of foreign banks having a presence in India.

Rupee Denominated Notes are not freely convertible.

The Rupee is not a freely convertible currency. The convertibility of a currency is dependent, *inter alia*, on international and domestic political and economic factors, and on measures taken by the Government and central banks. Such measures include, without limitation, imposition of regulatory controls or taxes, issuance of a new currency to replace an existing currency, alteration of the exchange rate or exchange characteristics by revaluation or revaluation of a currency, or imposition of exchange controls with respect to the exchange or transfer of a specified currency that would affect exchange rates and the availability of a specified currency. The taking of any one or more of such measures could adversely affect the value of the Notes, as well as any amount which may be payable upon redemption of the Rupee Denominated Notes.

BUSINESS

*In this section, unless the context otherwise requires, a reference to **the Company** or **our Company** is a reference to REC Limited on a non-consolidated basis and, unless the context otherwise requires, a reference to **we**, **us** or **our** refers to REC Limited and its subsidiaries, joint ventures and associate company, as applicable in the relevant fiscal period, on a consolidated basis.*

Unless stated otherwise, the financial data included in this section for: (i) the three months ended June 30, 2022 has been derived from the non-consolidated financial statements for the three months ended June 30, 2022 prepared under Ind-AS; (ii) the year ended March 31, 2020 has been derived from the consolidated financial statements for the year ended March 31, 2021; and (iii) the years ended March 31, 2021 and 2022 have been derived from the consolidated financial statements for the years ended March 31, 2021 and 2022, prepared under Ind-AS. See "Presentation of financial and other information".

Unless stated otherwise, the operational data and certain financial ratios included in this section for the periods indicated are presented on a non-consolidated basis. In this context, it is noted that: (i) our total income on a non-consolidated basis was 99.60 per cent. and 99.54 per cent. of our total income on a consolidated basis for the three months ended June 30, 2022 and the three month period ended June 30, 2021, respectively; and (ii) our total assets on a non-consolidated basis were 99.85 per cent. and 99.89 per cent. of our total assets on a consolidated basis as of the three months ended June 30, 2022 and the year ended March 31, 2022, respectively.

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 segments in the power sector, including renewable energy projects throughout India. We believe our organization occupies a key position in the Government'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 both at the central and state levels and private sector power utilities. We service our clients through a network of regional and state offices spread across India and one national level training center at Hyderabad. Our regional offices play an integral role in the development of our relationships with our clients, in 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 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 Government and, since Fiscal 2003, has permitted us to finance all segments of the power sector, including generation, transmission and distribution, throughout the country. Our mandate was further extended to include financing other activities linked to power projects, such as coal and other mining activities, fuel supply arrangements for the power sector and other power-related infrastructure. In June 2011, we set up a separate division for funding renewable projects in order to further achieve the goal of conserving fossil fuels and reducing our carbon footprint. On September 24, 2021, our mandate was extended to cover financing of: (i) electrical and electromechanical/hydro systems, smart city electrification of railway lines and airports; (ii) energy conservation, energy efficiency and environmental aspects of power; (iii) financing activities having forward and/or backward linkage with power projects and to meet other enabling infrastructure facility(ies) that may be required for the development of the power/energy sector. The Board of the

Company, on October 29, 2021, *inter alia*, approved extending the mandate of the Company to financing infrastructure development projects. However, such in-principle approval is not yet effected and remains subject to the approval of the Administrative Ministry, Ministry of Power and the shareholders.

Our Company is one of only 13 Indian public sector undertakings to have been granted the "*Navratna*" status by the Department of Public Enterprise by virtue of our operational efficiency and financial strength. The Government had rated our performance as "*Excellent*" from Fiscal 1994 to Fiscal 2017, "Very Good" in Fiscal 2018, "Excellent" in Fiscal 2019, "Very Good" in Fiscal 2020 and "Excellent" in Fiscal 2021. In Fiscal 2021, the Company received the highest score of 100, and was the only entity evaluated with a perfect score amongst 123 public sector undertakings across 32 sectors. We have also been ranked among the top 10 public sector undertakings in India by the Ministry of Heavy Industries and Public Enterprises for Fiscal 2015, Fiscal 2016, Fiscal 2017 and Fiscal 2018. Further, as per the Public Enterprises Survey for Fiscal 2020, based on profitability our Company was ranked 10th out of 169 profit-making central public sector enterprises in India.

Our Company continues to play a strategic role in the Government's initiatives and plays a pre-eminent role in the power sector, in terms of financing state utilities and being an agency to implement key power sector initiatives of the central government. While our Company is no longer directly owned by the Government, the Government continues to exercise control over it through PFC. Our Company remains strategically important to the power sector and its role in implementing key central government policy initiatives in the power sector remains unchanged. Our Company continues to be the nodal agency for various flagship schemes of the Government, namely the Revamped Distribution Sector Scheme - A Reforms-based and Results-linked Scheme (**RDSS**) and the National Electricity Fund Programme, and through our subsidiary, REC Power Development and Consultancy Limited (formerly REC Power Distribution Company Limited) (RECPDCL), Urja Mitra, 11 kV Rural Feeder Monitoring Scheme, TARANG and the bid process coordinator for the inter-state transmission lines through tariff based competitive bidding.

Domestically, we hold the highest credit rating of "AAA" for long-term borrowing domestic credit rating from CARE, CRISIL, ICRA and IRRPL and, on an international basis, our long-term borrowing ratings from Fitch and Moody's are BBB- and Baa3, respectively, which are at par with the sovereign ratings.

We have a branch network of 19 regional offices and one state office spread across India. We also have one training center named "REC Institute of Power Management & Training" (**RECIPMT**) located in Hyderabad. Our Company's registered offices in Delhi NCR (registered office at Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi and our corporate office at REC World Headquarters, I-4, Sector 29, Gurugram, Haryana) manage matters relating to planning and policy formulation, resource mobilization and financial operations. Our Company's project, field or regional offices conduct functions relating to preliminary processing of new schemes, monitoring of on-going schemes, scrutiny of loan claims, recovery of dues and maintenance of liaison with the SEBs and state governments for effective implementation of rural electrification programmes and projects funded by our Company.

The Board of Directors at their meeting held on June 30, 2022 provided their in-principle approval to the proposal for setting up of a wholly owned subsidiary of the Company in Gujarat International Finance Tec-City IFSC, India.

RECENT DEVELOPMENTS

Memorandum of understanding dated July 7, 2022 entered into with the Council on Energy, Environment and Water

Our Company and the Council on Energy, Environment and Water have signed a memorandum of understanding to collaborate on activities to improve the operational and financial sustainability of DISCOMs through holistic deployment of smart meters, network strengthening and improved quality of service for electricity consumers. Under the memorandum of understanding, primary and secondary research will be conducted to help DISCOMs in their efforts to deploy smart metering infrastructure for improved service delivery.

Memorandum of understanding dated March 15, 2022 entered into with The Energy Policy Institute at the University of Chicago

Our Company, RECPDCL and The Energy Policy Institute at the University of Chicago (EPIC India) have signed a memorandum of understanding to enable an evidence-based approach to improve the electricity distribution utility performance by designing innovative policy interventions for pilot and evaluation. EPIC India will provide research and evaluation support, as well as collaborate with our Company and RECPDCL to provide a platform for knowledge sharing on international research and policy innovations through its nexus of leading international experts. This memorandum of understanding will work towards improving DISCOMs performance and efficiency with focus on the four core areas of knowledge sharing, access to high-quality data analysis, policy innovation and evaluation and training and capacity building.

Memorandum of understanding dated April 21, 2022 entered into with the Jammu Power Distribution Corporation Limited (JPDCL) and the Abdul Latif Jameel Poverty Action Lab (J-PAL) South Asia

Our Company and the Jammu Power Distribution Corporation Limited (JPDCL) have partnered with the Abdul Latif Jameel Poverty Action Lab (J-PAL) South Asia to collaborate on leveraging existing administrative data for exploring ways to reduce electricity theft and faulty billing. The insights gleaned from this analysis will inform the randomised evaluations led by professors who are a part of J-PAL's global network to evaluate the impact of smart meters on improving billing accuracy and on other features such as remote disconnections, prepaid metering, and online billing.

Memorandum of understanding dated March 9, 2021 entered into with Kholongchhu Hydro Energy Limited

Our Company and PFC entered into a memorandum of understanding dated March 9, 2021 with Kholongchhu Hydro Energy Limited (**KHEL**) for the financing of 600 MW hydro electric project at Trashi Yangtse in Bhutan. KHEL is a joint venture between SJVN Limited (India) and Druk Green Power Corporation Limited (Bhutan) for the development of the 600 MW Kholongchhu Hydro Electric Project in Eastern Bhutan.

The project is being executed as per an inter-governmental agreement signed between the Government of India and the Royal Government of Bhutan in April 2014 to undertake implementation of four hydroelectric projects in Bhutan through a joint venture model to be formed by public sector units of the two governments. KHEL is the first joint venture company being undertaken between the two governments for implementation of 4x150 MW Kholongchhu Hydro Electric Project. The project is proposed to be funded in debt-equity ratio of 70:30 and as per the MoU, REC would be extending a rupee term loan of Rs. 20,290.0 million. The balance debt will be extended by PFC (Rs. 20,290.0 million), National Pension and Provident Fund, Bhutan (Rs. 2,000 million) and the Bank of Bhutan (Rs. 2,000 million).

Corporate actions in respect of certain indirect wholly owned Subsidiaries

The Ministry of Corporate Affairs, Government of India, pursuant to its order dated February 5, 2021, approved the amalgamation scheme of RECTPCL with REC Power Distribution Company Limited (the **Scheme of Amalgamation**) with the appointed date of April 1, 2020. A certified copy of the order was filed by RECTPCL and REC Power Distribution Company Limited with the Registrar of Companies, NCT of Delhi on February 6, 2021. Accordingly, RECTPCL has been dissolved and the Scheme of Amalgamation has become effective from February 6, 2021. Pursuant to the amalgamation, RECPDCL acts as bid process coordinator for the selection of a developer as transmission service provider (TSP) through a tariff-based competitive bidding (**TBCB**) process. In order to initiate the development of each transmission project, RECPDCL incorporates a project specific special purpose vehicle (**SPV**) as its wholly-owned subsidiary company and after the selection of a successful bidder through TBCB process, the respective project specific SPV along with all its assets and liabilities is transferred to the successful bidder.

During the financial year 2021-22, one subsidiary company was incorporated on October 6, 2021 namely ER NER Transmission Limited. Further, thirteen new SPVs have been incorporated from April to June, details of which are given below. Additionally, Dinchang Transmission Limited has been struck off from the Register of Companies on August 17, 2021.

The Board of Directors at their meeting held on December 7, 2021 approved, *inter alia*, the proposal in respect of the sale and transfer of Kallam Transmission Limited, a wholly owned subsidiary of RECPDCL. Accordingly, Kallam Transmission Limited was transferred along with its assets and liabilities to a consortium of M/s Indigrid 1 Limited (70 per cent.) and M/s Indigrid 2 Limited (30 per cent.) on December 28, 2021, pursuant to the share purchase agreement entered into between RECPDCL, Kallam Transmission Limited and M/s Indigrid 1 Limited and M/s Indigrid 2 Limited.

The Board of Directors at their meeting held on February 4, 2022 approved, *inter alia*, the proposal in respect of the sale and transfer of Gadag Transmission Limited, a wholly owned subsidiary of RECPDCL. Accordingly, Gadag Transmission Limited was transferred along with its assets and liabilities to M/s ReNew Transmission Ventures Private Limited on March 17, 2022, pursuant to the share purchase agreement entered into between RECPDCL, Gadag Transmission Limited and M/s ReNew Transmission Ventures Private Limited.

Further, the Board of Directors at their meeting held on February 4, 2022 approved the incorporation of 12 project specific special purpose vehicles as wholly owned subsidiaries of RECPDCL for development of inter-state transmission projects allocated by the Ministry of Power.

The Board of Directors at their meeting held on April 27, 2022 approved, *inter alia*, the proposal in respect of the sale and transfer of Rajgarh Transmission Limited, a wholly owned subsidiary of RECPDCL. Accordingly, Rajgarh Transmission Limited was transferred along with its assets and liabilities to M/s G.R. Infraprojects Limited on May 30, 2022, pursuant to the share purchase agreement entered into between RECPDCL, Rajgarh Transmission Limited and M/s G.R. Infraprojects Limited.

By virtue of the Scheme of Amalgamation, the SPVs which were wholly-owned subsidiaries of RECTPCL have now become wholly-owned subsidiaries of RECPDCL and more have been incorporated as per Gazette Notifications issued by Ministry of Power / CEA. As at June 30, 2022, the Company has the following SPVs which are wholly-owned subsidiaries of RECPDCL:

- Chandil Transmission Limited;
- Dumka Transmission Limited;
- Koderma Transmission Limited;
- Mandar Transmission Limited;
- Bidar Transmission Limited;

- MP Power Transmission Package-I Limited;
- ER NER Transmission Limited;
- Neemuch Transmission Limited*;
- Ramgarh II Transmission Limited;
- Khavda RE Transmission Limited;
- Khavda II-A Transmission Limited;
- Khavda II-B Transmission Limited;
- Khavda II-C Transmission Limited;
- Khavda II-D Transmission Limited;
- Beawar Transmission Limited;
- KPS 1 Transmission Limited;
- KPS 2 Transmission Limited;
- KPS 3 Transmission Limited;
- Sikar Khetri Transmission Limited; and
- Gadag II-A Transmission Limited.

* Neemuch Transmission Limited was sold and transferred to Power Grid Corporation of India Limited, the successful bidder under the tariff based competitive bidding, on August 24, 2022.

During the financial years 2021 and 2022 and the period ended June 30, 2022, the following subsidiaries have been transferred:

- Fatehgarh Bhadla Transco Limited (CIN: U40108DL2020GOI364227) has been transferred to M/s Power Grid Corporation of India Limited on June 4, 2021;
- Sikar New Transmission Limited (CIN: U40106DL2020GOI364672) has been transferred to M/s Power Grid Corporation of India Limited on June 4, 2021;
- MP Power Transmission Package-II Limited (CIN: U40100DL2020GOI368275) has been transferred to M/s Adani Transmission Limited on November 1, 2021;
- Kallam Transmission Limited (CIN: U40106DL2020GOI364104) has been transferred to M/s IndiGrid 1 Limited (Lead member) on December 28, 2021;
- Gadag Transmission Limited (CIN: U40100DL2020GOI364213) has been transferred to M/s Renew Transmission Ventures Private Limited on March 17, 2022; and
- Rajgarh Transmission Limited (CIN: U40106DL2020GOI364436) has been transferred to M/s G R Infraprojects Limited on May 30, 2022.

Integration within the power sector and the PFC Acquisition

In accordance with the "in-principle" approval dated December 6, 2018 of the Cabinet Committee on Economic Affairs approving the acquisition by PFC of equity shares held by the Government in our Company, and, subsequently, in terms of the share purchase agreement dated March 20, 2019 entered into between the President of India, acting through the MoP of the Government, and PFC, the President of India divested its entire shareholding of 52.63 per cent. in our Company comprising of 1,039,399,343 equity shares of face value of Rs. 10 each to PFC on March 28, 2019, in consideration of Rs. 145,000 million (the **PFC Acquisition**).

In accordance with the filing made by PFC on March 28, 2019, with the BSE and NSE under Regulation 10(6) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended, PFC has acquired the entire 52.63 per cent. shareholding previously held by the Government in our Company. As such, PFC is a promoter of our Company and is treated as part of the "Promoter Group". Nonetheless, our Company still remains a Government Company in terms of Section 2(45) of the Companies Act, 2013. Our Company's credit ratings for long-term domestic borrowings and short-term borrowings from CRISIL (a subsidiary of S&P), ICRA (an affiliate of Moody's), IRRPL (a Fitch Group Company) and CARE, along with the long-term foreign currency issuer rating assigned to our Company by Fitch Ratings Inc. (**Fitch**) and Moody's, are as follows:

Rating Agency	**Long-Term Rating**	**Short-Term Rating**	**Outlook**
CRISIL	CRISIL AAA	CRISIL A1+	Stable
ICRA	ICRA AAA	ICRA A1+	Stable
IRRPL	IND AAA	IND A1+	Stable
CARE	CARE AAA	CARE A1+	Stable

Rating Agency	**Long-Term Rating**		**Outlook**
Fitch	BBB-	-	Stable
Moody's	Baa3	-	Stable

Business growth

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

- Our Company's yearly loan disbursements were Rs. 641,502.0 million in Fiscal 2022.
- For Fiscal 2022, our Company sanctioned Rs. 544,217.6 million of loans, including Rs. 160,807.3 million relating to generation projects, Rs. 147,335.2 million relating to renewable energy projects, Rs. 221,358.0 million relating to transmission and distribution projects and Rs. 14,717.0 million under short-term, medium term and other loans.
- For Fiscal 2022, our Company disbursed Rs. 641,502.0 million of loans, including Rs. 194,068.9 million relating to generation projects, Rs. 28,235.1 million relating to renewable

energy projects, Rs. 370,421.2 million relating to transmission and distribution projects and Rs. 48,776.8 million under short-term, medium-term and other loans.

- Our Company's loan assets (net) have grown from Rs. 3,652,614.9 million in Fiscal 2021 to Rs. 3,719,305.4 million in Fiscal 2022, based on our consolidated financial statements.

- Our Company's profit after tax, based on our consolidated financial statements, for Fiscals 2020, 2021 and 2022 was Rs. 49,722.7 million, Rs. 83,782.4 million and Rs. 100,357.0 million, respectively. Our Company's profit after tax, based on our non-consolidated financial statements for the three months ended June 30, 2022 was Rs. 24,472.6 million.

- As of June 30, 2022, our Company had loan assets (net) of Rs. 3,728,048.2 million and a net worth of Rs. 526,002.6 million, based on our non-consolidated financial statements.

KEY FINANCIAL PARAMETERS AND RATIOS

Some of our key financial parameters and ratios for the periods indicated are as follows:

Parameters	Figures on a consolidated basis			Figures on a non-consolidated basis
	Fiscal 2020	Fiscal 2021	Fiscal 2022	Three months ended June 30, 2022
	(in Rs. million, except in percentages and ratios)			
Net worth	353,964.3	437,639.3	513,141.0	526,002.6
Total Debt (outstanding)	2,862,885.6	3,297,233.6	3,330,426.7	3,342,529.8
–Long-Term Borrowing	2,746,780.5	3,111,858.7	3,217,659.6	3,208,132.3
– Short-Term Borrowing	116,105.1	185,374.9	112,767.1	134,397.5
Total Financial Assets	3,437,150.1	3,972,591.6	4,068,009.6	4,093,023.1
Total Non-Financial Assets	33,055.4	35,936.6	40,547.5	43,642.8
Cash and Cash Equivalents	17,177.1	11,792.4	1,409.9	4,232.3
Investments	21,271.1	17,236.8	21,904.4	21,017.1
Asset Under Management	NA	NA	NA	NA
Off Balance Sheet Assets	NA	NA	NA	NA
Interest Income	296,717.8	346,935.1	381,944.9	93,737.8
Finance Costs	189,913.0	214,890.5	220,509.6	53,766.9
Impairment on financial instruments	9,194.9	24,459.4	34,700.2	5,045.0
PAT	49,722.7	83,782.4	100,357.0	24,472.6
Gross Credit Impaired Assets (%)	6.59	4.84	4.45	4.41
Net Credit Impaired Assets (%)	3.32	1.71	1.45	1.41
Total Loan Assets-Outstanding (net)	3,120,835.0	3,652,614.9	3,719,305.4	3,745,782.3
Total Assets	3,470,300.8	4,008,668.7	4,108,600.9	4,136,674.5

Notes:

— *Gross Credit Impaired Assets = Ratio of Gross Credit Impaired Assets to Gross Loan Assets*

— *Net Credit Impaired Assets = Ratio of Net Credit Impaired Assets to Gross Loan Assets*

— *Provision has been made in respect of all loan assets in accordance with the Expected Credit Loss (ECL) methodology, evaluation and calculation as per Ind-AS – undertaken by an independent agency.*

Ratios	Figures on a consolidated basis			Figures on a non-consolidated basis
	Fiscal 2020	Fiscal 2021	Fiscal 2022	Three months ended June 30, 2022
	(in Rs. million, except in percentages and ratios)			
Tier I Capital Adequacy Ratio (%)	13.17	16.31	19.58	21.72
Tier II Capital Adequacy Ratio (%)	2.89	3.41	4.03	3.06
Capital Adequacy ratio (%)	16.06	19.72	23.61	24.78
Net interest margin (Annualized) (%)	3.74	3.89	4.07	4.09
Yield on Interest bearing Loan Assets (%) (Annualized)	10.57	10.46	10.29	10.07
Cost of funds (Annualized) (%)	7.31	7.13	7.00	6.73
Return on Net worth (average) (Annualized) (%)	14.09	21.30	21.28	18.90
Debt equity ratio (times)	7.91	7.34	6.37	6.26
Return on Assets (Average) (Annualized)	1.54	2.24	2.47	2.38

Notes:

— *Net Interest Margin = Ratio of net interest income, without foreign exchange fluctuation gain/loss amortized to average interest earning loan assets*

— *Yield = Ratio of interest income to average interest earning loan assets*

— *Cost of funds = Ratio of finance costs to average borrowings, without foreign exchange fluctuation gain/loss amortized.*

— *Return on Net worth (Average) = Ratio of PAT to average Net Worth*

— *Debt Equity = Ratio of Total Borrowings (net of cash and cash equivalents) to Net Worth*

— *Return on Assets (Average) = PAT/Average Assets*

MAJOR EVENTS AND MILESTONES

Calendar Year	Event
1969	Incorporation of our Company.
1970	Commenced lending operations to SEBs.
1974	Authorized by the Ministry of Irrigation and Power to finance rural electrification under the "Minimum Needs Programme".
1979	CIRE set up in Hyderabad, now renamed as RECIPMT.
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 a memorandum of understanding (**MoU**) with the MoP for the years 1993 and 1994 for the first time to achieve certain performance-related targets.
1998	Registered as an NBFC under Section 45(IA) of the RBI Act.
2001	• Allowed to issue capital gains tax exemption bonds under Section 54 EC of the IT Act. • Upgraded from a Schedule 'B' to a Schedule 'A' corporation.
2002	Grant of "Mini Ratna-I" status.
2005	Appointed as the nodal agency for the RGGVY scheme.
2006	• Entered into agreement with the 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 EUR70 million.
2008	• Launch of an initial public offer and dilution of promoter's shareholding from 100 per cent. to 81.82 per cent. Gross proceeds from IPO were Rs. 8,196.3 million. • Listed Shares of our Company on NSE and BSE. • 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 "LAAA" rating from ICRA in relation to Rs. 250,000 million long-term borrowing programme for Fiscal 2010.

Calendar Year	Event
2010	• Follow-on issue of Shares resulting in (a) raising Rs. 26,475.3 million of gross proceeds through fresh issue and (b) the Government reducing its ownership to 66.80 per cent. • RBI categorized our Company as an IFC.
2011	Our Company successfully priced a U.S.$500 million 4.25 per cent. five-year Regulation S senior unsecured notes transaction. Our Company was the first Indian NBFC-IFC to enter into the international debt market.
2012	• Our Company was appointed as a nodal agency for the implementation of the National Electricity Fund scheme. • Our Company issued a tax-free bond of Rs. 30,000 million under Section 10(15)(iv)(h) of the IT Act in Fiscal 2012. • Our Company issued CHF200 million in aggregate principal amount of CHF-denominated bonds which are listed on the SIX Swiss Exchange, Switzerland. • Our Company entered into an agreement with KfW, Germany, to avail of official development assistance (**ODA**) under a loan facility of EUR100 million.
2013	Our Company issued tax-free bonds of Rs. 26,484.1 million under Section 10(15)(iv)(h) of the Income Tax Act.
2014	Our Company issued tax-free bonds of Rs. 60,000 million under Section 10(15)(iv)(h) of the Income Tax Act. Appointed as the nodal agency for the DDUGJY scheme.
2015	Our Company issued tax-free bonds of Rs. 10,000 million under Section 10(15)(iv)(h) of the Income Tax Act, 1961.
2016	• Our Company successfully set up a U.S.$1,000 million Medium-Term Note Programme, listed on SGX-ST. • Our Company was appointed as the nodal agency for the implementation of the Outage Management System and 11kV Rural Feeder Management System.
2017	• Our Company was appointed as a nodal agency for the implementation of the "Saubhagya" scheme. • Our Company's performance was rated as "Excellent" for Fiscal 2017, in terms of the MoU signed with Government, for the 24th year in succession since Fiscal 1994 when the first MoU was signed. • Our Company raised U.S.$450 million through the issuance of green bonds with a tenor of ten years, which are listed on the SGX-ST and the ISM.

Calendar Year	Event
2018	• Our Company raised U.S.$400 million through the issuance of Regulation S bonds, which are listed on ISM and SGX-ST. • Our Company entered into an agreement with KfW, Frankfurt am Main to establish a loan facility of U.S.$228 million. • Achieved 100 per cent. village electrification on April 28, 2018 under Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY). • Our Company was placed amongst the top ten Profit making CPSEs of the country by Public Enterprises Survey 2017-18. • Our Company presented its first Indian Accounting Standards (Ind-AS) compliant financial results. • Name of our Company changed from Rural Electrification Corporation Limited to REC Limited (effective on October 13, 2018).
2019	• Cabinet Committee on Economic Affairs on December 6, 2018 gave its "in-principle" approval for the acquisition by PFC of equity shares held by the Government in our Company, along with management control.. In accordance with the filing made by PFC on March 28, 2019 with the BSE and NSE IFSC under Regulation 10(6) of the SEBI Listing Regulations, PFC has acquired the entire 52.63 per cent. shareholding previously held by the Government in our Company. Subsequent to the PFC Acquisition, our Company still remains a Government Company in terms of Section 2(45) of the Companies Act, 2013. • Our Company raised U.S.$650 million through the issuance of Regulation S bonds with a tenor of five years, which are listed on ISM, SGX-ST, India INX and NSE IFSC. • REC completed 50 years of its existence on July 25, 2019. • Our Company raised U.S.$500 million through the issuance of Regulation S bonds with a tenor of five years, which are listed on ISM, SGX-ST, India INX and NSE IFSC.
2020	• Our Company raised U.S.$500 million in May 2020 through the issuance of Regulation S bonds with a tenor of five years, which are listed on ISM, SGX-ST, India INX and NSE IFSC.
2021	• Our Company raised U.S.$500 million in March 2021 through the issuance of Regulation S bonds with a tenor of five and a half years, which are listed on ISM, SGX-ST, India INX and NSE IFSC. • Our Company raised U.S.$400 million in July 2021 through the issuance of Regulation S bonds with a tenor of five and a half years, which are listed on ISM, SGX-ST, India INX and NSE IFSC.

Calendar Year	Event
	• Our Company successfully raised a U.S.$75 million, 5-year Secured Overnight Financing Rate (SOFR) linked Syndicated Term Loan on October 7, 2021 with Sumitomo Mitsui Banking Corporation (SMBC), Singapore Branch, which was the first SOFR-linked loan by any NBFC in India. • Our Company successfully raised U.S.$1,175 million in December 2021 from a consortium of seven banks benchmarked to USD LIBOR, making this the single largest syndicated loan raised in the international bank loan market by any Indian NBFC.

OUR STRENGTHS

We believe that the following are our primary strengths:

Our financial position is strong and our business is profitable.

We have operated our financing business profitably for more than two decades, including a profit after tax on a consolidated basis of Rs. 49,722.7 million, Rs. 83,782.4 million and Rs. 100,357.0 million for Fiscal 2020, 2021 and 2022 respectively. For the three months ended June 30, 2022, our profit after tax on a non-consolidated basis was Rs. 24,472.6 million. We have paid dividends each year since Fiscal 1998. As of June 30, 2022, our Company had a net worth of Rs. 526,002.6 million based on our non-consolidated financial statements. Our Company's annualized return on average net worth for June 30, 2022, was 18.90 per cent. based on our non-consolidated financial statements.

Our projects portfolio for loans sanctioned is also diversified by sector and customer base. For the three months ended June 30, 2022, 59.54 per cent. of our non-consolidated loan sanctions are related to generation projects, 16.51 per cent. related to renewable energy projects, 15.02 per cent. related to transmission and distribution projects and 8.93 per cent. related to sanctions relating to STLs. As of June 30, 2022, credit impaired assets (non-performing loan assets) constituted 4.41 per cent. of our non-consolidated gross loan assets. As of June 30, 2022, our exposure in the form of non-consolidated outstanding loan assets to our top ten borrowers was 42.05 per cent. of our total non-consolidated outstanding loan assets, and the largest borrower holding is 9.58 per cent. of our total non-consolidated outstanding loans.

We fund our business with market borrowings of various maturities, including bonds and term loans. Our relationship with the Government 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 JICA and KfW. Domestically, we hold the highest credit rating for long-term borrowing domestic credit rating from CARE, CRISIL, ICRA and IRRPL and, on an international basis, our long-term borrowing ratings from Fitch and Moody's, are BBB- and Baa3, respectively, which are at par with the sovereign ratings. Our Company's cost of long-term funds mobilized during the three months ended June 30, 2022 based on our non-consolidated financial statements was 5.93 per cent. per annum. As our sources enable us to raise funds at competitive costs, we believe we are able to price our financial products competitively. Our net interest margins have remained stable with our net interest margin during the three months ended June 30, 2022, based on our non-consolidated financial statements, being 4.09 per cent.

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

We have been involved in the Indian power sector 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 to a wide variety of projects.

Our knowledge of the Indian 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 experience and knowledge of more than 50 years 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 19 regional offices and one state office spread across India. Our regional 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, to keep abreast of local issues and to monitor closely the projects we finance.

We occupy a key strategic position in the Government'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 and power-related infrastructure in India. We have consistently benefited from the Government's power infrastructure plans since 1969 and the Government has ensured that our mandate has evolved in accordance with its development priorities. We believe that we will continue to occupy a key strategic position in the Government's on-going plans to develop the Indian power sector.

Historically, we were primarily focused on the electrification of rural India, consistent with the GoI's objective to electrify all rural villages under a variety of schemes that were ultimately merged into RGGVY in Fiscal 2006. The RGGVY scheme was subsumed into the DDUGJY scheme launched in December 2014. The DDUGJY scheme was discontinued on March 31, 2022. The DDUGJY scheme is subsumed in the RDSS scheme. Our Company and PFC are the nodal agencies for facilitating the implementation of the RDSS scheme, and we continue to finance rural electrification and transmission and distribution projects. The Government 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 Government has become increasingly focused on the power supply shortage in India and the need for increased investment in power generation. In Fiscal 2003, the Government 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 Government 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.

Under the guidance of Ministry of Power, we have developed a framework for 'DISCOM Consumer Service Rating', wherein DISCOMs are rated based on operational parameters. We are also publishing periodic reports on key regulatory parameters, which provide guidance to the power sector, through compilation, benchmarking and comparative assessment of various utilities and highlighting corrective measures wherever required.

Further, we will be extending financial support to DISCOMs for timely payment of their dues under the Electricity (Late Payment Surcharge and Related Matters) Rules, 2022 as amended (**LPS Rules**), which will help in achieving financial sustainability in the Indian power sector.

Annually, we enter into a MoU with our holding company, PFC that provides guidelines for our activities that are closely aligned with the Government's policy initiatives.

Because of our strategic importance to the Government, we receive direct and indirect benefits, including tax concessions for some of our bonds that enable us to maintain low cost of funds.

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 "*Management*" in this Offering Circular.

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 Government 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 implementation of RGGVY from April 2005; the launch of the DDUGJY scheme (subsuming the on-going RGGVY scheme) in order to increase the pace of rural electrification and to provide access to electricity to all rural households; the launch of the Integrated Power Development Scheme (**IPDS**) for urban areas primarily aimed at strengthening the sub-transmission and distribution network; and the metering of feeders, distribution transformers, and/or consumers and IT in order to provide sustained loss reduction to India's transmission and distribution infrastructure. The earlier on-going scheme of R-APDRP was subsumed into the IPDS. Both the schemes, i.e. DDUGJY and IPDS were launched in December 2014. In 2017, the Government launched a Rs. 163,500 million household electrification scheme, Pradhan Mantri Sahaj Bijli Har Ghar Yojana (translated as the Prime Minister's programme to provide easy electricity access to all households), or "*Saubhagya*" with the objective of providing energy access to all by last mile connectivity and electricity connections to all remaining unelectrified households in rural as well as urban areas estimated to be around 39.6 million households. The DDUGJY, IPDS and SAUBHAGYA schemes were discontinued on March 31, 2022, and the Company is currently implementing the Revamped Distribution Sector Scheme. The continued prioritization of the power sector will need to be met by increased funding to the sector. We intend to continue to provide the funding necessary for the Government to meet its policy goals for the power sector and believe that 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 and renewable energy projects throughout the country, irrespective of the size or location.

As of June 30, 2022, our non-consolidated loan assets comprised 55.83 per cent. 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 of June 30, 2022, 39.14 per cent. of our non-consolidated loan asset portfolio was comprising generation-related loans (in addition to 4.46 per cent. of our non-consolidated loan asset portfolio towards renewable energy generation projects). 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 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 RECPDCL, which merged with RECTPCL in Fiscal 2021, for the purpose of providing consultancy services with respect to transmission and distribution systems, respectively.

THE PROJECTS WE FUND

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

	Fiscal 2020		Fiscal 2021		Fiscal 2022		Three Months Ended June 30, 2022	
Sector	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
			(*in Rs. million, except percentages*)					
Transmission and distribution[(1)]	416,047.7	37.51	917,676.9	59.27	221,358.0	40.67	89,983.6	15.02
Generation	558,118.9	50.32	443,013.3	28.61	160,807.3	29.55	356,617.0	59.54
Renewable Projects	70,263.3	6.34	182,119.4	11.76	147,335.2	27.08	98,846.2	16.50
Short-term, Medium-term and other Loans	64,650.0	5.83	5,399.1	0.36	14,717.1	2.70	53,500.0	8.94
Total	**1,109,079.9**	**100.00**	**1,548,208.7**	**100.00**	**544,217.6**	**100.00**	**598,946.8**	**100.00**

Notes:

(1) Transmission and distribution consists of transmission and distribution, loans under Liquidity Infusion Scheme, DDG and DDUGJY/RGGVY.

(2) Short-term, Medium-term and other Loans include moratorium loans given as per the directive of RBI.

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

	Fiscal 2020		Fiscal 2021		Fiscal 2022		Three Months Ended June 30, 2022	
Sector	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
			(in Rs. million, except in percentages)					
Transmission and distribution[(1)]	360,869.9	47.69	543,208.2	58.42	370,421.2	57.74	29,146.2	23.43
Generation	274,908.7	36.34	215,802.5	23.21	194,068.9	30.25	18,832.1	14.74
Renewable Projects	56,990.9	7.53	22,245.3	2.39	28,235.1	4.40	59,310.7	47.67
Short-term, Medium term and other loans	63,900.0	8.44	148,618.9[(2)]	15.98	48,776.8	7.60	17,620.5	14.16
Total	**756,669.5**	**100.00**	**929,874.9**	**100.00**	**641,502.0**	**100.0**	**124,409.5**	**100.00**

Notes:

(1) Transmission and distribution consists of transmission and distribution, international cooperation and development, TFL, DDG and DDUGJY/RGGVY.

(2) Short-term, Medium term and other loans include moratorium loans given as per the directive of RBI.

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

	Fiscal 2020		Fiscal 2021		Fiscal 2022		Three Months Ended June 30, 2022	
Sector	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	(in Rs. million, except in percentages)							
Transmission and distribution[(1)]	1,659,343.3	51.46	2,052,404.4	54.38	2,187,413.9	56.76	2,165,875.1	55.84
Generation	1,395,186.3	43.27	1,552,968.0	41.15	1,527,204.2	39.63	1,518,130.8	39.14
Renewable projects	160,782.2	4.99	165,047.4	4.37	118,486.5	3.07	172,885.6	4.46
Short-term, Medium term and other loans	8,935.0	0.28	3,761.7	0.10	20,608.46	0.54	21,986.7	0.57
Total	**3,224,246.7**	**100.00**	**3,774,181.5**	**100.00**	**3,853,713.2**	**100.00**	**3,878,878.2**	**100.00**

Notes:

(1) Transmission and distribution consists of transmission and distribution, Atmanirbhar loan, DDG and DDUGJY/RGGVY.

Transmission and Distribution Projects

Within the transmission sector, 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, including the construction of new sub-stations and associated lines. In distribution, the principal projects we finance include infrastructure required for system improvement and the creation of new distribution systems, including sub-stations and lines in order to reduce aggregate technical and commercial losses (**AT&C losses**), to cater for increased load growth and for the purchase of distribution equipment.

Transmission projects: Transmission projects relate to the transmission of electricity at higher voltages (132 kV and above) 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 relate to the distribution of electricity at relatively lower voltages (66 kV and below) over shorter distances, generally from sub-stations to end-users or between sub-stations. The distribution projects involve creating additional infrastructure through the erection of new sub-stations and lines and the improvement of 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 losses and to improve performance efficiency of power utilities. In distribution, the principal projects for which we provide funding are system improvement projects, which include:

(a) projects to strengthen existing infrastructure through new sub-stations and lines and the replacement of damaged and outdated equipment;

(b) conversion of low voltage distribution systems to high voltage distribution systems (**HVDS**) in order to reduce AT&C losses; and

(c) creation of new distribution systems to provide power to end-users and to introduce new technologies; setting up bulk loan schemes for the procurement and installation of equipment such as meters, transformers and capacitors.

We also provide counterpart funding for R-APDRP projects under this category, and finance distribution infrastructure required for extending the facility to all class of consumers such as agricultural, domestic, commercial and industrial customers.

Generation Projects

Our Company finances generation, renovation and modernization projects, including additional loan assistance which include consortium financing with other financial institutions.

Thermal 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 and captive co-generation power plants.

Hydro 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.

Renewable power generation projects

We also provide financing for grid-connected power projects based on renewable sources such as solar, wind, biomass, bagasse and small hydro-power projects.

Renovation, modernization and life-extension

We provide financing for the renovation, modernization and life-extension of old power generation and transmission assets. Such renovation and modernization allow these assets to operate more efficiently, safely, economically and in a more environment-friendly manner.

AWARDS AND ACCREDITATIONS

Calendar Year	Awards/Accreditations
1990	Awarded the Indira Gandhi Memorial Award for Excellence in Public Sector Undertakings for the year 1989 to 1990.
1994	Received rating of "Excellent" from the Government, for the first time, for fulfilling the targets pursuant to the MoU entered into the MoP for the year 1993 to 1994(1).
2000	Declared to be among the top ten public sector enterprises by the Government(2).
2008	Accorded "*Navratna*" status by the Department of Public Enterprise, Government for our operational efficiency and financial strength,

Calendar Year	Awards/Accreditations
	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 organized by Dainik Bhaskar. • Received certifications from Det Norske Veritas Certification B.V. for conforming to the quality management system standard ISO 9001:2008, at our various offices. • Received certifications from BSI Management Systems for conforming to the quality management system standard ISO 9001:2000, at our various offices. • Received SCOPE Meritorious Award under the category of the Best Managed Bank, Financial Institution or Insurance Company.
2010	• Received the Dalal Street Investment Journal (**DSIJ**), PSU Award 2010, for "The Best Wealth Creator". • Received the India Pride Award 2010 "The Best NBFC". • Received the Asia Pacific HRM Congress Award 2010 for "Organizational Development and Leadership".
2011	• Received the DSIJ PSU Award 2011 for "Speed King" for fastest growing PSUs across Maharatnas, Navratnas and Miniratnas. • Featured in Dun & Bradstreet's India Top PSUs.
2012	• Received the "Best Listed CPSE Award" from the Department of Public Enterprises, of the Government for Fiscal 2010. • Conferred with the "Best Company to work for 2012" and ranked among the top 50 companies hiring up to 1,000 employees by Great Place to Work Institute India in association with The Economic Times.
2013	• Received the DSIJ PSU Award, 2012 for "Fastest Growing Operational Metrics" in Non-Manufacturing Navratna Category. • Received the CIDC Vishwakarma Award 2013 in the category of "Achievement Award for Industry Doyen". • Received the IPE-CSR Corporate Governance Award from IPE, Hyderabad. • Received the Award in the category of "Banking Financial Services" by India Pride Awards, Dainik Bhaskar and DNA.
2014	• Received the 13th ICSI National Awards for Excellence in Corporate Governance, 2013. • Received the Award in "Energy & Power Sector" from India Pride Awards, Dainik Bhaskar and DNA. • Our Company was rated amongst the best employers in India by Aeon Hewitt. • Received the DSIJ PSU Award 2013 for "Best Value creating Navratna with a balance sheet of more than Rs. 1 billion".

Calendar Year	Awards/Accreditations
	• Received the DSIJ PSU Award, 2014 for "Fastest Growing Navratna of the Year" in the "Non-Manufacturing Category". • Received the "Rural sector PSE of the Year making Grass Root Infrastructure Impact" from IPSE Award 2014. • Awarded "Best Power Financing Company" by Central Board of Irrigation and Power (**CBIP**) for outstanding contribution in terms of providing financial assistance and promoting rural electrification projects all over India, having a consistent record of excellent all round performance, growth and profitability since inception, and contribution to the growth of India. • Our Company has been rated excellent for Fiscal 2014 in terms of the MoU signed with GoI for the 21st year in succession since Fiscal 1994 when the first MoU was signed.
2015	• Received the PSE Excellence Award 2014 as "Company of the Year" award for "Operational Performance Excellence". • Received the award for operational excellence in financial services from India Pride Awards, Dainik Bhaskar and DNA. • Received the "Fastest Growing Navratna PSU" award from India Today.
2016	• Received the Central Board of Irrigation and Power award for Best Power Financing Company. • Received a certificate of recognition for its contribution in Transforming REC by the Governance Now group (**SAB TV**). • Awarded the "SCOPE Excellence Award for outstanding contribution to the Public Sector Management – Institutional Category I (Maharatna & Navratna)" and "SCOPE Meritorious Award for Best Managed Bank, Financial Institution Category" at the Standing Conference of Public Enterprises (**SCOPE**) Awards on the 8th Public Sector Day function.
2017	• Received the Dainik Bhaskar India Pride Award 2017 for being the leading Financial Services NBFC in the Central PSU category. • Received the Central Board of Irrigation and Power award for Best Power Financing Company. • Received the first prize for "Brand Building through Inclusive Growth Initiatives" at the Corporate Communication Excellence Awards 2017 organized by the SCOPE.
2018	• Received the Vishwakarma award for Gurugram World HQ project. • Received two awards at the Dainik Bhaskar India Pride Awards 2018 for "Excellence in Navratna" and HOD in the Finance category.

Calendar Year	Awards/Accreditations
	• Received the most efficient NBFC award at the Chambers of Indian Micro, Small and Medium Enterprise Awards 2018. • Received the award for “Excellence in Financial Services” at the Dun & Bradstreet PSU Awards 2018. • Received the DSIJ PSU Award 2018 for “India’s Best Public Sector Undertaking Award, 2018 – Highest Wealth Creator-Market Returns (Navratna)”. • Received Golden Peacock Awards – 2018 for Corporate Governance & Sustainability. • Received CIMSME Banking Excellence Award. • Received Award for Best PSU Issuer on Electronic Bidding Platform of NSE. • Received Award for highest employee efficiency enterprise by Dalal Street Investment Journal.

2019	• Received India Smart Grid Forum (**ISGF**) Innovation Awards 2019 for Best Project for Household Electrification.
	• Won SCOPE CC Excellence Awards 2019, under the following three categories:
	    • 1st prize in Best House Journal English (for WattsUp)
	    • 2nd prize in Best Internal Communication Campaign (for REC Engage)
	    • 3rd prize in effective use of digital media (for Saubhagaya scheme)
	• Received the “Highest Wealth Creator – Market Returns Navratna” Roll of Honour from Dalal Street Investment Journal.
	• Received “PSE Excellence Award, 2018” by the Indian Chamber of Commerce (**ICC**), as runner up in the Navratna and Maharatna category, for excellence in corporate governance.
	• Received the ICAI Award for Excellence in Financial Reporting for Fiscal 2019 in the “Public Sector Entities” category.
	• Received runner-up award from the South Asian Federation of Accountants for Best Presented Accounts in Public Sector for the Fiscal 2019.

2020	• Reputation Today's 'Top 30 Corporate Communication Teams’ • SKOCH Award (Gold) in the 'Response To Covid' category • Award for 'Corporate Governance' (Maharatna & Navratna Category) at the 10th PSE Excellence Awards organized by Indian Chambers of Commerce (ICC)

Calendar Year	Awards/Accreditations
2021	• 'Best Organization for Women Empowerment' award at Women Achievers Awards 2021 by Exchange4Media
	• 'India's Leading NBFC – Infrastructure Financing' at the Dun & Bradstreet BFSI & Fintech Awards 2022
2022	• Achieved perfect score of 100 for Fiscal Year 2021 for the targets and milestones set by the Department of Public Enterprises, Ministry of Finance under the aspirational 'Memorandum of Understanding (MoU)' framework prescribed for the Central Public Sector Enterprises
	• Platinum recognition at the Titan Business Awards, winner in the categories of 'Financial Services' and 'Fastest-growing Company of the year'

Notes:

(1) In recognition of our performance and our consistent achievement of targets negotiated under the MoU entered into with the Government on an annual basis, we have received the rating of "Excellent" by the Government in relation to our performance for fulfilling the targets pursuant to the MoU, from Fiscal 1994 to 2017 and 2019 (and were rated "Very Good" in Fiscal 2018 and Fiscal 2020).

(2) We have also been ranked among the top ten public sector undertakings for Fiscals 2015, 2016, 2017 and 2018 by the Ministry of Heavy Industries and Public Enterprises, the Government.

OUR PRODUCTS

Our principal products are long-term loans, MTLs and STLs. 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 sets forth the total non-consolidated loan amounts outstanding for each of our financial products and the percentage of such amount against our total non-consolidated loan amounts outstanding for all financial products as of the respective dates indicated.

	Fiscal 2020		Fiscal 2021		Fiscal 2022		Three Months Ended June 30, 2022	
Sector	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	(in Rs. million, except in percentages)							
Long-term loans	3,215,267.6	99.72	3,770,419.8	99.90	3,833,104.0	99.47	3,856,891.5	99.43
Short-term loans	8,979.2	0.28	3,761.7	0.10	20,608.6	0.53	21,986.7	0.57
Total	**3,224,246.8**	**100.00**	**3,774,181.5**	**100.00**	**3,853,712.6**	**100.00**	**3,878,878.2**	**100.00**

Notes:

(1) Includes debt refinancing and bridge loans.

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 are generally sanctioned with respect to a specific power-related project at project inception or as bulk loans for procurement of equipment. 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 its project assets to secure the loan. The percentage of guarantee and hypothecation of assets differs on a case-to-case basis.

Medium-term Loans

We offer MTLs to the Central/State Government Power Utilities and State Governments that are not in default with respect to our Company, for the following purposes:

- purchase of fuel for power plants;
- system and network maintenance, including transformer repairs;
- purchase of power; and
- any other requirements due to, *inter alia*, inadequate tariff revisions, repayment of loan obligations or delay in receipt of support from the Government.

MTLs are not provided to the following categories of customers:

- customers who are in default with respect to our Company; and
- utilities categorized as Grade "C".

These loans have a loan period of more than one year and up to a maximum of three years.

Short-term Loans

We offer short-term loans to our state sector borrowers and private 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.

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 or lower 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 STLs 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.

Loans for Power Purchase through Indian Energy Exchange: In December 2009, our Board 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.

Our Lending Policies and Guidelines

Our Company has well-developed policies and/or guidelines in order to streamline the funding process. Regular review based on prevailing market practices, formulation of new policies and guidelines are also being carried out from time to time to strengthen the funding process. Some of the major lending guidelines and/or policies formulated by our Company are:

(a) entity appraisal guidelines;

(b) conventional generation project appraisal guidelines;

(c) renewable energy project appraisal guidelines;

(d) guidelines for transmission and distribution schemes;

(e) guidelines for renewable energy projects;

(f) guidelines for generation, renovation and modernization projects;

(g) guidelines for system improvement (**SI**);

(h) policy for STL;

(i) policy for MTL;

(j) project monitoring guidelines for generation and SI projects;

(k) guidelines for financing coal mining projects;

(l) guidelines on the framework for projects under implementation and monitoring of stressed assets based on RBI notifications;

(m) guidelines on project financing framework for flexible structuring based on the RBI notifications;

(n) guidelines on refinancing of project loans based on the RBI notifications;

(o) policy for funding against regulatory assets (excluding return on equity component) of power utilities;

(p) policy for post commercial operation date timely payment interest rate rebate;

(q) policy for Investment of surplus funds; and

(r) policy for long-term investments.

Project Financing Process

While specific terms and conditions may vary for different types of loans provided to different sectors of borrowers, project financing will generally follow the following processes:

Loan Application: The prospective borrower provides a set of information and the funding requirements in the pre-specified formats. There are different kinds of formats for different kind of projects or loans.

The appraisal guidelines for all the projects have been divided into two parts – entity appraisal and project appraisal.

Entity Appraisal: Our Company has its own guidelines for the appraisal of private sector conventional and renewable power generation projects. The appraisal is carried out for the core promoters on the basis of the financial performance, creditworthiness, management proficiency and sectoral experience of the promoter entities. The interest rates charged, and security structure required, by our Company are linked to the grades assigned to the private sector projects.

Project Appraisal: Project appraisal consists of technical and financial appraisal of the projects indicating technical feasibility and financial viability and debt servicing capability of the project, along with the project execution abilities of the management. During the project appraisal process, our Company identifies the risks and quantifies them in order to decide the grading of projects so as to determine the exposure, as well as the lending rates. The key instruments used at this stage are:

(a) due diligence on various project parameters such as the technology used, the status of various approvals and clearances, the fuel supply arrangement, the water supply arrangement, the power supply arrangements, transportation arrangement and the power evacuation system;

(b) the project grading matrix;

(c) the financial model; and

(d) the site visit report.

Loan Sanction: Once the decision on funding is approved by the competent authority, the quantum of funding, the stipulation of pre-commitment conditions, pre-disbursement and post-disbursement conditions are determined and communicated to the borrower through the issue of a sanction letter. Along with the terms and conditions, our Company prepares a list of key parameters that could trigger re-appraisal and re-grading of the account. This list is being developed based on the results of the sensitivity analysis.

Loan Documentation: After the sanction of a loan, the process of loan documentation and execution of different agreements such as, among others, the trust and retention agreement, the security trustee agreement and other financing and security documents are done.

Funding: After the documentation and funding requirement are received from the borrowers at different stages of the project and after reviewing the pre-disbursement conditions, the funds are disbursed to the borrower for the development and/or construction of power projects.

Monitoring and Review: Since the conditions prevailing at the time of the appraisal cannot be expected to remain the same throughout the life of the project, there is a need for the periodic review of the status and progress. The key parameters for monitoring are developments with respect to licenses, the commercial performance of the borrower, key contracts and events having an impact on the project, deviations with respect to compliance to terms and conditions and collateral securities and variance with respect to key risk parameters.

The Company's project monitoring guidelines involve appointment of a PMA, stationed at the project site, to closely monitor various project execution activities including pricing of invoices and fund utilization. The PMA assists the lenders by the real time monitoring of expenditures and the actual physical progress at the site.

Re-grading of the Project: Re-grading of the project can be initiated, if there is significant variance on key parameters relating to:

(a) the pre-commissioning stage such as a status change in statutory licenses, major developments in acquisition of land, developments of key contracts, changes to project implementation schedule and time and cost overrun in the project; and

(b) the operation and maintenance stage such as the commissioning of units, actual operating parameters and developments with respect to financial parameters.

Re-appraisal of the Project: Re-appraisal of the project may be initiated either by our Company or at the request of the borrower. The details are as follows:

(a) re-appraisal may be initiated by our Company when there are developments with respect to time durations between loan sanction and disbursement, significant changes to project costs, major events such as natural disasters and policy-related changes, changes to collateral securities and changes in the project stage; and

(b) in the instance when the borrower requests additional funding or the lowering of the interest rates. Depending upon the changes in the integrated rating of the borrower, after the re-appraisal, the terms and conditions may be revised, further disbursements may be stopped, the loan may be rescheduled and the loan may be restructured.

Grading of State Power Utilities

Our Company has well defined policies and guidelines for the grading of SPUs (the **SPU Grading Guidelines**). The guidelines for grading of SPUs (generation, transmission and trading utilities, joint ventures and state entities) are reviewed periodically in view of significant changes in the power sector. During 2018, the SPU Grading Guidelines were reviewed and modified incorporating suitable parameters in line with the changing scenario.

For the purposes of funding, the Company has classified SPUS (state power generation, transmission and trading utilities, joint ventures and state entities) into A++, A+, A, B and C categories. The categorization (biannually) of these SPUs is based on the evaluation of the utility’s performance against specific parameters covering operational, techinical and financial performance including, among others, the regulatory environment and audited financial statements and others. With regard to state power distribution utilities (including SEBs/utilities with integrated operations), the Company adopts the MoP’s integrated ratings by aligning such ratings or grading with the Company’s standard categories of A+, A, B and C. The categorization enables our Company to determine credit exposure limits and interest rates to SPUs.

Recovery

Our Company’s status as a public finance institution provides access to the SARFAESI Act, 2002 which grants certain special rights to banks and financial institutions to enforce their security interests without the intervention of the courts. Further, the Recovery of Debts Due to Banks and Financial Institutions Act, 1993, (the **Debt Recovery Act**) provides for the establishment of debt recovery tribunals for the 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 Debt Recovery Act, the procedures for recoveries of debt have been simplified and time frames have been fixed for speedy disposal of cases. Upon the establishment of the debt recovery tribunal, no court or other authority can exercise jurisdiction in relation to matters covered by the Debt Recovery Act, except for the higher courts in India in certain circumstances.

Further, in accordance with the Insolvency Code, our Company, in its capacity as a creditor, is permitted to initiate the insolvency resolution process over its debtors. The minimum amount of default for triggering the provisions of the Insolvency Code is Rs. 10 million.

For further details, see the section titled "*Regulations and Policies*" in this Offering Circular.

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 sets forth our non-consolidated loan disbursements by the borrower's sector and the percentage of such amount against our total non-consolidated loan disbursements for all sectors for the periods indicated.

	Fiscal 2020		Fiscal 2021		Fiscal 2022		Three Months Ended June 30, 2022	
Sector	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
			(in Rs. million, except in percentages)					
Public sector	693,421.7	91.64	887,650.2	95.46	602,224.5	93.88	64,036.2	51.47
Private sector	63,247.8	8.36	42,224.7	4.54	39,277.6	6.12	60,373.3	48.53
Total............................	**756,669.5**	**100.00**	**929,874.9**	**100.00**	**641,502.1**	**100.00**	**124,409.5**	**100.00**

The table below sets forth our non-consolidated loan amount outstanding by the borrower's sector and the percentage of such amount against our total non-consolidated loan amounts outstanding for all sectors as of the respective dates indicated.

	Fiscal 2020		Fiscal 2021		Fiscal 2022		Three Months Ended June 30, 2022	
Sector	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
			(in Rs. million, except in percentages)					
Public sector	2,846,440.5	88.28	3,388,103.1	89.77	3,504,557.1	90.94	3,473,360.5	89.55
Private sector	377,806.3	11.72	386,078.4	10.23	349,155.5	9.06	405,517.7	10.45
Total............................	**3,224,246.8**	**100.00**	**3,774,181.5**	**100.00**	**3,853,712.6**	**100.00**	**3,878,878.2**	**100.00**

GEOGRAPHICAL CLASSIFICATION OF OUR TOP TEN BORROWERS

The table below sets forth the geographical classification of the top ten borrowers based on the non-consolidated total amounts outstanding as of June 30, 2022:

S. No.	Name of Borrower	Amount Outstanding (in Rs. million)	% Exposure of total loan amounts outstanding
1.	Tamil Nadu Generation and Distribution Corporation	371,479.4	9.58
2.	Uttar Pradesh Power Corporation Limited	197,200.6	5.08
3.	Maharashtra State Electricity Distribution Company Limited	171,897.6	4.43
4.	Telangana State Power Generation Corporation	157,891.7	4.07
5.	Maharashtra State Power Generation Company Limited	133,107.4	3.43
6.	Kalwshwaram Irrigation Project Corporation Limited	127,427.2	3.29
7.	Telangana State Water Resources Infrastructure Development Corporation Ltd. (TSWRIDC)	121,952.3	3.14
8.	Rajasthan Rajya Vidyut Utpadan Nigam	121,614.9	3.14

S. No.	Name of Borrower	Amount Outstanding (in Rs. million)	% Exposure of total loan amounts outstanding
9.	Tamil Nadu Transmission Corporation (TANTRANSCO)	120,765.6	3.11
10.	Andhra Pradesh Power Generation Corporation (APGENCO)	107,700.6	2.78

OUR PARTICIPATION IN GOVERNMENT PROGRAMMES

The Government 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.

REVAMPED DISTRIBUTION SECTOR SCHEME

The Government of India on July 20, 2021, approved the Revamped Distribution Sector Scheme - a Reforms-based and Results-linked Scheme (**RDSS**) with an outlay of Rs. 3,03,758 Crore and an estimated government budgetary support of Rs. 97,631 Crore from the central government over a period of five years from FY 2021-22 to FY 2025-26. Our Company and PFC are the nodal agencies for facilitating the implementation of the RDSS.

The RDSS seeks to improve the operational efficiencies and financial sustainability of all DISCOMs / power departments excluding private sector DISCOMs by providing conditional financial assistance to DISCOMs for the strengthening of supply infrastructure based on meeting pre-qualifying criteria as well as upon achievement of basic minimum benchmarks by the DISCOM evaluated on the basis of an agreed evaluation framework tied to financial improvements. The RDSS aims to reduce the AT&C losses to pan-India levels of 12 to 15 per cent. and the ACS-ARR gap to zero by 2024-25. The RDSS has the following components: (i) Part A: financial support for prepaid smart metering and system metering and up-gradation of the distribution infrastructure and appointment of project management agency by DISCOM, and (ii) Part B: training and capacity building and other enabling and supporting activities.

The schemes of the DDUGJY along with PMDP (for the erstwhile State of Jammu and Kashmir) are subsumed in the RDSS, and will be implemented pursuant to their respective guidelines, terms and conditions. No new projects were permitted to be sanctioned under these schemes, however projects already sanctioned under the DDUGJY were eligible to receive funds up to March 31, 2022 under the RDSS. Further, projects sanctioned under the PMDP are eligible to receive funds until March 31, 2023.

National Electricity Fund (NEF)

The interest subsidy scheme became operational during Fiscal 2013. The scheme was introduced by the Government to promote capital investment in the distribution sector. The scheme aims to provide interest subsidies linked with reform measures on loans taken by private and public power distribution utilities for approved power distribution infrastructure projects.

The NEF would provide interest subsidies aggregating to Rs. 84,660 million (spread over a maximum loan tenor of 14 years against the loan amount of Rs. 239,726 million) for distribution projects approved during 2012-13 and 2013-14. The pre-conditions for eligibility are linked to certain reform measures to be achieved by DISCOMs. Interest subsidies to the tune of 3 to 7 per cent., are linked to the achievement of mainly two efficiency benchmarks, i.e. reduction of AT&C losses and reduction in the revenue gap (ACS and ARR).

Our Company is the nodal agency for the scheme with a mandate to operationalize the scheme and pass on the benefit of the interest subsidy to eligible distribution utilities. Our Company has received service charges of Rs. 257.58 million as of March 31, 2021 and may further receive service charges of about Rs. 500 million during the tenure of the scheme (i.e March 2027).

The interest subsidy shall be released on the basis of continual improvement in performance of DISCOMs (mainly reduction of AT&C losses and reduction in Revenue Gap between ACS and ARR) to be evaluated on an annual basis during the loan tenor. An independent evaluator has been appointed for the evaluation of the interest subsidy proposal. It is expected that the NEF scheme will supplement the efforts of the Government and result in improvement in the distribution sector in India. The NEF scheme has given an opportunity to the Company to enhance its business prospects in the power distribution sector.

As of March 31, 2022, interest subsidies amounting to Rs. 84,660.0 million have been released under the scheme to eligible DISCOMs based on the performance criteria evaluated by the independent evaluator and the Company. DISCOMs have started getting the interest subsidy amounts under the scheme and the benefits shall ultimately be passed on to the consumers of the respective DISCOMs.

Historically, we have played a key role in implementing the following programmes of the Government:

SAUBHAGYA – Pradhan Mantri Sahaj Bijli Har Ghar Yojana

The Honorable Prime Minister launched the SAUBHAGYA scheme on September 25, 2017 to achieve universal household electrification in India through electrification of all households in both rural and urban areas. Our Company was designated by the MoP as the nodal agency for operationalization of the SAUBHAGYA scheme. The capital outlay of the SAUBHAGYA scheme was Rs. 163,200 million including a gross budgetary support of Rs. 123,200 million. This scheme was closed on March 31, 2022.

Electrification of Un-electrified Villages

In the Independence Day address to India on August 15, 2015, the Honorable Prime Minister pledged that all remaining un-electrified villages in India would be electrified within 1,000 days with the help of states and local bodies. Accordingly, the MoP had expedited the electrification of all 18,452 villages as a priority. As these remaining 18,452 un-electrified villages were located in inaccessible areas, several measures and intensive monitoring mechanism strategies were adopted to electrify these remaining villages in India.

Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY)

DDUGJY was the flagship scheme of the Government covering all aspects of rural power distribution. Under the scheme 60 per cent. of the project cost (85 per cent. for special states) was provided as a grant by the Government and an additional grant of up to 15 per cent. (5 per cent. for special States) was provided by the Government on the achievement of prescribed milestones. All erstwhile RE schemes were subsumed in DDUGJY. Our Company was the nodal agency for the operationalization of DDUGJY. This scheme was closed on March 31, 2022.

The Prime Minister Development Package for Jammu and Kashmir 2015 (PMDP)

The Prime Minister Development Package for Jammu and Kashmir 2015, was announced by the Honorable Prime Minister on November 27, 2015. The project cost of Rs. 25,701.40 million (including the Government's grant of 90 per cent. i.e. Rs. 23,016.20 million) was approved. The PMDP project includes distribution/system strengthening projects for rural areas and aims at connecting households by replacing barbed wires and worn-out poles, replacing UG cables at tourist locations, installing consumer metering, constructing 33/11 KV sub-stations in industrial areas and electrical infrastructure at shrines. The cost of the distribution strengthening project in rural areas amounted to Rs. 11,577.60 million, for which funds were released to our Company by the Government.

Issue of "GOI Fully Serviced Bonds" for the DDUGJY and SAUBHAGYA schemes

Pursuant to the directions of the MoP and the MoF, our Company had issued non-convertible debentures in the nature of "GOI Fully Serviced Bonds", through private placement. The servicing of interest and repayment of principal shall be met by the GOI through making suitable budgetary provisions. The funds raised through the GOI Fully Serviced Bonds have been utilized exclusively for the purpose of the DDUGJY and the SAUBHAGYA Scheme. Funds raised in this respect cumulatively up until June 30, 2022 are Rs. 62,823.0 million.

INTERNATIONAL COOPERATION AND DEVELOPMENT

In Fiscal 2005, we set up our International Cooperation and Development division to coordinate with bilateral and multilateral agencies for project-based funds and to forge partnerships with international agencies.

Our Company tied up seven lines of credit under Official Development Assistance (**ODA**) from bilateral agencies, comprising two lines of credit from the Japan International Cooperation Agency and five lines of credit from KfW, the development arm of the government of Germany.

JICA. In Fiscal 2006, we entered our first loan agreement with JICA which provides for financial assistance of JPY20,629 million, which was restated to JPY16,949.38 million with effect from August 29, 2012, to be utilized for the 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 unelectrified 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. An amendment letter dated February 7, 2013 was entered into for amending the amortization schedule of the loan agreement. As of June 30, 2022, the entire amount drawn under the loan agreement has been fully repaid.

In Fiscal 2008, we entered into a second loan agreement with JICA for financial assistance of JPY20,902 million, which was restated to JPY13,000 million with effect from February 18, 2012, and was further restated to JPY11,809.48 million with effect from March 31, 2016, to be utilized for the implementation of the Haryana Transmission System Project. A second amendment letter dated August 1, 2016 was entered into for amending the amortization schedule of the loan agreement. As of June 30, 2022, JPY377.2 million was outstanding under the loan agreement.

KfW. Our International Cooperation and Development division has also arranged five lines of credit from KfW under the 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 EUR70 million to be utilized for the implementation of HVDS projects. The objective of these projects is to reduce line losses, improve voltage drops and provide reliable power supply in selected districts of Andhra Pradesh. Pursuant to this loan agreement, we also entered into an agreement with KfW for a grant contribution of EUR500,000 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. The entire amount drawn under the loan agreement has been fully repaid as at the date of this Offering Circular.

In Fiscal 2009, we entered into our second loan agreement with KfW which provides for financial assistance of EUR70 million to be utilized for implementation of HVDS projects in selected districts of Haryana. Simultaneously, we entered into a second financing agreement with KfW for a maximum amount of EUR500,000 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. The entire amount drawn under the loan agreement has been fully repaid as at the date of this Offering Circular.

In Fiscal 2012, we entered into our third loan agreement with KfW which provides for financial assistance of EUR100 million to be utilized for renewable energy projects under "Clean Energy for Rural Development". As of June 30, 2022, EUR210.6 million was outstanding under the loan agreement.

In Fiscal 2019, we entered into our fourth loan agreement with KfW which provides for financial assistance of U.S.$228.0 million to be utilized for renewable energy projects. As of June 30, 2022, U.S.$204.0 million was outstanding under the loan agreement.

In Fiscal 2022, we entered into our fifth loan agreement with KfW which provides for financial assistance of U.S.$169.5 million to be utilized for part financing of the innovative 'Solar PV Technology' based generation projects in India. No amount has been drawn under the loan agreement as at the date of this Offering Circular.

As of June 30, 2022, our Company had JPY377.2 million outstanding under the JICA facilities and EUR210.6 million and U.S.$204.0 million under the KfW facilities.

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. In order to capitalize commercially on our specialized knowledge, we have incorporated RECPDCL, which merged with RECTPCL in Fiscal 2021.

REC INSTITUTE OF POWER MANAGEMENT AND TRAINING

The REC-Institute of Power Management and Training (**REC-IPMT**), earlier known as the Central Institute for Rural Electrification, was established at Hyderabad in 1979 under the guidance of the Company to cater to the training and development needs of engineers and managers of power sector organizations. REC-IPMAT has conducted various programmes on the subjects of power generation, transmission, distribution and renewable energy sources and other related issues.

OUR OFFICES

We service our clients through a network of 19 regional offices and one state office spread across India. Our regional 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 regional offices are located in the cities of Mumbai, Bengaluru, Hyderabad, Guwahati, Patna, Vijaywada, Panchkula, Shimla, Jammu, Thiruvananthapuram, Bhubaneswar, Jaipur, Chennai, Dehradun, Lucknow, Kolkata, Bhopal, Raipur and Ranchi. Our state office is located at Vadodara. Our proximity to our clients enables us to service our clients on a local level, keep abreast of local issues and to closely monitor the projects we finance.

Our regional offices are staffed with personnel trained to appraise and monitor projects and are headed by a chief project manager, who provides information about terms and conditions of financial products, rates of interest and other market conditions. The regional 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 the schemes of the Government of India.

In respect of requests for loans or sanctions, our regional offices receive detailed project reports formulated by our borrowers. The regional offices generally perform the initial evaluation of the project and provide its recommendations to our corporate office. In the event a loan is sanctioned, it is conveyed through our regional offices along with the terms and conditions of the loan. The regional offices are responsible for the execution of the legal documents for the loan, as well as the implementation of the security mechanism provided for by the terms and conditions stipulated in the sanction letter. Following disbursement of the loan, the regional offices, together with our corporate office, are responsible for monitoring the project.

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, STLs, MTLs, long-term loans and external commercial borrowings. As of June 30, 2022, we had total non-consolidated outstanding market borrowings of Rs. 3,299,057.1 million.

The following table sets forth our consolidated indebtedness classified by Rupee-denominated and foreign currency-denominated sources and the percentages such resources constitute of our total consolidated indebtedness as of the periods indicated. The Rupee equivalents of foreign currency-denominated debts are translated with reference to rates of exchange prevailing as at the end of all the periods indicated.

	As of March 31,					
	2020		2021		2022	
Resource Denomination	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	(in Rs. million, except in percentages)					
Rupee	2,287,137.7	81.67	2,696,380.8	83.62	2,509,745.1	76.80
Foreign currency............	513,516.9	18.33	528,155.3	16.38	758,123.7	23.20
Total	**2,800,654.6**	**100.00**	**3,224,536.1**	**100.00**	**3,267,868.8**	**100.00**

The table below sets forth our non-consolidated indebtedness classified by Rupee-denominated and foreign currency-denominated sources and the percentages such resources constituted of our total non-consolidated indebtedness as of the respective periods indicated.

	As of March 31, 2022		As of June 30, 2022	
Sector	**Amount**	**%**	**Amount**	**%**
	(in Rs. million, except in percentages)			
Rupee	2,510,319.5	76.80	2,609,968.0	79.11
Foreign currency.....................	758,123.7	23.20	689,089.1	20.89
Total	**3,268,443.2**	**100.00**	**3,299,057.1**	**100.00**

For additional information on our financial indebtedness, see the section titled "*Assets and Liabilities*" in this Offering Circular.

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.

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*" in this Offering Circular.

REGULATIONS AND POLICIES

We are a public limited company under the Companies Act and are recognized as a public financial institution under Section 2 (72) of the Companies Act. We are also registered with the RBI as an NBFC. We are a government company within the meaning of Section 2(45) of the Companies Act.

Our Company has been following the credit concentration norms in respect of the private sector borrowers. However, in respect of exposure to central/state government entities, RBI had allowed, vide its letter dated June 16, 2016, an exemption to our Company from applicability of concentration of credit/investment norms up to March 31, 2022. As such, our maximum credit exposure limits to such utilities varies from 50 per cent. to 250 per cent. of our net worth, depending on the entity appraisal and status of unbundling of the respective state utilities.

Subsequent to March 31, 2022, RBI, vide its letter dated August 24, 2022, has not acceded to our Company's request for exemption from credit concentration norms for government sector borrowers. While RBI has allowed the existing breaches of the Company (as on the date of the letter referenced above) to continue until maturity without invoking any regulatory violation, any new exposures must conform to the prescribed concentration norms. As of the date of this Offering Circular, we have not taken any new exposures which exceed the concentration norms post August 24, 2022 in accordance with RBI's response letter referenced above.

In addition to our Company's well-developed lending policies and guidelines, our Company has formulated policies that guide its governance, including, but not limited to:

(a) virtual private network policy;

(b) cyber security policy;

(c) fraud prevention policy;

(d) code of conduct for regulating, monitoring and reporting of trading by designated persons and their immediate relatives and for fair disclosure;

(e) conduct discipline and appeal rules;

(f) whistleblower policy;

(g) dividend distribution policy;

(h) code of business conduct and ethics for board members and senior management;

(i) fair practices code;

(j) policy on materiality of related party transactions;

(k) internal guidelines on corporate governance;

(l) policy on 'fit and proper criteria' of directors;

(m) policy on diversity and skills of the board, criteria for appointing senior management personnel and remuneration of directors, key managerial personnel and other employees;

(n) information security policy;

(o) risk management policy; and

(p) human resources manual.

For further details, see the section titled "*Regulations and Policies*" in this Offering Circular.

EMPLOYEES

Our executives have experience and domain knowledge in different fields of the power sector, including project appraisal, project financing, international finance and domestic resource mobilization. As of June 30, 2022, we had 433 employees, of which 387 were executives and 46 were non-executive employees. As a matter of practice, we recruit professionally qualified persons through open advertisements. Additionally, we also take officials from the Government, state governments and public sector undertakings on deputation at various levels for their expertise.

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 lost any time on account of strikes or labor unrest.

We continued to be on good terms with our employees in Fiscal 2022. There was no loss of man-days on account of industrial unrest. Regular interactions were held with the REC Employees Union and the 'REC Officers Association' on issues of employee welfare. This has helped to build an atmosphere of trust and cooperation between our Company and our employees, resulting in a motivated workforce and continued improvement in business performance.

Training and Development

As a measure of capacity building, including the upgrading of employees' skill sets and to ensure a high delivery of performance, training and human resource development continues to receive priority during Fiscal 2022. The training and human resource policy of our Company aims at sharpening the business skills and competence required for better employee performance and provides all possible opportunities and support to the employees to improve their performance and productivity. Training was also provided to promote better understanding of professional requirements, as well as to sensitize employees to the socio-economic environment in which the business of our Company is carried out.

SUBSIDIARIES AND JOINT VENTURES

RECPDCL

RECPDCL, a 100 per cent. owned subsidiary of our Company, was incorporated on July 12, 2007 as a public limited company with its CIN as U40101DL2007GOI165779 and its registered office 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.

Following the Scheme of Amalgamation, a fresh certificate of incorporation was issued on July 16, 2021, approving the change in registered name from REC Power Distribution Company Limited to REC Power Development and Consultancy Limited.

In order to initiate the development of each transmission project, RECPDCL incorporates a project specific SPV as its wholly-owned subsidiary company and after the selection of a successful bidder through the TBCB process, the respective project specific SPV along with all its assets and liabilities is transferred to the successful bidder.

RECPDCL is also engaged in the preparation of detailed project reports, project management consultancy, quality monitoring and third party inspection and project implementation etc. Following the Scheme of Amalgamation, RECPDCL is also implementing the following schemes of the

Government: Urja Mitra, 11 kV Rural Feeder Monitoring Scheme, TARANG. Further, it is the bid process coordinator for a selection of developers for the inter-state transmission lines through tariff based competitive bidding.

The board of directors of RECPDCL as of June 30, 2022 comprised of:

- Shri Vivek Kumar Dewangan;
- Shri Ajoy Choudhury;
- Shri Vijay Kumar Singh; and
- Shri Sanjay Kumar.

As of June 30, 2022, RECPDCL had the following project specific SPVs as wholly-owned subsidiaries of RECPDCL and our Company:

(1) Koderma Transmission Limited

Koderma Transmission Limited was incorporated on March 19, 2018 as a SPV and is a wholly owned subsidiary of RECPDCL. Koderma Transmission Limited will undertake activities for the development of various elements of transmission system strengthening in Jharkhand. In this context, a two-stage bidding process featuring separate RFQ and RFP steps has been adopted in accordance with the tariff based competitive bidding guidelines of the MoP for the selection of a developer as a transmission service provider. The RFQ for the project was issued on February 10, 2018. Eight bidders participated at the RFQ stage and all eight have qualified to participate in the RFP. However, as per directions of Jharkhand Urja Sancharan Nigam Limited (JUSNL), the bidding process with respect of the SPV has been cancelled and shall be re-initiated upon receipt of necessary directions from JUSNL.

The board of directors of Koderma Transmission Limited as of June 30, 2022 comprised of:

- Shri Sanjay Shilendrakumar Kulshrestha;
- Shri Saurabh Rastogi; and
- Shri Mohan Lal Kumawat.

(2) Dumka Transmission Limited

Dumka Transmission Limited was incorporated on March 23, 2018 as a SPV and is a wholly owned subsidiary of RECPDCL. Dumka Transmission Limited will undertake activities for the development of various elements of transmission system strengthening in Jharkhand. In this context, a two-stage bidding process featuring separate RFQ and RFP stages has been adopted in accordance with the tariff based competitive bidding guidelines of the MoP for the selection of a developer as a transmission service provider. However, as per directions of JUSNL, the bidding process with respect of the SPV has been cancelled and shall be re-initiated upon receipt of necessary directions from JUSNL.

The board of directors of Dumka Transmission Limited as of June 30, 2022 comprised of:

- Shri Sanjay Shilendrakumar Kulshrestha;
- Shri Saurabh Rastogi; and

- Shri Mohan Lal Kumawat.

(3) Mandar Transmission Limited

Mandar Transmission Limited was incorporated on March 26, 2018 as a SPV and is a wholly owned subsidiary of RECPDCL. Mandar Transmission Limited will undertake activities for the development of various elements of transmission system strengthening in Jharkhand. In this context, a two-stage bidding process featuring separate RFQ and RFP stages has been adopted in accordance with the tariff based competitive bidding guidelines of the MoP for the selection of a developer as a transmission service provider. The RFQ for the project was issued on February 10, 2018. Eight bidders participated at the RFQ stage and all eight have qualified to participate in the RFP. However, as per directions of JUSNL, the bidding process with respect of the SPV has been cancelled and shall be re-initiated upon receipt of necessary directions from JUSNL.

The board of directors of Mandar Transmission Limited as of June 30, 2022 comprised of:

- Shri Sanjay Shilendrakumar Kulshrestha;
- Shri Saurabh Rastogi; and
- Shri Mohan Lal Kumawat.

(4) Chandil Transmission Limited

Chandil Transmission Limited was incorporated on March 14, 2018 as a SPV and is a wholly owned subsidiary of RECPDCL. Chandil Transmission Limited will undertake activities for development of various elements of transmission system strengthening in Jharkhand. In this context, a two-stage bidding process featuring separate RFQ and RFP stages has been adopted in accordance with tariff based competitive bidding guidelines of the MoP for the selection of a developer as transmission service provider. However, as per directions of JUSNL, the bidding process with respect of the SPV has been cancelled and shall be re-initiated upon receipt of necessary directions from JUSNL.

The board of directors of Chandil Transmission Limited as of June 30, 2022 comprised of:

- Shri Sanjay Shilendrakumar Kulshrestha;
- Shri Saurabh Rastogi; and
- Shri Mohan Lal Kumawat.

(5) Bidar Transmission Limited

Bidar Transmission Limited was incorporated on June 8, 2020 as a SPV and is a wholly owned subsidiary of RECPDCL. Bidar Transmission Limited is an inter-state transmission project allocated by the Ministry of Power i.e "Transmission System for Transmission Scheme for Solar Energy Zone in Bidar (2500 MW), Karnataka". A single stage two envelope Request for Proposal (RFP) has been adopted in accordance with tariff based competitive bidding guidelines of Ministry of Power, GoI for selection of developer as Transmission Service Provider. The RFP for the project has been issued w.e.f. March 5, 2020. Subsquently, based on the direction from CEA, the bidding process has been annulled and same shall be re-initiated upon necessary direction from CEA.

The board of directors of Bidar Transmission Limited as of June 30, 2022 comprised of

- Smt. Valli Natarajan;

- Shri Kuldeep Rai; and
- Shri Jatin Kumar Nayak.

(6) MP Power Transmission Package-I Limited

MP Power Transmission Package-I Limited was incorporated on August 4, 2020 as a SPV and is a wholly-owned subsidiary of RECPDCL. MP Power Transmission Package-I Limited will undertake activities for the development of intra-state transmission work in Madhya Pradesh through tariff based competitive bidding. A single stage bidding process featuring Request for Proposal (RFP) has been adopted in accordance with tariff based competitive bidding guidelines of Ministry of Power, GoI for selection of developer as transmission service provider. The RFP for the project has been re-initiated on December 31, 2021. The bidding process is expected to be concluded in Fiscal Year 2022-2023.

The board of directors of MP Power Transmission Package-I Limited as of June 30, 2022 comprised of:

- Smt. Valli Natarajan;
- Shri Kuldeep Rai; and
- Shri Jatin Kumar Nayak.

(7) ER NER Transmission Limited

ER NER Transmission Limited is a wholly owned subsidiary of RECPDCL and was incorporated on October 6, 2021 for the development of the inter-state transmission project allocated by the Ministry of Power i.e. "System Strengthening Scheme for Eastern and North Eastern Regions". A single stage bidding process featuring Request for Proposal (RFP) has been adopted in accordance with tariff based competitive bidding guidelines of Ministry of Power, GoI for selection of developer as transmission service provider. The RFP for the project has been issued on November 9, 2021. The bidding process is expected to be concluded in Fiscal Year 2022-2023.

The board of directors of ER NER Transmission Limited as of June 30, 2022 comprised of:

- Shri Kuldeep Rai;
- Shri Rajendra Kumar Gupta; and
- Shri Jatin Kumar Nayak.

(8) Neemuch Transmission Limited

Neemuch Transmission Limited was incorporated on April 12, 2022 as a SPV and is a wholly owned subsidiary of RECPDCL. Neemuch Transmission Limited is an inter-state transmission project allocated by the Ministry of Power i.e. "Transmission system for evacuation of power from Neemuch SEZ". A single stage bidding process featuring Request for Proposal (RFP) has been adopted in accordance with tariff based competitive bidding guidelines of Ministry of Power, GoI for selection of developer as transmission service provider. The RFP for the project has been issued on January 28, 2022. Neemuch Transmission Limited was sold and transferred to Power Grid Corporation of India Limited, the successful bidder under the tariff based competitive bidding, on August 24, 2022.

The board of directors of Neemuch Transmission Limited as of June 30, 2022 comprised of:

- Shri Daljeet Singh Khatri;
- Shri Rajendra Kumar Gupta; and
- Smt. Swati Gupta.

(9) Khavda RE Transmission Limited

Khavda RE Transmission Limited was incorporated on May 7, 2022 as a SPV and is a wholly owned subsidiary of RECPDCL. Khavda RE Transmission Limited is an inter-state transmission project allocated by the Ministry of Power i.e. "Transmission Network Expansion in Gujarat associated with integration of RE projects from Khavda potential RE zone". A single stage bidding process featuring Request for Proposal (RFP) has been adopted in accordance with tariff based competitive bidding guidelines of Ministry of Power, GoI for selection of developer as transmission service provider. The RFP for the project has been issued on May 6, 2022. The bidding process is expected to be concluded in Fiscal Year 2022-2023.

The board of directors of Khavda RE Transmission Limited as of June 30, 2022 comprised of:

- Shri Daljeet Singh Khatri;
- Smt. Swati Gupta; and
- Shri Subrata Aich.

(10) Khavda II-A Transmission Limited

Khavda II-A Transmission Limited was incorporated on April 19, 2022 as a SPV and is a wholly owned subsidiary of RECPDCL. Khavda II-A Transmission Limited is an inter-state transmission project allocated by the Ministry of Power i.e. "Transmission scheme for evacuation of 4.5 GW RE injection at Khavda P.S. under Phase-II – Part A". A single stage bidding process featuring Request for Proposal (RFP) has been adopted in accordance with tariff based competitive bidding guidelines of Ministry of Power, GoI for selection of developer as transmission service provider. The RFP for the project has been issued on May 6, 2022. The bidding process is expected to be concluded in Fiscal Year 2022-2023.

The board of directors of Khavda II-A Transmission Limited as of June 30, 2022 comprised of:

- Shri Daljeet Singh Khatri;
- Shri Rajendra Kumar Gupta; and
- Smt. Swati Gupta.

(11) Khavda II-B Transmission Limited

Khavda II-B Transmission Limited was incorporated on April 21, 2022 as a SPV and is a wholly owned subsidiary of RECPDCL. Khavda II-B Transmission Limited is an inter-state transmission project allocated by the Ministry of Power i.e. "Transmission scheme for evacuation of 4.5 GW RE injection at Khavda P.S. under Phase-II – Part B". A single stage bidding process featuring Request for Proposal (RFP) has been adopted in accordance with tariff based competitive bidding guidelines of Ministry of Power, GoI for selection of developer as transmission service provider. The RFP for the project has been issued on May 6, 2022. The bidding process is expected to be concluded in Fiscal Year 2022-2023.

The board of directors of Khavda II-B Transmission Limited as of June 30, 2022 comprised of:

- Shri Daljeet Singh Khatri;
- Shri Rajendra Kumar Gupta; and
- Smt. Swati Gupta.

(12) Khavda II-C Transmission Limited

Khavda II-C Transmission Limited was incorporated on April 22, 2022 as a SPV and is a wholly owned subsidiary of RECPDCL. Khavda II-C Transmission Limited is an inter-state transmission project allocated by the Ministry of Power i.e. "Transmission scheme for evacuation of 4.5 GW RE injection at Khavda P.S. under Phase-II – Part C". A single stage bidding process featuring Request for Proposal (RFP) has been adopted in accordance with tariff based competitive bidding guidelines of Ministry of Power, GoI for selection of developer as transmission service provider. The RFP for the project has been issued on May 6, 2022. The bidding process is expected to be concluded in Fiscal Year 2022-2023.

The board of directors of Khavda II-C Transmission Limited as of June 30, 2022 comprised of:

- Shri Daljeet Singh Khatri;
- Shri Rajendra Kumar Gupta; and
- Smt. Swati Gupta.

(13) Khavda II-D Transmission Limited

Khavda II-D Transmission Limited was incorporated on April 25, 2022 as a SPV and is a wholly owned subsidiary of RECPDCL. Khavda II-D Transmission Limited is an inter-state transmission project allocated by the Ministry of Power i.e. "Transmission scheme for evacuation of 4.5 GW RE injection at Khavda P.S. under Phase-II – Part D". A single stage bidding process featuring Request for Proposal (RFP) has been adopted in accordance with tariff based competitive bidding guidelines of Ministry of Power, GoI for selection of developer as transmission service provider. The RFP for the project has been issued on May 6, 2022. The bidding process is expected to be concluded in Fiscal Year 2022-2023.

The board of directors of Khavda II-D Transmission Limited as of June 30, 2022 comprised of:

- Shri Daljeet Singh Khatri;
- Shri Rajendra Kumar Gupta; and
- Smt. Swati Gupta.

(14) Ramgarh II Transmission Limited

Ramgarh II Transmission Limited was incorporated on April 20, 2022 as a SPV and is a wholly owned subsidiary of RECPDCL. Ramgarh II Transmission Limited is an inter-state transmission project allocated by the Ministry of Power i.e. "Transmission system for evacuation of power from

REZ in Rajasthan (20GW) under Phase-III Part C1". A single stage bidding process featuring Request for Proposal (RFP) has been adopted in accordance with tariff based competitive bidding guidelines of Ministry of Power, GoI for selection of developer as transmission service provider. The RFP for the project has been issued on January 28, 2022. The bidding process is expected to be concluded in Fiscal Year 2022-2023.

The board of directors of Ramgarh II Transmission Limited as of June 30, 2022 comprised of:

- Shri Saurabh Rastogi;
- Shri Mohan Lal Kumawat; and
- Shri Jatin Kumar Nayak.

(15) Gadag II-A Transmission Limited

Gadag II-A Transmission Limited was incorporated on June 8, 2022 as a SPV and is a wholly owned subsidiary of RECPDCL. Gadag II-A Transmission Limited is an inter-state transmission project allocated by the Ministry of Power i.e., "Transmission Scheme for Solar Energy Zone in Gadag (1500 MW), Karnataka: Part A-Phase-II". A single stage bidding process featuring Request for Proposal (RFP) has been adopted in accordance with tariff based competitive bidding guidelines of Ministry of Power, GoI for selection of developer as transmission service provider. The RFP for the project has been issued on February 10, 2022. The bidding process is expected to be concluded in Fiscal Year 2022-2023.

The Board of Gadag II-A Transmission Limited currently comprises:

- Shri Kuldeep Rai;
- Shri Subrata Aich; and
- Shri Jatin Kumar Nayak.

(16) KPS 1 Transmission Limited

KPS 1 Transmission Limited was incorporated on May 6, 2022 as a SPV and is a wholly owned subsidiary of RECPDCL. KPS 1 Transmission Limited is an inter-state transmission project allocated by the Ministry of Power i.e. "Transmission scheme for injection beyond 3 GW RE power at Khavda PS1 KPS1". A single stage bidding process featuring Request for Proposal (RFP) has been adopted in accordance with tariff based competitive bidding guidelines of Ministry of Power, GoI for selection of developer as transmission service provider. The RFP for the project shall be initiated upon direction from CEA. The bidding process is expected to be concluded in Fiscal Year 2022-2023.

The board of directors of KPS 1 Transmission Limited as of June 30, 2022 comprised of:

- Shri Saurabh Rastogi;
- Shri Mohan Lal Kumawat; and
- Shri Jatin Kumar Nayak.

(17) KPS 2 Transmission Limited

KPS 2 Transmission Limited was incorporated on May 4, 2022 as a SPV and is a wholly owned subsidiary of RECPDCL. KPS 2 Transmission Limited is an inter-state transmission project allocated by the Ministry of Power i.e. "Establishment of Khavda Pooling Station-2 (KPS2) in Khavda RE Park". A single stage bidding process featuring Request for Proposal (RFP) has been adopted in accordance with tariff based competitive bidding guidelines of Ministry of Power, GoI for selection of developer as transmission service provider. The RFP for the project has been issued on January 28, 2022. The bidding process is expected to be concluded in Fiscal Year 2022-2023.

The board of directors of KPS 2 Transmission Limited as of June 30, 2022 comprised of:

- Shri Daljeet Singh Khatri;
- Shri Rajendra Kumar Gupta; and
- Smt. Swati Gupta.

(18) KPS 3 Transmission Limited

KPS 3 Transmission Limited was incorporated on April 29, 2022 as a SPV and is a wholly owned subsidiary of RECPDCL. KPS 3 Transmission Limited is an inter-state transmission project allocated by the Ministry of Power i.e. "Establishment of Khavda Pooling Station-3 (KPS3) in Khavda RE Park". A single stage bidding process featuring Request for Proposal (RFP) has been adopted in accordance with tariff based competitive bidding guidelines of Ministry of Power, GoI for selection of developer as transmission service provider. The RFP for the project has been issued on January 28, 2022. The bidding process is expected to be concluded in Fiscal Year 2022-2023.

The board of directors of KPS 3 Transmission Limited as of June 30, 2022 comprised of:

- Shri Daljeet Singh Khatri;
- Shri Rajendra Kumar Gupta; and
- Smt. Swati Gupta.

(19) Sikar Khetri Transmission Limited

Sikar Khetri Transmission Limited was incorporated on May 6, 2022 as a SPV and is a wholly owned subsidiary of RECPDCL. Sikar Khetri Transmission Limited is an inter-state transmission project allocated by the Ministry of Power i.e. "Transmission system for evacuation of power from REZ in Rajasthan (20GW) under Phase-III Part D". A single stage bidding process featuring Request for Proposal (RFP) has been adopted in accordance with tariff based competitive bidding guidelines of Ministry of Power, GoI for selection of developer as transmission service provider. The RFP for the project has been issued on January 28, 2022. The bidding process is expected to be concluded in Fiscal Year 2022-2023.

The board of directors of Sikar Khetri Transmission Limited as of June 30, 2022 comprised of:

- Shri Saurabh Rastogi;
- Shri Mohan Lal Kumawat; and
- Shri Subrata Aich.

(20) Gadag II-A Transmission Limited

Gadag II-A Transmission Limited was incorporated on June 8, 2022 as a SPV and is a wholly owned subsidiary of RECPDCL. Gadag II-A Transmission Limited is an inter-state transmission project allocated by the Ministry of Power i.e., "Transmission Scheme for Solar Energy Zone in Gadag (1500 MW), Karnataka: Part A-Phase-II". A single stage bidding process featuring Request for Proposal (RFP) has been adopted in accordance with tariff based competitive bidding guidelines of Ministry of Power, GoI for selection of developer as transmission service provider. The RFP for the project has been issued on February 10, 2022. The bidding process is expected to be concluded in Fiscal Year 2022-2023.

The board of directors of Gadag II-A Transmission Limited as of June 30, 2022 comprised of:

- Shri Kuldeep Rai;
- Shri Subrata Aich; and
- Shri Jatin Kumar Nayak.

ENTITIES IN WHICH WE HAVE AN EQUITY INVESTMENT

Energy Efficiency Services Limited (EESL)

On December 10, 2009, our Company partnered with PSUS, PGCIL, NTPC and PFC, to form a joint venture company named Energy Efficiency Services Limited (**EESL**). As of June 30, 2022, the equity investment of our Company in EESL was 218,100,000 equity shares of Rs. 10.00 each. As of the same date, our Company holds 15.68 per cent. of the paid-up equity share capital of EESL.

Universal Commodity Exchange Limited (UCX)

Pursuant to a Board resolution dated December 16, 2011, our Company approved the acquisition of 16 per cent. of the initial capital of Rs. 1,000 million of UCX by paying a consideration of Rs. 160 million.

The equity shares of UCX are not listed on any stock exchange and the shares are presently fair valued at Nil in the book of accounts. As of June 30, 2022, our Company holds a 16 per cent. shareholding in UCX.

NHPC Limited (NHPC)

In April 2016, our Company invested in 260,542,050 equity shares of NHPC at Rs. 21.78 per share amounting to Rs. 5,675.0 million.

NHPC, a Miniratna Category I Government enterprise, was incorporated in 1975 to plan, promote and organize an integrated and efficient development of hydroelectric power. Subsequently, NHPC expanded its business purpose to include development of power in through conventional and non-conventional sources in India and abroad.

As of June 30, 2022, our Company holds 17,957,286 equity shares of NHPC with a market value of Rs. 552.2 million.

Housing & Urban Development Corporation Limited (HUDCO)

In May 2017, our Company invested in 347,429 equity shares of HUDCO at Rs. 60 per share amounting to Rs. 20.8 million.

HUDCO was incorporated on April 25, 1970 and is a 100 per cent. Government-owned entity and was recognized as a public financial institution under Section 4A of the Companies Act, 1956 on December 9, 1996. HUDCO has been assigned a credit rating of AAA for long-term debt by CARE, IRRPL and ICRA. As of June 30, 2022, our Company holds 347,429 equity shares of HUDCO.

Rattan India Power Limited (RIPL)

Pursuant to a one-time settlement against an outstanding loan of Rattan India Power Limited, our Company has been allotted the following instruments of RIPL for a value of Rs. 857.3 million which includes:

- 92,568,105 equity shares at the price of Rs. 1.48 per share amounting to Rs. 137 million with a lock-in period of two years. The lock-in period of the equity shares has expired and the market value of the shares as on June 30, 2022 is Rs. 314.7 million;

- 28,720,978 redeemable preference shares of Rs. 10 each amounting to Rs. 287.2 million with a lock-in period of two years (carrying coupon rate of 0.001 per cent.); and

- 43,303,616 optionally cumulative convertible redeemable preference shares of Rs. 10 each amounting to Rs. 433.0 million and a redemption premium with a lock-in period of seven years (carrying coupon rate of 0.001 per cent.).

The redeemable preference shares, optionally cumulative convertible redeemable preference shares and redemption premium are secured by assignment of an inter corporate deposit given by RIPL to Poena Power Projects Limited (**PPDL**) in favor of consortium lenders, pledge over RIPL's shareholding in PPDL and agreement to mortgage the land owned by PPDL measuring 815 acres, one kanal, 12 marla, in favor of lenders which shall eventually be converted into a legally enforceable mortgage over the above land, to the satisfaction of lenders within 18 months of the transfer date. The computation of redemption premium amount shall be on a pre-agreed method.

R.K.M PowerGen Private Limited

Pursuant to the restructuring in respect of R.K.M PowerGen Private Limited, our Company has been allotted the following instruments of:

- 181,790,667 equity shares at face value of Rs. 10 per share; and

- Optionally Convertible Debentures (carrying coupon rate of 0.01 per cent.):

    - Series A: 213,803,170 at face value of Rs. 100 each amounting to Rs. 21,380,317,000/-

    - Series B: 6,303,032 at face value of Rs. 100 each amounting to Rs. 630,303,200/-

    - Series Ai: 10,474,150 at face value of Rs. 100 each amounting to Rs. 1,047,415,000/-.

PFC Projects Limited

The Board of Directors at their meeting held on August 4, 2022 have approved subscription by our Company of 50 per cent. equity shareholding not exceeding Rs. 50 Crore in PFC Projects Limited, a power asset management company, as a 50:50 joint venture company with PFC. Further approvals may be required at the time of investment.

PROPERTIES

Registered and corporate office. Our registered office is presently located at Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi – 110 003. 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.

Corporate headquarters Building: The operations of our Company have shifted completely to the new office building on Plot No. I-4, Sector 29 Gurugram having a total area of 16,890 square meters.

Regional offices: We have 19 regional offices at Bengaluru, Bhopal, Bhubaneswar, Chennai, Dehradun, Guwahati, Hyderabad, Jaipur, Jammu, Kolkata, Lucknow, Mumbai, Panchkula, Patna, Raipur, Ranchi, Shimla, Thiruvananthapuram and Vijaywada.

State office: We have one state office at Vadodara.

Training center: We have the RECIPMT at Hyderabad.

Owned Properties. We own the premises occupied by our corporate headquarters and five of our regional offices, brief details of which are as follows:

City	Regional Office	Area (in square meters)
Gurugram	Plot No. I-4, Sector 29 Gurugram	16,890.00
Bengaluru	No. 1/5, Ulsore Road, Bengaluru – 560 042	579.71
Chennai	No. 12 and 13, T.N.H.B Complex, 180, Luz Church Road, Mylapore, Chennai – 600 004	376.71
Hyderabad (including the area occupied by RECIPMT)	Shivramapally Post NPA, Near Aramghar, National Highway No. 7, Hyderabad – 500 052	59,063.86
Lucknow	19/8, Indira Nagar Extension, Ring Road, Lucknow – 226 016	1,179.76
Panchkula	Bay No. 7-8, Sector 2, Panchkula – 134 112	539.50

Company-owned Leasehold Properties. We own the premises occupied by nine of our regional and state offices, brief details of which are as follows:

Regional Office	Address	Area (in square meters)
Bhopal	E-4, Arera Colony, Metrowalk Building, Second Floor, West Hall No.3, Bittan Market, Bhopal – 462 016	275.52
Bhubaneswar	Deen Dayal Bhawan, 5th Floor, Ashok Nagar, New Capital, Bhubaneswar – 751 009	541.89
Mumbai – Our 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 – 400 021	63.92
	Premise No. 52 B, 5th Floor, "B" Wing, Mittal Tower, Nariman Point – 400 021	68.65
	Premise No. 58 B, 5th Floor, "B" Wing, Mittal Tower, Nariman Point – 400 021	60.85
Jaipur	J-4-A, Jhalana Dungari, Institutional Area, Jaipur – 302 001	831.94
Patna	Premise 45-48 and Premise 59-62, 'Maurya Lok' Complex Block C, 4th Floor, New Dak Bangla Road, Patna – 800 001	470.32
Shimla	Shop No. 201, 202, 203 and 315, Pandit Padamdev Commercial Complex, Phase-II, First Floor, The Ridge, Shimla – 171 001	175.64
Thiruvananthapuram	No. 0-5, 4th Floor, "Saphallayam" Commercial Complex, Block B TRIDA Building Palayam, Thiruvananthapuram – 695 034	301.68
Vadodara	Plot No. 585, Sub-Plot No. 8, Subhanpura, Vadodara – 390 023	999.00
Kolkata	IB-186, Sector III, Salt Lake City, Kolkata – 700 106	761.21

Rented/short-term leased properties. We have certain rented or short-term leased properties that we utilize as offices in Dehradun, Guwahati, Jammu, Raipur, Ranchi and Vijayawada.

Residential Accommodation. We also possess certain residential properties on leasehold/freehold basis at Bengaluru, Bhubaneswar, Mumbai, New Delhi, Shimla, Panchkula and Thiruvananthapuram.

Vacant land. We also own land in Gurugram, brief details of which are as follows:

Location	**Area (in square meters)**
GH-0, Sector 57, Gurugram(1)	39,374.92

Note:

(1) Land for residential township allotted by the Haryana Urban Development Authority. Vacant possession of this land was received in May 2014. Construction of the boundary wall to enclose the township plot is completed. NBCC (India) Limited appointed as the project management consultancy in March 2018.

MATERIAL OUTSTANDING LITIGATIONS AND DEFAULTS

We are involved in certain legal and tax-related proceedings. These proceedings are pending at different levels of adjudication before various courts, tribunals and appellate authorities.

We are involved in 12 tax matters which are pending before the Delhi High Court of which eight matters are under withdrawal under the Vivad Se Vishwas Scheme. The total amount claimed by the income tax authorities amounts to approximately Rs. 1,538.7 million and the total amount paid by the Company against the demand raised by income tax authorities amounts to Rs. 504.9 million as of June 30, 2022.

There are 57 civil cases wherein the Company is a party, pending before various courts in India, including the Supreme Court of India. The cases relate to (a) writ petitions in human resources matters regarding services of employees, (b) settlement of claims relating to Company's capital gain tax exemption bonds following the demise of bondholders and claims related to redemption of bonds, (c) miscellaneous cases where our Company is only a pro forma respondent. Out of these cases, claims against the Company have been quantified only in nine cases which aggregate to approximately Rs. 3.58 million. Claim amounts for the remaining cases have not been quantified in the petition.

There are 44 cases pending before various debt recovery tribunals (**DRT**). 13 of these cases are filed by the Company are pending before the DRT, which are mostly claims made towards outstanding dues payable by our borrowers. The aggregate amount claimed by us in these 13 cases is approximately Rs. 103,882.3 million. Out of these 13 cases, recovery certificates have been issued by the DRT in five cases for the recovery of an amount of approximately Rs. 11,872 million along with interest and costs thereon, and recovery proceedings are on-going before the recovery officer, DRT. The cases include: (a) REC vs. Classic Global Securities Limited and others (O.A. No. 344 of 1999); (b) REC vs. Silicon Valley Infotech Limited and others (O.A. No. 343 of 1999); (c) REC vs. Lynx India Limited and others (O.A. No. 44 of 2001); (d) REC vs. ATN Arihant International Limited and others (O.A. No. 342 of 1999); and (e) REC through ARCIL, vs. Corporate Power Limited (O.A.No.705 of 2016). In the other eight cases, proceedings are at different stages of trial before presiding officers of the various DRT at Hyderabad, Chennai and Delhi. The aggregate amount claimed in these eight cases is approximately Rs. 92,010.35 million. The cases include: (a) REC vs. Facor Power Ltd (O.A. No. 146 of 2017); (b) REC vs. Jas Infrastructure & Power Limited (O.A. No. 608 of 2016); (c) REC and others vs. Mukul Kasliwal and others (O.A. No. 648 of 2016); (d) REC vs. Essar Power MP Limited (O.A. No. 993 of 2018); (e) Punjab National Bank and other vs. Lanco Vidarbha Power Limited. (O.A. No. 1048 of 2018); (f) REC vs. Lanco Banbandh Power Ltd. (O.A. No. 345 of 2019); (g) PFC vs. Lanco Amarkantak (O.A. No. 653 of 2019); and (h) IDBI Bank Limited and others vs. Konaseema Gas Power Limited (O.A. No. 339 of 2018).

31 out of the aforesaid 44 cases are cases filed against the Company before different DRT wherein the Company was impleaded as a pro forma party and no effective claim has been made against the Company.

Apart from the above, there are 39 cases pending before various courts/tribunals pertaining to the borrowers of the Company.

ASSETS AND LIABILITIES

Unless otherwise indicated, the data as at March 31, 2020, March 31, 2021 and March 31, 2022, included in this section are derived from our consolidated audited financial statements as at the dates indicated and have been prepared and presented in accordance with Ind-AS (which may differ in material respects from generally accepted accounting principles in other jurisdictions).

Unless otherwise indicated, the data as at June 30, 2022 (along with comparatives as at March 31, 2022), included in this section are derived from our non-consolidated unaudited reviewed financial statements for the dates indicated which have been prepared and presented in accordance with Ind-AS (which may differ in material respects from generally accepted accounting principles in other jurisdictions).

ASSET QUALITY AND COMPOSITION

Assets

Our consolidated total assets increased by 2.49 per cent. from Rs. 4,008,668.7 million as at March 31, 2021 to Rs. 4,108,600.9 million as at March 31, 2022. During the period, our consolidated loan portfolio increased by 1.83 per cent. from Rs. 3,652,614.9 million to Rs. 3,719,305.4 million and consolidated investments increased by 27.08 per cent. from Rs. 17,236.8 million to Rs. 21,904.4 million.

The following table sets out our consolidated assets as of the dates indicated:

Particulars	**As at March 31,**		
	2020	**2021**	**2022**
		(Rs. in millions)	
ASSETS			
Financial Assets			
Cash and Cash Equivalents	17,177.1	11,792.4	1,409.9
Other Bank Balances	22,574.5	22,235.8	25,189.6
Trade Receivables	1090.7	1,400.7	945.5
Derivative Financial Instruments	33,188.5	23,112.2	55,101.7
Loans	3,120,835.0	3,652,614.9	3,719,305.4
Investments	21,271.1	17,236.8	21,904.4
Other Financial Assets	221,013.2	244,198.8	244,153.1
Total Financial Assets	**3,437,150.1**	**3,972,591.6**	**4,068,009.6**
Non-Financial Assets			
Current tax assets (net)	4,099.4	1,689.2	1,915.6
Deferred tax assets (net)	20,505.7	24,610.3	31,601.2
Investment Property	0.1	0.1	—
Property, Plant & Equipment	1,569.7	2,607.0	6,240.4
Capital Work-in-Progress	2,876.2	3,356.7	60.7
Intangible Assets Under Development	7.7	7.7	—
Other Intangible Assets	88.2	61.5	42.8
Other non-financial assets	1,323.7	1,026.7	686.8
Investments accounted for using equity method	2,584.7	2,577.4	—
Total Non-Financial Assets	**33,055.4**	**35,936.6**	**40,547.5**
Assets Classified as Held for Sale	**95.3**	**140.5**	**43.8**
Total Assets	**3,470,300.8**	**4,008,668.7**	**4,108,600.9**

Our total non-consolidated assets increased by 0.79 per cent. from Rs. 4,104,126.1 million as at March 31, 2022 to Rs. 4,136,674.5 million as at June 30, 2022. During the period, our non-consolidated loan portfolio increased by 0.71 per cent. from Rs. 3,719,305.4 million to Rs. 3,745,782.3 million and non-consolidated investments decreased by 2.61 per cent. from Rs. 21,579.7 million to Rs. 21,017.1 million.

The following table sets out our non-consolidated assets as of the dates indicated:

Particulars	**As at**	
	June 30, 2022	**March 31, 2022**
	(Rs. in millions)	
ASSETS		
Financial Assets		
Cash and Cash Equivalents	4,232.3	1,264.0
Other Bank Balances	9,022.1	22,953.0
Derivative Financial Instruments	65,774.4	55,101.7
Loans	3,745,782.3	3,719,305.4
Investments	21,017.1	21,579.7
Other Financial Assets	247,194.9	243,969.4
Total Financial Assets	**4,093,023.1**	**4,064,173.2**
Non-Financial Assets		
Current tax assets (net)	2,519.9	1,796.4
Deferred tax assets (net)	34,313.4	31,347.4
Investment Property	—	—
Property, Plant & Equipment	6,183.0	6,236.7
Capital Work-in-Progress	66.4	60.7
Intangible Assets Under Development	—	—
Other Intangible Assets	35.2	42.5
Other non-financial assets	524.9	460.6
Total Non-Financial Assets	**43,642.8**	**39,944.3**
Assets Classified as Held for Sale	**8.6**	**8.6**
Total Assets	**4,136,674.5**	**4,104,126.1**

Loan Portfolio

The following table sets forth our consolidated loan assets as of the dates indicated:

Particulars	**As at March 31,**					
	2020		**2021**		**2022**	
			(Rs.in Millions)			
	Principal Outstanding	**Amortized Cost**	**Principal Outstanding**	**Amortized Cost**	**Principal Outstanding**	**Amortized Cost**
(A) Loans						
(i) Term Loans	3,215,267.6	3,231,775.3	3,770,419.8	3,780,903.6	3,833,104.0	3,845,660.8
(ii) Working Capital Loans	8,979.2	9,020.1	3,761.7	3,772.4	20,608.6	20,691.2
Total (A) – Gross Loans	**3,224,246.8**	**3,240,795.4**	**3,774,181.5**	**3,784,676.0**	**3,853,712.6**	**3,866,352.0**
Less: Impairment loss allowance	(119,960.4)	(119,960.4)	(132,061.1)	(132,061.1)	(147,046.6)	(147,046.6)
Total (A) – Net Loans	**3,104,286.4**	**3,120,835.0**	**3,642,120.4**	**3,652,614.9**	**3,706,666.0**	**3,719,305.4**
(B) Security Details						
(i) Secured by tangible assets	2,440,346.7	2,451,132.2	2,567,445.2	2,573,294.6	2,237,936.4	2,244,209.8
(ii) Secured by intangible assets	-	-	-	-	-	-
(iii) Covered by bank/ govt. guarantees	581,667.6	586,842.9	1,010,715.3	1,014,564.8	1,309,735.0	1,315,103.5
(iv) Unsecured	202,232.5	202,820.3	196,021.0	196,816.7	306,041.2	307,038.7
Total (B) – Gross Loans	**3,224,246.8**	**3,240,795.4**	**3,774,181.5**	**3,784,676.0**	**3,853,712.6**	**3,866,352.0**
Less: Impairment loss allowance	(119,960.4)	(119,960.4)	(132,061.1)	(132,061.1)	(147,046.6)	(147,046.6)
Total (B) – Net Loans	**3,104,286.4**	**3,120,835.0**	**3,642,120.4**	**3,652,614.9**	**3,706,666.0**	**3,719,305.4**
(C)(I) Loans in India						
(i) Public Sector	2,846,440.5	2,862,104.0	3,388,103.1	3,398,774.4	3,504,557.2	3,517,320.4

(ii) Private Sector	377,806.3	378,691.4	386,078.4	385,901.6	349,155.4	349,031.6
Total (C)(I) - Gross Loans	3,224,246.8	3,240,795.4	3,774,181.5	3,784,676.0	**3,853,712.6**	**3,866,352.0**
Less: Impairment loss allowance	**(119,960.4)**	**(119,960.4)**	**(132,061.1)**	**(132,061.1)**	**(147,046.6)**	**(147,046.6)**
Total (C)(I) - Net Loans	**3,104,286.4**	**3,120,835.0**	**3,642,120.4**	**3,652,614.9**	**3,706,666.0**	**3,719,305.4**
(C)(II) Loans outside India						
(i) Public Sector	-	-	-	-	-	-
(ii) Private Sector	-	-	-	-	-	-
Total (C)(II) - Gross Loans	-	-	-	-	-	-
Less: Impairment loss allowance	-	-	-	-	-	-
Total (C)(II) - Net Loans	-	-	-	-	-	-
Total (C)(I) and (C)(II)	**3,104,286.4**	**3,120,835.0**	**3,642,120.4**	**3,652,614.9**	**3,706,666.0**	**3,719,305.4**

The largest borrower as of March 31, 2022 accounted for approximately 9.62 per cent. of our total consolidated outstanding loan assets. As of the same date, the ten largest individual borrowers in the aggregate accounted for approximately 43.15 per cent. of our total consolidated outstanding loan assets. The following table sets forth our non-consolidated loan assets as at the dates indicated:

Particulars	As at			
	June 30, 2022		March 31, 2022	
	(Rs. in Millions)			
	Principal Outstanding	**Amortized Cost**	**Principal Outstanding**	**Amortized Cost**
(A) Loans				
(i) Term Loans	3,856,891.5	3,874,574.6	3,833,104.0	3,845,660.8
(ii) Working Capital Loans	21,986.7	22,037.7	20,608.6	20,691.2
Total (A) - Gross Loans	**3,878,878.2**	**3,896,612.3**	**3,853,712.6**	**3,866,352.0**
Less: Impairment loss allowance	(150,830.0)	(150,830.0)	(147,046.6)	(147,046.6)
Total (A) - Net Loans	**3,728,048.2**	**3,745,782.3**	**3,706,666.0**	**3,719,305.4**
(B) Security Details				
(i) Secured by tangible assets	2,350,062.9	2,357,598.1	2,237,936.4	2,244,209.8
(ii) Secured by intangible assets	-	-	-	-
(iii) Covered by Bank/ Govt. Guarantees	1,358,512.4	1,368,182.3	1,309,735.0	1,315,103.5
(iv) Unsecured	170,302.9	170,831.9	306,041.2	307,038.7
Total (B) - Gross Loans	**3,878,878.2**	**3,896,612.3**	**3,853,712.6**	**3,866,352.0**
Less: Impairment loss allowance	(150,830.0)	(150,830.0)	(147,046.6)	(147,046.6)
Total (B) - Net Loans	**3,728,048.2**	**3,745,782.3**	**3,706,666.0**	**3,719,305.4**
(C)(I) Loans in India				
(i) Public Sector	3,473,360.7	3,491,188.7	3,504,557.2	3,517,320.4
(ii) Private Sector	405,517.5	405,423.6	349,155.4	349,031.6
Total (C)(I) - Gross Loans	**3,878,878.2**	**3,896,612.3**	**3,853,712.6**	**3,866,352.0**
Less: Impairment loss allowance	(150,830.0)	(150,830.0)	(147,046.6)	(147,046.6)
Total (C)(I) - Net Loans	**3,728,048.2**	**3,745,782.3**	**3,706,666.0**	**3,719,305.4**
(C)(II) Loans outside India				
(i) Public Sector	-	-	-	-
(ii) Private Sector	-	-	-	-
Total (C)(II) - Gross Loans	-	-	-	-
Less: Impairment loss allowance	-	-	-	-
Total (C)(II) - Net Loans	-	-	-	-
Total (C)(I) and (C)(II)	**3,728,048.2**	**3,745,782.3**	**3,706,666.0**	**3,719,305.4**

The largest borrower as of June 30, 2022 accounted for approximately 9.58 per cent. of our total non-consolidated outstanding loan assets. As of the same date, the ten largest individual borrowers in the aggregate accounted for approximately 42.05 per cent. of our total non-consolidated outstanding loan assets.

Classification of Assets and Provisioning

The MCA has notified the Companies (Indian Accounting Standards) Rules 2015, as amended, which stipulates the adoption and applicability of Ind-AS in a phased manner beginning from the accounting period 2016-17. The MCA updates the Ind-AS from time to time, the most recent being the Companies (Indian Accounting Standards) Amendment Rules, 2022 to further amend the Ind-AS. All NBFCs who are listed or whose net worth is at least Rs. 2.5 billion must comply with Ind-AS. Accordingly, our Company is required to comply with Ind-AS for financial reporting.

The RBI in its circular dated March 13, 2020 on "Implementation of Indian Accounting Standards" and updated on July 24, 2020 states that NBFCs covered by Rule 4 of the Ind-AS are required to comply with Ind-AS for the preparation of their financial statements. In order to promote a high quality and consistent implementation as well as facilitate comparison and better supervision, the RBI has framed regulatory guidance on Ind-AS that applies to Ind-AS implementing NBFCs for preparation of their financial statements from financial year 2019-20 onwards.

The responsibility of preparing and ensuring fair presentation of the financial statements of a NBFC vests primarily with its Board of Directors. The guidelines from RBI focus on the need to ensure consistency in the application of the accounting standards in specific areas, including asset classification and provisioning, and provide clarifications on regulatory capital in the light of Ind-AS implementation.

Ind-AS-109 requires entities to recognize and measure a credit loss allowance or provision based on an expected credit loss methodology. The expected loss impairment model would apply to loans, debt securities and trade receivables measured at amortized cost or at fair value through other comprehensive income (**FVOCI**).

In relation to the classification of our loans and other assets and provisioning in respect of loans, see the sections entitled "*Assets Classification*" and "*Provisioning against Loss*", respectively, under "*Management's Discussion and Analysis of Results of Operations*" in this Offering Circular.

The following table sets forth our consolidated credit impaired assets as of the dates indicated:

	As at March 31,		
	2020	**2021**	**2022**
	NPA as a % of loan assets		
Gross credit impaired assets ratio	6.59	4.84	4.45
Net credit impaired assets ratio(1).	3.32	1.71	1.45

Note:

(1) Net credit impaired assets ratio is the percentage of net credit impaired assets to gross loan assets.

As of March 31, 2022, Rs. 171,598.9 million of our consolidated loan assets have been categorized as credit impaired assets. As of March 31, 2022, our consolidated gross credit impaired assets as a percentage of consolidated gross loan assets was 4.45 per cent. and our consolidated net credit impaired assets as a percentage of consolidated loan assets was 1.45 per cent. We define net credit impaired assets as gross credit impaired assets less its loan loss provisions. As of March 31, 2022, a provision of Rs. 115,657.3 million was created on gross credit impaired assets.

Provision in respect of loan assets is calculated on the basis of the ECL framework, which is the product of 'probability of default', 'loss given default' and 'exposure at default' with the period over which it is considered depending on the type of loan as given below:

(a) Stage 1 - 12-month ECL, for all loans at inception (other than those which are credit impaired);

(b) Stage 2 - lifetime ECL category, in case the credit risk on the loan has increased significantly since initial recognition; or

(c) Stage 3 - lifetime ECL category for loans which have objective evidence of impairment at the reporting date.

The following table sets forth the classification of our consolidated gross loan assets as of the dates indicated below:

	As At March 31,					
	2020		2021		2022	
	(Rs. in millions, except percentages)					
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Stage 1 assets	2,987,378.6	92.66	3,562,731.7	94.40	3,317,871.4	86.1
Stage 2 assets	24,312.7	0.75	28,880.5	0.76	364,242.2	9.45
Stage 3 assets (credit-impaired/non-performing assets)[(1)]	212,555.5	6.59	182,569.3	4.84	171,598.9	4.45
Total loan assets	**3,224,246.8**	**100.00**	**3,774,181.5**	**100.00**	**3,853,712.6**	**100.00**

Note:

(1) For the purposes of this table, our respective loans, categorized stage-wise, and total loan assets represent the amount of principal outstanding, excluding interest accrued and due on loan assets.

The following table sets forth our non-consolidated credit impaired assets as of the dates indicated:

	As at	
	March 31, 2022	June 30, 2022
	NPA as a % of loan assets	
Gross credit impaired assets ratio……………………………………….	4.45	4.41
Net credit impaired assets ratio[(1)]………………………………………………………………...	1.45	1.41

Notes:

(1) Net credit impaired assets ratio is the percentage of net credit impaired assets to gross loan assets.

As of June 30, 2022, Rs. 171,250.4 million of our non-consolidated loan assets have been categorized as credit impaired assets. As of June 30, 2022, our non-consolidated gross credit impaired assets as a percentage of non-consolidated gross loan assets was 4.41 per cent. and our non-consolidated net credit impaired assets as a percentage of non-consolidated loan assets was 1.41 per cent. We define net credit impaired assets as gross credit impaired assets less its loan loss provisions. As of June 30, 2022, a provision of Rs. 116,594.6 million was created on gross credit impaired assets.

The following table sets forth the classification of our non-consolidated gross loan assets as of the dates indicated below:

	As at March 31,		As at June 30,	
	2022		2022	
	(Rs. in millions, except percentages)			
	Amount	Percentage	Amount	Percentage
Stage 1 assets..............................	3,317,871.5	86.10	3,211,385.2	82.79
Stage 2 assets..............................	364,242.2	9.45	496,242.6	12.80
Stage 3 assets (credit-impaired/non-performing assets)[(1)]....................	171,598.9	4.45	171,250.4	4.41
Total loan assets	**3,853,712.6**	**100.00**	**3,878,878.2**	**100.00**

Note:

(1) For the purposes of this table, our respective loans, categorized stage-wise, and total loan assets represent the amount of principal outstanding, excluding interest accrued and due on loan assets.

NPA Management

We make provisions for credit impaired assets in accordance with Ind-AS. The provisions are made on the basis of the ECL framework, which considers the probability of default and the expected loss to the

Company. The ECL framework considers historical data along with forward looking information. Such forward looking information is based on the relevant entity's own estimates relating to its customers including expected recovery patterns, probability of default, time of recovery, as well as macro-economic factors such as recession and unemployment.

We have a system of monitoring the progress of all projects and under which all information relating to a project is available. In the case of power generation projects, a lender engineer who periodically provides all information relating to the progress of the project is appointed. We also have a mechanism of creating escrow accounts with most of our borrowers in the state sector. See "*Risk Factors – Risks relating to our Business – The escrow account mechanism for the payment obligations of our state sector borrowers may not be effective, which may 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*".

Insolvency & Bankruptcy Code 2016

Details of projects where the proceedings are ongoing under the Insolvency and Bankruptcy Code 2016 as at June 30, 2022 are set out below:

S.No.	**Project**	**Exposure (*Rs. in millions*)**
1	Konaseema gas Power Limited	2,231.8
2	Ind-Barath Energy (Madras) Limited	4,162.1
3	Ind-Barath Energy (Utkal) Limited	7,770.0
4	Jhabua Power Limited	3,210.4
5	KSK Mahanadi Power Company Limited	25,963.6
6	Lanco Vidarbha Thermal Power Limited	5,051.5
7	Lanco Amarkantak Power Limited	22,142.1
8	Jas Infrastructure & Power Limited	332.4
9	Meenakshi Energy Private Limited (Ph – II)	7,108.4
10	Corporate Power Limited	8,117.4
11	South East UP Power Transmission Company Limited	9,220.9

In Hiranmaye Energy Limited, the Company has filed an application under section 7 of Insolvency and Bankruptcy Code, 2016 before NCLT Kolkata for initiating Corporate Insolvency Resolution Process and the same is pending for admission by the NCLT. Similarly, SBI and PFC have filed an application under section 7 of Insolvency and Bankruptcy Code, 2016 in Bhadreshwar Vidyut Private Limited and Shree Maheshwar Hydel Power Corporation Limited respectively.

PFC Limited, filed an application under section 7 of the IBC before NCLT for initiating the corporate insolvency resolution process (**CIRP**) against South-East UP Transmission Company Limited which was admitted by NCLT vide order dated July 16, 2020. Resurgent Power Ventures Pte Limited was declared as successful bidder. The Honorable NCLT has approved the resolution plan vide order dated June 15, 2022. Implementation is underway and shall be completed soon.

Axis Bank, filed an application under section 7 of the IBC before NCLT for initiating CIRP against Jhabua Power Limited which was admitted by NCLT vide order dated March 27, 2019. NTPC Limited was declared as successful bidder. NCLT vide order dated July 6, 2022 has approved the resolution plan. Implementation is underway and shall be completed soon.

For all of the other projects mentioned above, proceedings under IBC were admitted by the NCLT and the proceedings are currently underway and are at varied stages.

FUNDING AND LIQUIDITY

Our funding operations are designed to ensure stability of funding, minimize funding costs and effectively manage liquidity. We derive funding from capital and reserves and borrowing.

Equity

Equity from the Government was an important source of funding for us in the earlier years of our operations. Since Fiscal 2002, we have become more reliant on other sources of funding, such as borrowings. In February 2008, we went for our initial public offering of 156,120,000 equity shares which included a fresh issue of 78,060,000 equity shares and an offer for sale by the Government of 78,060,000 equity shares and resulted in aggregate net proceeds to us of approximately Rs. 8,196.3 million.

In February 2010, we went for a further public offering (**FPO**) of 171,732,000 equity shares, which included an offer for sale of 42,933,000 equity shares by the Government, at a price determined through the alternate book building method in accordance with the SEBI Regulations. The total amount raised by the Company, including premium, from the fresh issue portion of the FPO was Rs. 26,475.3 million. This resulted in a decrease of the Government's shareholding to 66.80 per cent. from 81.82 per cent., with the remaining 33.20 per cent. being held by the public.

In March 2014, the Government, as a part of its disinvestment programme, launched a Central Public Sector Enterprises Exchange Traded Fund (**CPSE-ETF**). CPSE-ETF is a basket of the top ten CPSE stocks, of which our Company is also a part. As a result, the Government's holding was reduced by 1.16 per cent. and stood at 65.64 per cent.

During Fiscal 2016, the President of India acting through the MoP of the Government divested 5 per cent. of the total paid up capital of our Company through an offer for sale on April 8, 2015 and further divested 0.003 per cent. of the total paid up capital of our Company through an off-market transaction under the CPSE-ETF on April 10, 2015. Subsequently, the President of India acting through the MoP divested 1.28 per cent. and 0.5 per cent. of the total paid up capital of the Company on January 25, 2017 and March 22, 2017, respectively, through off market sale of shares under CPSE ETF. Accordingly, as on March 31, 2016, the President of India held 60.64 per cent. of the paid-up equity share capital of the Company.

During Fiscal 2017, the Company issued bonus shares in the ratio 1:1 (at a face value of Rs. 10 per equity share). Further, the President of India acting through the MoP divested 1.28 per cent. of the total paid up capital of the Company on January 25, 2017 and 0.50 per cent. of the total paid up capital of the Company on March 22, 2017 through off market sale of shares under the CPSE-ETF. Accordingly, as on March 31, 2017, the President of India held 58.86 per cent. of the paid up equity share capital of the Company.

In November 2017, the Government divested 0.54 per cent. of the total paid up capital of the Company though "Bharat 22" exchange traded fund. During the three-month period ended June 30, 2018, the Government divested 0.37 per cent. of the total paid up capital of the Company in connection with a follow-on-fund offer through the "Bharat 22" exchange traded fund. Subsequently, in July 2018, 0.04 per cent. of the total paid up capital in the Company was transferred back to the Government.

On March 28, 2019, PFC completed its acquisition of the entire GoI holding of 52.63 per cent. in our Company pursuant to the decision of the Cabinet Committee on Economic Affairs of India for a consideration of Rs. 145,000 million.

On August 9, 2022, the shareholders of the Company approved the issuance of bonus shares in the ratio 1:3 (at a face value of Rs. 10 per equity share) and the Company has declared August 18, 2022 as the record date for determining the eligibility of shareholders for allotment of the bonus shares.

Loan Funds

Our loan funds are comprised of secured and unsecured loans. As at March 31, 2022, our consolidated loan funds (net) increased by Rs. 66,690.5 million or 1.83 per cent., to Rs. 3,719,305.4 million from Rs. 3,652,614.9 million as of March 31, 2021, due to an increase in the lending operations of the Company. As at June 30, 2022, our non-consolidated loan funds increased by 0.71 per cent. to Rs. 3,745,782.3 million from Rs. 3,719,305.4 million as at March 31, 2022. This increase was also primarily due to an increase in the lending operations of the Company. The Company's loan assets and resultant borrowings have generally been growing at approximately 15 to 20 per cent. in the past, except for Fiscal 2017, where there were prepayments under the UDAY Scheme. However, loan growth has remained muted during the recent period as an imminent impact of the COVID-19 pandemic outbreak, wherein the capex plans have seen deferments. However, economic revival is already leading to an uptick in power consumption, which is also expected to trigger the revival of the capex cycle.

Our business consists of borrowing funds and on-lending such funds to our customers in the form of loan products. Consequently, growth in our business has been marked by an increase in our loan assets.

The following tables sets forth the breakdown of our consolidated borrowings into: (i) debt securities; (ii) borrowings (other than debt securities); and (iii) subordinated liabilities, as of the dates indicated:

Debt securities

(₹ in million)

Particulars	As at					
	March 31, 2020		March 31, 2021		March 31, 2022	
	Face Value	Amortized Cost	Face Value	Amortized Cost	Face Value	Amortized Cost
Secured Long-Term Debt Securities						
Institutional Bonds	34,700.0	36,795.1	34,700.0	36,795.2	19,550.0	20,653.1
54EC Capital Gain Tax Exemption Bonds	219,761.4	227,817.3	172,649.7	179,016.5	241,461.3	250,254.9
Tax Free Bonds	126,029.7	130,413.5	126,029.7	130,442.3	117,633.0	121,588.6
Bond Application Money	4,001.9	3,994.1	8,566.2	8,547.1	12,915.4	12,911.3
Sub-total (A)	**384,493.0**	**399,020.0**	**341,945.6**	**354,801.1**	**391,559.7**	**405,407.9**
Unsecured Long-Term Debt Securities						
Institutional Bonds	1,486,502.0	1,536,729.1	1,698,566.0	1,757,072.4	1,440,746.0	1,489,986.7
Infrastructure Bonds	164.6	251.9	110.7	213.6	39.6	80.0
Zero Coupon Bonds	13,648.5	13,639.1	-	-	-	-
Foreign Currency Bonds	226,157.8	220,645.6	264,617.1	260,604.0	303,228.5	300,271.5
Sub-total (B)	**1,726,472.9**	**1,771,265.7**	**1,963,293.8**	**2,017,890.0**	**1,744,014.1**	**1,790,338.2**
Unsecured Short-Term Debt Securities						
Commercial Paper	29,250.0	28,896.8	-	-	-	-
Sub-total (C)	**29,250.0**	**28,896.8**	-	-	-	-
Total - Debt Securities (A+B+C)	**2,140,215.9**	**2,199,182.5**	**2,305,239.4**	**2,372,691.1**	**2,135,573.8**	**2,195,746.1**
Debt Securities issued in/ outside India						
Debt Securities in India	1,914,058.1	1,978,536.9	2,040,623.3	2,112,087.1	1,832,345.3	1,895,474.6
Debt Securities outside India	226,157.8	220,645.6	264,617.1	260,604.0	303,228.5	300,271.5
Total - Debt Securities	**2,140,215.9**	**2,199,182.5**	**2,305,239.4**	**2,372,691.1**	**2,135,573.8**	**2,195,746.1**

Borrowings (other than debt securities)

(₹in million)

Particulars	As at					
	March 31, 2020		March 31, 2021		March 31, 2022	
	Principal outstanding	Amortized Cost	Principal outstanding	Amortized Cost	Principal outstanding	Amortized Cost
Secured Long-Term Borrowings						

Term Loans from Others - Financial Institutions................	-	-	-	-	-	-
Sub-total (A)	-	-	-	-	-	-
Unsecured Long-Term Borrowings						
Lease Liability	21.2	21.2	-	-	0.3	0.3
Term Loans from Govt. of India	100,000.0	103,268.1	100,000.0	103,251.2	100,000.0	103,251.2
Term Loans from Banks...........	188,997.8	189,007.2	299,385.8	299,537.6	428,783.2	429,198.6
Term Loans from Financial Institutions	10,000.0	10,000.0	58,000.0	58,000.0	68,000.0	68,000.0
Foreign Currency Borrowings..	217,627.1	215,792.9	210,247.2	208,909.4	356,346.0	353,298.7
FCNR (B) Loans	10,177.1	10,208.9	-	-		
Sub-total (B)	**526,823.2**	**528,298.3**	**667,633.5**	**669,698.7**	**953,129.5**	**953,748.8**
Unsecured Short-Term Borrowings						
FCNR (B) Loans	59,554.9	59,649.1	53,291.0	53,350.1	98,549.2	98,611.3
Short Term LoansLoans repayable on demand from Banks	27,548.6	27,559.2	101,865.2	102,019.9	14,109.3	14,155.8
Loans repayable on demand from Holding Company	-	-	30,000.0	30,004.9	-	-
Sub-total (C)	**87,103.5**	**87,208.3**	**185,156.2**	**185,374.9**	**112,658.5**	**112,767.1**
Total - Borrowings (other than Debt Securities) (A to C)	**613,926.7**	**615,506.6**	**852,789.7**	**855,073.6**	**1,065,788.0**	**1,066,515.9**
Borrowings (other than Debt Securities) in/ outside India ...	-	-				
Borrowings in India	396,299.6	399,713.7	642,542.5	646,164.2	709,442.0	713,217.2
Borrowings outside India	217,627.1	215,792.9	210,247.2	208,909.4	356,346.0	353,298.7
Total - Borrowings (other than Debt Securities)	**613,926.7**	**615,506.6**	**852,789.7**	**855,073.6**	**1,065,788.0**	**1,066,515.9**

Subordinated Liabilities

(₹in million)

Particulars	**As at**					
	March 31, 2020		**March 31, 2021**		**March 31, 2022**	
	Face Value	**Amortized Cost**	**Face Value**	**Amortized Cost**	**Face Value**	**Amortized Cost**
199th Series – Subordiated Tier-II Bonds – 7.96% Redeemable at par on 15.06.2030	-	-	19,995.0	21,275.4	19,995.0	20,476.6
175th Series - Subordinate Tier-II Bonds - 8.97% Redeemable at par on 28.03.2029	21,512.0	21,518.6	21,512.0	21,514.5	21,512.0	21,007.0
115th Series - Subordinate Tier-II Bonds - 8.06% Redeemable at par on 31.05.2023	25,000.0	26,677.9	25,000.0	26.679.0	25,000.0	26,681.1
Total - Subordinated Liabilities	**46,512.0**	**48,196.5**	**66,507.0**	**69,468.9**	**66,507.0**	**68,164.7**
Subordinated Liabilities in/ outside India						
Borrowings in India	46,512.0	48,196.5	66,507.0	69,468.9	66,507.0	68,164.7
Borrowings outside India	-	-	-	-	-	-
Total - Subordinated Liabilities ...	**46,512.0**	**48,196.5**	**66,507.0**	**69,468.9**	**66,507.0**	**68,164.7**
TOTAL BORROWING................	**2,800,654.6**	**2,862,885.6**	**3,224,536.1**	**3,297,233.6**	**3,267,868.8**	**3,330,426.7**

The following tables sets forth the breakdown of our non-consolidated borrowings into: (i) debt securities; (ii) borrowings (other than debt securities); and (iii) subordinated liabilities, as of the dates indicated:

Debt Securities

(₹ in million)

	As at	**As at**

Particulars	June 30, 2022		March 31, 2022	
	Face Value	Amortized Cost	Face Value	Amortized Cost
Secured Long-Term Debt Securities				
Institutional Bonds	19,550.0	20,539.0	19,550.0	20,653.1
54EC Capital Gain Tax Exemption Bonds	275,570.0	275,276.8	241,461.3	250,254.9
Tax Free Bonds	118,087.4	124,440.3	118,087.4	122,055.2
Bond Application Money	5,502.6	5,498.2	12,915.4	12,911.3
Sub-total (A)	**418,710.0**	**425,754.3**	**392,014.1**	**405,874.5**
Unsecured Long-Term Debt Securities				
Institutional Bonds	1,382,084.0	1,424,269.6	1,440,866.0	1,490,109.7
Infrastructure Bonds	39.6	81.8	39.6	80.0
Zero Coupon Bonds	-	-	-	-
Foreign Currency Bonds	315,768.5	312,925.0	303,228.5	300,271.5
Sub-total (B)	**1,697,892.1**	**1,737,276.4**	**1,744,134.1**	**1,790,461.2**
Unsecured Short-Term Debt Securities				
Commercial Paper	-	-	-	-
Sub-total (C)	-	-	-	-
Total - Debt Securities (A+B+C)	**2,116,602.1**	**2,163,030.7**	**2,136,148.2**	**2,196,335.7**
Debt Securities issued in/ outside India				
Debt Securities in India	1,800,833.6	1,850,105.7	1,832,919.7	1,896,064.2
Debt Securities outside India	315,768.5	312,925.0	303,228.5	300,271.5
Total - Debt Securities	**2,116,602.1**	**2,163,030.7**	**2,136,148.2**	**2,196,335.7**

Borrowings (Other than Debt Securities)

(₹ in million)

Particulars	As at June 30, 2022		As at March 31, 2022	
	Principal outstanding	Amortized Cost	Principal outstanding	Amortized Cost
Unsecured Long-Term Borrowings				
Lease Liability	0.3	0.3	0.3	0.3
Term Loans from Govt. of India	100,000.0	101,211.8	100,000.0	103,251.2
Term Loans from Banks	450,275.3	451,069.8	428,783.2	429,198.6
Term Loans from Financial Institutions	58,000.0	58,000.0	68,000.0	68,000.0
Foreign Currency Borrowings	373,320.6	370,851.2	356,346.0	353,298.7
FCNR (B) Loans	-	-	-	-
Sub-total (A)	**981,596.2**	**981,133.1**	**953,129.5**	**953,748.8**
Unsecured Short-Term Borrowings				
FCNR (B) Loans	106,571.8	106,599.1	98,549.2	98,611.3
Short Term Loans/Loans repayable on demand from Banks	27,780.0	27,798.4	14,109.3	14,155.8
Loan repayable on demand from Holding Company	-	-	-	-
Sub-total (B)	**134,351.8**	**134,397.5**	**112,658.5**	**112,767.1**
Total - Borrowings (other than Debt Securities) (A to B)	**1,115,948.0**	**1,115,530.6**	**1,065,788.0**	**1,066,515.9**
Borrowings (other than Debt Securities) in/ outside India				
Borrowings in India	742,627.4	744,679.4	709,442.0	713,217.2
Borrowings outside India	373,320.6	370,851.2	356,346.0	353,298.7
Total - Borrowings (other than Debt Securities)	**1,115,948.0**	**1,115,530.6**	**1,065,788.0**	**1,066,515.9**

Subordinated Liabilities

(₹ in million)

Particulars	As at June 30, 2022		As at March 31, 2022	
	Face Value	Amortized Cost	Face Value	Amortized Cost
199th Series - Subordinate Tier-II Bonds – 7.96% Redeemable at par on 15.06.2030	19,995.0	18,298.4	19,995.0	20,476.6
175th Series - Subordinate Tier-II Bonds - 8.97% Redeemable at par on 28.03.2029	21,512.0	20,501.1	21,512.0	21,007.0
115th Series - Subordinate Tier-II Bonds - 8.06% Redeemable at par on 31.05.2023	25,000.0	25,169.0	25,000.0	26,681.1

Total - Subordinated Liabilities	**66,507.0**	**63,968.5**	**66,507.0**	**68,164.7**
Subordinated Liabilities in/ outside India				
Borrowings in India	66,507.0	63,968.5	66,507.0	68,164.7
Borrowings outside India	-	-	-	-
Total - Subordinated Liabilities	**66,507.0**	**63,968.5**	**66,507.0**	**68,164.7**
TOTAL BORROWING	**3,299,057.1**	**3,342,529.8**	**3,268,443.2**	**3,331,016.3**

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. 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.

The following table sets forth our outstanding consolidated Rupee-denominated indebtedness by type and the percentage such indebtedness constituted of our total consolidated Rupee-denominated indebtedness as of March 31, 2020, 2021 and 2022:

(Rs. million, except percentages)
As of March 31,

	2020		**2021**		**2022**	
Rupee Denominated	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Taxable bonds	1,581,362.5	69.14	1,799,773.0	66.75	1,526,803.0	60.83
54EC long-term tax exemption bonds ...	223,763.3	9.78	181,215.9	6.72	254,376.7	10.14
Infrastructure bonds..............................	164.6	0.01	110.7	0.00	39.6	0.00
Tax-free bonds	126,029.7	5.51	126,029.7	4.67	117,633.0	4.69
Loans from Banks, FIs, NSSF, etc.........	326,546.4	14.28	589,251.0	21.85	610,892.5	24.34
Commercial paper	29,250.0	1.28	0.0	0.00	0.0	0.00
Total	**2,287,116.5**	**100.00**	**2,696,380.3**	**100.00**	**2,509,744.8**	**100.00**

The following table sets forth our outstanding non-consolidated Rupee-denominated indebtedness by type and the percentage such indebtedness constituted of our total non-consolidated Rupee-denominated indebtedness as of March 31, 2022 and June 30, 2022:

(Rs. million, except percentages)
As of

	March 31, 2022		**June 30, 2022**	
Rupee Denominated	**Amount**	**%**	**Amount**	**%**
Taxable bonds	1,526,923.0	60.83	1,468,141.0	58.65
54EC long-term tax exemption bonds	254,376.7	10.14	281,072.6	11.23
Infrastructure bonds...	39.6	00	39.6	00
Tax-free bonds	118,087.4	4.70	118,087.4	4.72
Term loans/WCDL	610,892.5	24.34	636,055.3	25.40
Commercial paper	-	-	-	-
Total	**2,510,319.2**	**100.00**	**2,503,395.9**	**100.00**

Taxable bonds. We issue secured and unsecured, non-convertible, non-cumulative, redeemable, taxable, senior and subordinate bonds typically with a maturity of three to fifteen years from the date of issuance and bearing a fixed interest rate that depends upon market conditions at the time of issuance.

54EC long term tax exemption bonds. We began issuing 54 EC – capital gain tax exemption bonds in Fiscal 2001 according to Section 54EC of the IT Act relating to exemption of taxes on long-term capital gains, if 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 not less than five years. Since April 1, 2018, these bonds have put dates or maturity dates at the end of five years from issuance and thereafter automatic redemption after the lock-in period of five years. The Government has limited the amount of our bonds which an individual investor can utilize to offset long-term capital gains to Rs.5.0 million in a financial year and this limits the amount of bonds we have been able to offer. The 54EC – capital gain tax exemption bonds are offered on a domestic private placement basis and are not listed on any exchange.

Infrastructure bonds. We issued infrastructure bonds between Fiscals 2002 to 2005 under section 88 of the IT Act, and in Fiscals 2011 and 2012, issued such bonds under section 80CCF of the IT Act. Under provisions of Section 88 of the IT Act, deduction is allowed to specified taxpayers from the amount of income tax (as computed before allowing the deductions under Chapter VIA) on an investor's total income from investment of these bonds. Under Section 80CCF of the IT Act, deduction is allowed from gross total income of specified taxpayers on investment in these bonds and if terms of the issue were subject to Notification No 48/2010/F NO 149/84/2010- SO (TPL) issued by the CBDT.

Our infrastructure bonds typically have a maturity of 10 and 15 years from the date of issuance and bear a fixed interest rate with put option after five and seven years. The infrastructure bonds were offered on a domestic private placement basis and the bonds are listed on the NSE and tradable after the stipulated lock-in period.

Tax-free bonds. We issued tax-free bonds up to Fiscal 2002 and thereafter issued such bonds in Fiscal 2012, Fiscal 2014 and Fiscal 2016. Under the IT Act, 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.

Facilities from statutory funds, commercial banks and financial institutions. Rupee denominated term loan facilities from statutory funds, commercial banks and financial institutions are obtained on commercial terms and have varying maturity dates and interest rates. The types of facilities include long term loans, short term loans, fund based working capital loans, forward contract limits and overdraft facilities.

Term loans from commercial banks and financial institutions. Rupee denominated term loan facilities from commercial banks and financial institutions are obtained on commercial terms and have varying maturity dates and interest rates.

Commercial Paper. We have mobilized funds through the issuance of commercial papers during various years. These are obtained on varying maturity dates and interest rates.

Foreign Currency Resources

We first began arranging for foreign currency borrowings during Fiscal 2007. As of June 30, 2022, our outstanding liability was Rs. 795,660.9 million based on foreign exchange rates as of June 30, 2022 for the relevant currencies.

*External commercial borrowings (**ECB**) in foreign currency*

In Fiscal 2020, we raised ECB as follows:

- Term loan facility for USD 100 million between the Company and State Bank of India, London branch. The loan under this agreement bears a variable interest at a spread of 135 bps over three-month USD LIBOR and will mature in Fiscal 2024. As of June 30, 2022, this loan facility was fully drawn and is fully hedged.

- USD Reg-S Bonds amounting to USD 650 million under the Company's GMTN programme at a rate of 3.375 per cent. due 2024, listed on Singapore Stock Exchange, the International Securities Market of the London Stock Exchange, the India International Exchange and NSE IFSC. The bonds will mature on July 25, 2024. As of June 30, 2022, the funds under these bonds have been fully drawn and are fully hedged.

- Term loan facility for USD 150 million between the Company, MUFG Bank Ltd., and State Bank of India, London branch. The loan under this agreement bears a variable interest at a spread of 110 bps over six-month USD LIBOR and will mature in Fiscal 2022. As of June 30, 2022, this loan facility was fully drawn and is fully hedged.

- USD Reg-S Bonds amounting to USD 500 million under the Company's GMTN programme at a rate of 3.50 per cent. due 2024, listed on Singapore Stock Exchange, the International Securities Market of the London Stock Exchange, the India International Exchange and NSE IFSC. The bonds will mature on December 12, 2024. As of June 30, 2022, the funds under these bonds have been fully drawn and are unhedged.

- Term loan facility for Singapore Dollar equivalent of USD 50 million between the Company and DBS Bank Ltd. in its capacities as the original mandated lead arranger, original lender and the facility agent. The loan under this agreement bears a variable interest of 65 bps and SORA, as applicable. As of June 30, 2022, this loan facility was fully drawn and is hedged.

- ECB facility for USD 75 million between the Company and State Bank of India (acting through its London branch) in its capacities as the mandated lead arranger and book runner and the facility agent along with State Bank of India as the original lender. The loan under this agreement bears a variable interest of 130 bps and six-month LIBOR, as applicable. As of June 30, 2022, this loan facility was fully drawn and is hedged.

In Fiscal 2021, we raised ECB as follows:

- USD Reg-S Bonds amounting to USD 500 million under the Company's GMTN programme at a rate of 4.750 per cent. due 2023, listed on Singapore Stock Exchange, the International Securities Market of the London Stock Exchange, the India International Exchange and NSE IFSC. The bonds will mature on May 19, 2023. As of June 30, 2022, the funds under these bonds have been fully drawn and are 70 per cent. hedged.

- ECB facility for USD 300 million between the Company and New Development Bank, Shanghai as the original lender. The rate of interest for the loan under this agreement bears a variable interest of 229 bps and overnight SOFR, as applicable. As of June 30, 2022, this loan facility was fully drawn and is hedged.

- ECB facility for USD 170 million between the Company and India Infrastructure Finance Company Limited (UK) (**IIFCL(UK)**) as the original lender. The loan under this agreement bears a variable interest of 236.82 bps and six-month Term SOFR, as applicable. As of June 30, 2022, this loan facility was fully drawn and is fully hedged.

- ECB facility for JPY equivalent to USD 100 million between the Company in its capacity as the borrower, MUFG Bank Ltd., Hong Kong branch in its capacity as the facility agent, MUFG Bank Ltd. in its capacity as the mandated lead arranger and book runner along with MUFG Bank Ltd., Singapore branch as the original lender. The loan under this agreement bears a variable interest of 115 bps or TONA, as applicable. As of June 30, 2022, this loan facility was fully drawn and is hedged.

- USD Reg-S Bonds amounting to USD 500 million under the Company's GMTN programme at a rate of 2.25 per cent. due 2026, listed on Singapore Stock Exchange, the International Securities Market of the London Stock Exchange, the India International Exchange and NSE IFSC. The bonds will mature on September 1, 2026. As of June 30, 2022, the funds under these bonds have been fully drawn and are fully hedged.

- ECB facility for USD 425 million between the Company and State Bank of India, London, Canara Bank, London branch and Sumitomo Mitsui Banking Corporation, Singapore in their capacity as the mandated lead arranger and book runner and State Bank of India in its capacity as the facility agent. The loan under this agreement for each term bears a variable interest at weighted average margin of 125.4 bps and six-month LIBOR, as applicable. As of June 30, 2022, this loan facility was fully drawn and is fully hedged.

In Fiscal 2022, we raised ECB as follows:

- USD Reg-S Bonds amounting to USD 400 million under the Company's GMTN programme at a rate of 2.75 per cent. due 2027, listed on Singapore Stock Exchange and the International Securities Market of the London Stock Exchange, the India International Exchange and NSE IFSC. The bonds will mature on January 13, 2027. As of June 30, 2021, the funds under these bonds have been fully drawn and are fully unhedged.

- ECB facility for USD 600 million between the Company in its capacity as the borrower, MUFG Bank, Ltd., State Bank of India, Canara Bank, London Branch, DBS Bank Ltd. and Mizuho Bank Ltd in their capacity as the mandated lead arrangers and book runners and State Bank of India (acting through its London Branch) in its capacity as the facility agent. The loan under this agreement for each term bears a variable interest at weighted average margin of 118.45 bps and six-month LIBOR, as applicable. As of June 30, 2022, this loan facility was fully drawn and is fully hedged.

- ECB facility for USD 75 million between the Company in its capacity as the borrower and Sumitomo Mitsui Banking Corporation Singapore Branch in their capacity as the mandated lead arranger and book runner. The loan under this agreement for each term bears a variable interest at weighted average margin of 130 bps and overnight SOFR, as applicable. As of June 30, 2022, this loan facility was fully drawn and is hedged.

- ECB facility for USD 1,175 million between, *inter alia*, the Company in its capacity as the borrower, MUFG Bank Ltd., Bank of Baroda, IFSC Banking Unit, DBS Bank Ltd., Canara Bank, Axis Bank Ltd., IFSC Banking Unit, Gift City, Sumitomo Mitsui Banking Corporation Singapore Branch and Bank of India, New York Branch in their capacities as the mandated lead arrangers and bookrunners and Axis Trustee Services Limited, Gift City Branch acting as facility agent. The loan under this agreement bears a weighted average margin of 102 bps and six-month USD LIBOR, as applicable. As of June 30, 2022, this loan facility was fully drawn and is fully hedged.

- ECB facility for JPY equivalent of USD 325 million between, *inter alia*, the Company in its capacity as the borrower, Sumitomo Mitsui Banking Corporation Singapore Branch, Mizuho Bank Ltd. and Bank of India, Tokyo Branch in their capacities as the mandated lead arrangers and bookrunners and Axis Trustee Services Limited, Gift City Branch acting as facility agent. The loan under this agreement bears a weighted average margin of 83 bps and overnight TONA. As of June 30, 2022, this loan facility was fully drawn and is 70% hedged. Further, the balance unhedged amount under the loan facility has also been hedged post-June 30, 2022, and as of the date of this Offering Circular, the loan facility is fully hedged.

In the three-month period ended June 30, 2022, we raised ECB as follows:

- ECB facility for USD 100 million between the Company in its capacity as the borrower, State Bank of India (acting through its Singapore Branch) in its capacity as the original lender and State Bank of India (acting through its Singapore Branch) acting as facility agent. The loan under this agreement bears a variable interest of 125 bps and six-month Term SOFR, as applicable. As of June 30, 2022, this loan facility was fully drawn and is fully hedged.

Post-June 30, 2022, we raised ECB as follows:

- ECB facility for USD 200 million between the Company in its capacity as the borrower, State Bank of India (acting through its London Branch) as the mandated lead arranger, State Bank of India (acting through its London Branch) in its capacity as the original lender and State Bank of India (acting through its London Branch) acting as facility agent. The loan under this agreement bears a variable interest of 125 bps and overnight SOFR, as applicable. As of the date of this Offering Circular, this loan facility is fully drawn and is fully hedged.

Bilateral credit agreements. We also have six foreign currency loan facilities from external bilateral credit agencies.

- In Fiscal 2008, we entered into a second loan agreement with JICA for financial assistance of JPY 20,902 million restated to JPY 13,000 million with effect from February 18, 2012 and further restated to JPY 11,809 million with effect from March 31, 2016. A second amendment letter dated August 1, 2016 was entered into for amending the amortization schedule of the loan agreement. This agreement bears a fixed interest rate of 0.65 per cent. per annum and matures in Fiscal 2023. The Government has guaranteed borrowings under this facility for which we pay a guarantee fee. As of June 30, 2022, this loan facility had been fully drawn and the outstanding balance is JPY 377.2 million.

- In Fiscal 2012, we entered into a third loan agreement with KfW for financial assistance of EUR100 million. This agreement bears a fixed interest rate of 1.86 per cent. per annum and matures in 2024. The Government has guaranteed borrowings under this facility for which we pay a guarantee fee. As of June 30, 2022, EUR 100 million had been fully drawn under this facility and the outstanding balance is EUR 21.1 million.

- In Fiscal 2019, we entered into our fourth loan agreement with KfW which provides for financial assistance of USD 228 million to be utilized for renewable energy projects. This agreement bears a variable interest at a spread of 13 bps over six-month USD LIBOR and matures in 2030. The facility has been raised based on our Company's standalone strength and there is no Government guarantee fee on this facility. As of June 30, 2021, USD 204 million had been drawn under this facility and is outstanding.

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.

The following table sets forth our consolidated investments as of the dates indicated:

Particulars	As of March 31,		
	2020	2021	2022
	(Rs. in million)		
	Amount	Amount	Amount
Government Securities...			
- Government of Madhya Pradesh Power Bonds – II.. (1 Bond of Rs. 471.6 millions each)...........................	-	-	-
- 5.22% GSEC 2025	-	509.90	509.40

- 7.27% GSEC 2026	-	559.80	552.20
- 7.17% GSEC 2028	-	546.40	541.60
- 5.77% GSEC 2030	-	499.50	499.90
- 6.20% Rajasthan SDL July 2027	-	203.60	203.40
- 7.20% MH SDL 2027	-	215.30	213.50
- 6.60% Himachal Pradesh SDL 2030	-	512.80	512.70
- 6.48% KA SDL 2031	-	412.60	412.40
- 7.29% Karnataka SDL 2039	-	1,009.70	1,009.50
- 8.44 SDL Jharkhand 2029	-	325.30	323.00
- 7.24% KARNATAKA SDL 2037	-	503.00	502.90
- 8.57% Rajasthan SDL 2028	-	110.20	109.30
- 6.95% TN SDL 2031	-	250.20	250.30
- 6.60% UP SDL 2030	-	197.40	197.90
- 6.85% Rajasthan SDL 2031	-	299.50	299.70
- 8.35% Kerala SDL 2029	-	108.60	107.80
- 8.60% GJ SDL 2028	-	227.00	225.00
- 7.12% Andhra Pradesh SDL 2037	-	-	766.30
- 7.33% Karnataka SDL 2037	-	-	202.80
- 7.40% Kerala SDL Mar 2037	-	-	108.00
- 7.07% Haryana SDL 2037	-	-	559.60
- 7.09% Kerala SDL 2036	-	-	866.50
- 7.13% Andhra Pradesh SDL 2036	-	-	917.30
- 7.12% West Bengal SDL 2036	-	-	407.70
- 7.37% Telangana SDL 2036	-	-	202.00
- 7.28% Telangana SDL 2035	-	-	304.70
- 7.34% Telangana SDL Mar 2035	-	-	76.20
- 7.29% Karnataka SDL 2034	-	-	203.70
- 7.32% Karnataka SDL 2034	-	-	253.30
- 7.10% Jammu & Kashmir SDL 2033	-	-	461.50
- 7.18% Karnataka SDL 2033	-	-	203.70
- 7.19% Tamil Nadu SDL Mar 2032	-	-	66.60
- 7.28% Uttar Pradesh SDL 2032	-	-	507.00
- 6.94% Uttar Pradesh SDL 2031	-	-	407.40
- 7.00% Manipur SDL 2031	-	-	305.50
- 6.91% Rajasthan SDL 2031	-	-	47.10
- 6.95% Punjab SDL 2031	-	-	407.70
Sub-total - Government Securities...........................	**-**	**6,490.80**	**13,745.10**
Debt Securities..			
11.15% Perpetual Bonds of Indian Bank (5,000 Bonds of Rs. 1.0 million each)	5,003.10	-	-
11.25% Perpetual Bonds of Vijaya Bank (5,000 Bonds of Rs. 1.0 million each)	5,000.00	-	-
11.25% Perpetual Bonds of Syndicate Bank (5,000 Bonds of Rs. 1.0 million each)	5,003.10	-	-
5.78% Chennai Petroleum Corporation Ltd 2025 (150 Bonds of Rs. 1.0 million each)	-	156.30	156.30
6.11% BPCL 2025 (100 Bonds of Rs. 1.0 million each)	-	105.20	105.10
7.30% NMDC 2025 (200 Bonds of Rs. 1.0 million each)	-	217.10	215.40
7.30% PGC Limited 2027 (200 Bonds of Rs. 1.0 million each)	-	226.50	224.40
8.69% Damodar Valley Corporation 2028 (200 Bonds of Rs. 1.0 million each)	-	218.80	216.20
7.05% MTNL 2030 (850 Bonds of Rs. 1.0 million each)	-	881.80	881.50
6.65% FCI 2030 (200 Bonds of Rs. 1.0 million each) ...	-	206.20	206.10
7.19% THDC India Limited (250 Bonds of Rs. 1.0 million each)	-	263.30	263.20

3% Optionally convertible debenture-Series A of Essar Power Transmission Company Limited	-	993.30	920.30
3% Optionally convertible debenture-Series B of Essar Power Transmission Company Limited	-	437.30	405.20
7.39% Tax Free 15 years Secured Redeemable Non-Convertible Bonds of Housing and Urban Development Corporation (HUDCO) (86,798 Bonds of Rs. 1,000 each)	88.10	88.10	88.10
7.35% Tax Free 15 years Secured Redeemable Non-Convertible Bonds of National Highway Authority of India Limited (NHAI) (42,855 Bonds of Rs. 1,000 each)	46.00	46.00	46.00
7.39% Tax Free 15 years Secured Redeemable Non-Convertible Bonds of NHAI (35,463 Bonds of Rs. 1,000 each)	36.70	36.70	36.70
7.49% Tax Free 15 years Secured Redeemable Non-Convertible Bonds of Indian Renewable Energy Development Agency (61,308 Bonds of Rs. 1,000 each)	62.20	62.20	66.80
7.35% Tax Free 15 years Secured Redeemable Non-Convertible Bonds of Indian Railway Finance Corporation (22,338 Bonds of Rs. 1,000 each)	23.10	23.10	23.10
7.35% Tax Free 15 years Secured Redeemable Non-Convertible Bonds of National Bank for Agriculture and Rural Development (14,028 Bonds of Rs. 1,000 each)	14.00	14.10	14.10
8.76% Tax Free 20 years Secured Redeemable Bonds of HUDCO (50,000 Bonds of Rs. 1,000 each)	50.90	50.90	50.90
0% Non Convertible Debentures (NCDs) of Ferro Alloys Corporation Limited			
- (25,291,783 Debentures)	-	1491.00	-
- (25,495,144 Debentures)	-	-	1,062.10
Sub-total - Debt Securities.......................................	**15,327.20**	**5,517.90**	**4,981.50**
Equity Instruments			
- NHPC (17,53,02,206 Equity shares of Rs. 10 each).....	3,497.30	4,286.10	-
- NHPC (1,88,43,184 Equity shares of Rs. 10 each)...	-	-	523.80
- Indian Energy Exchange Limited. (12,271,211 Equity Shares of Rs. 1 each as on March 31, 2020)..................	1,570.10	-	-
- HUDCO (3,47,429 Equity shares of Rs. 10 each)........	6.90	15.20	11.40
- Energy Efficiency Services Ltd. (218,100,000 Equity shares of Rs. 10 each)	-	-	2,147.40
- Rattan India Power Ltd	125.00	236.00	495.20
(92,568,105 Equity shares of Rs. 10 each)			
Sub-total - Equity Instruments	**5,199.30**	**4,537.30**	**3,177.80**
Investment in Preference Securities			
Rattan India Power Ltd (28,720,978 redeemable preference share of Rs. 10 each)	229.30	260.90	287.20
Rattan India Power Ltd (43,303,616 optionally convertible cumulative redeemable preference share of Rs. 10 each)	454.10	429.90	-
Sub Total- Preference Share	**683.40**	**690.80**	**287.20**
Others...			
- Units of 'Small is Beautiful' Fund...........................	61.20	-	-
(61,52,200 units of Rs. 10 each)................................			
Sub-total – Others	**61.20**	**-**	**-**
Total - Gross (A)	**21,271.10**	**17,236.80**	**22,191.60**
(i) Investments outside India	-	-	-
(ii) Investments in India	21,271.10	17,236.80	22,191.60
Total (B)...	**21,271.10**	**17,236.80**	**22,191.60**
Less: Allowance for impairment loss (C)...................	-	-	**(287.20)**

Total - Net (D=A-C)..	**21,271.10**	**17,236.80**	**21,904.40**

The following table sets forth our non-consolidated investments as of the dates indicated:

	As at June 30, 2022	**As at March 31, 2022**
	(₹ in millions)	
Government Securities..		
- 5.77% GSEC 2030	507.20	499.90
- 7.17% GSEC 2028	549.30	541.60
- 7.27% GSEC 2026	541.00	552.20
- 5.22% GSEC 2025	502.70	509.40
- 7.29% Karnataka SDL 2039	1,027.50	1,009.50
- 7.24% Karnataka SDL 2037	511.90	502.90
- 7.12% Andhra Pradesh SDL 2037	753.00	766.30
- 7.33% Karnataka SDL 2037	206.50	202.80
- 7.40% Kerala SDL Mar 2037	110.00	108.00
- 7.07% Haryana SDL 2037	549.90	559.60
- 7.09% Kerala SDL 2036	851.50	866.50
- 7.13% Andhra Pradesh SDL 2036	901.30	917.30
- 7.12% West Bengal SDL 2036	400.60	407.70
- 7.37% Telangana SDL 2036	205.70	202.00
- 7.28% Telengana SDL 2035	310.20	304.70
- 7.34% Telangana SDL Mar 2035	77.60	76.20
- 7.29% Karnataka SDL 2034	207.40	203.70
- 7.32% Karnataka SDL 2034	257.90	253.30
- 7.10% Jammu & Kashmir SDL 2033	453.50	461.50
- 7.18% Karnataka SDL 2033	207.30	203.70
- 7.19% Tamil Nadu SDL Mar 2032	67.80	66.60
- 7.28% Uttar Pradesh SDL 2032	516.10	507.00
- 6.94% Uttar Pradesh SDL 2031	400.50	407.40
- 7.00% Manipur SDL 2031	300.30	305.50
- 6.91% Rajasthan SDL 2031	46.30	47.10
- 6.95% Punjab SDL 2031	400.80	407.70
- 6.95% Tamil Nadu SDL 2031	254.70	250.30
- 6.48% Karnataka SDL 2031	405.90	412.40
- 6.85% Rajasthan SDL 2031	304.90	299.70
- 6.60% Himachal Pradesh SDL 2030	504.40	512.70
- 6.60% Uttar Pradesh SDL 2030	194.70	197.90
- 8.44% Jharkhand SDL 2029	328.70	323.00
- 8.35% Kerala SDL 2029	109.70	107.80
- 8.60% Gujarat SDL 2028	220.10	225.00
- 8.57% Rajasthan SDL 2028	111.20	109.30
- 6.20% Rajasthan SDL 2027	206.50	203.40
- 7.20% Maharashtra SDL 2027	216.60	213.50
Sub-total - Government Securities...	**13,721.20**	**13,745.10**
Debt Securities..		

-5.78% Chennai Petroleum Corporation Ltd 2025 (150 Bonds of Rs. 1.0 million each)	158.50	156.30
-6.11% BPCL 2025 (100 Bonds of Rs. 1.0 million each)	106.60	105.10
-7.30% NMDC 2025 (200 Bonds of Rs. 1.0 million each)	218.60	215.40
-7.30% PGC Limited 2027 (200 Bonds of Rs. 1.0 million each)..	212.90	224.40
-8.69% Damodar Valley Corporation 2028 (200 Bonds of Rs. 1.0 million each)	219.80	216.20
-7.05% MTNL 2030 (450 Bonds of Rs. 1.0 million each)	866.30	881.50
-6.65% FCI 2030 (200 Bonds of Rs. 1.0 million each)	209.50	206.10
-7.19% THDC India Limited (250 Bonds of Rs. 1.0 million each)	267.70	263.20
-3% Optionally convertible debenture-Series A of Essar Power Transmission Company Limited		
(17,52,85,462 Debentures)	907.60	-
(17,85,43,315 Debentures)	-	920.30
-3% Optionally convertible debenture-Series B of Essar Power Transmission Company Limited		
(7,71,59,871 Debentures) …………………………………	399.60	-
(7,86,06,161 Debentures) …………………………………	-	405.20
0.01% Optionally convertible debenture-Series A of RKM PowerGen Private Limited (213,803,170 Debentures)	-	-
0.01% Optionally convertible debenture-Series B of RKM PowerGen Private Limited (6,303,032 Debentures)	-	-
0.01% Optionally convertible debenture-Series A of RKM PowerGen Private Limited (10,474,150 Debentures)	-	-
-0% Non-Convertible Debentures (NCDs) of Ferro Alloys Corporation Limited………….		
- (25,519,173 Debentures)	1,096.10	-
- (25,495,144 Debentures)	-	1,062.10
Sub-total - Debt Securities..	**4,663.20**	**4,655.80**
Equity Instruments		
- NHPC..		
(1,79,57,286 Equity shares of Rs. 10 each)	552.20	-
(1,88,43,184 Equity shares of Rs. 10 each)	-	523.80
- HUDCO	12.10	11.40
(347,429 Equity shares of Rs. 10 each)....................................		
Universal Commodity Exchange Ltd. (16,000,000 Equity shares)	-	-
-Energy Efficiency Services Limited (218,100,000 Equity shares of Rs. 10 each)	1,752.70	2,147.40
RKM Power Gen Private Limited (181,790,667 Shares)	-	-
- Rattan India Power Limited	314.70	495.20
(92,568,105 Equity shares of Rs. 10 each)		
Sub-total - Equity Instruments	**2,631.70**	**3,177.80**
Subsidiaries...		
- RECPDCL	1.00	1.00
(85,500 Equity shares of Rs. 10 each)......................................		
Sub-total – Subsidiaries	**1.00**	**1.00**
Investment in Preference Securities.......................................		
- RIPL..		
(28,720,978 redeemable preference shares of Rs. 10 each).......	287.20	287.20
- RIPL..		
(43,303,616 optionally convertible cumulative redeemable preference shares of Rs. 10 each)..	-	-
Sub-total - Preference Shares...	**287.20**	**287.20**
Total - Gross (A)..	**21,304.30**	**21,866.90**
(i) Investments outside India	-	-
(ii) Investments in India	21,304.30	21,866.90

Total (B)	**21,304.30**	**21,866.90**
Less: Allowance for impairment loss (C)	(287.20)	(287.20)
Total - Net (D=A-C)	**21,017.10**	**21,579.70**

Capital Adequacy

The Company's capital to risk-weighted assets ratio as of June 30, 2022 is 24.78 per cent. The calculation and composition of our Tier-l and Tier-II capital is as follows:

Particulars	Rs. in millions
1. Tier-I Capital	500,124.2
2. Tier-II Capital	70,283.5
3. Total capital (1+2)	570,407.8
4. Total Risk Weighted Assets	2,302,122.8
Capital to risk-weighted assets ratio (CRAR) (3/4)	**24.78%**

Our direct loans to state government are assigned a risk weight of 0 per cent. and state government guaranteed loans which have not remained in default/which are in default for a period not more than 90 days are assigned a risk weightage of 20 per cent. However, if the loans guaranteed by the state government have remained in default for a period of more than 90 days, a risk weightage of 100 per cent. is assigned to such loans.

Pursuant to the RBI Master Direction RBI/DNBR/2016-17/45 DNBR. PD. 008/03.10.119/2016-17 dated September 1, 2016, as updated from time to time, our Company, being an IFC is required to have a CRAR of 15 per cent. (with a minimum Tier-l capital of 10 per cent.).

RISK MANAGEMENT

Our Company has adopted a comprehensive risk management policy including the overarching framework for identifying, assessing, measuring, monitoring and mitigating/managing risks in all processes, products, activities as performed by all departments at the head office and project offices. The risks are classified under three categories, namely, credit risk, market risk and operational risk. Market risk management consists of the asset liability management policy and hedging policy. The asset liability management policy includes, *inter alia*, liquidity risk management, interest rate risk management as well as risk testing methodologies and risk reporting mechanisms. Hedging policy covers the management and reporting of risks associated with foreign currency borrowings and derivative transactions entered into by our Company.

Risk Management Structure

Our Board 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.

Asset Liability Management Committee (ALCO)

Our Company has constituted the ALCO which is functioning under the chairmanship of the Chairman and Managing Director, and it comprises the Chairman and Managing Director, Director (Finance), Director (Technical), Executive Directors and Chief General Managers from the finance and operating divisions of our Company as its members.

ALCO monitors risks related to liquidity, interest rates and currency rates. The liquidity risk is being monitored with the help of liquidity gap analysis and the committee manages the liquidity risk through a mix of strategies. The interest rate risk is monitored through an interest rate sensitivity analysis and managed through the review of lending rates, cost of borrowings and the term of lending and borrowing. Foreign currency risk associated with exchange rate and interest rate is managed through various derivative instruments.

Risk Management Committee (RMC)

Our Company has also constituted a RMC which is currently functioning with the under the chairmanship of an independent director along with the Director (Finance) and an independent dirtctor as other members for monitoring the integrated risks of our Company. The main function of the RMC is to monitor various risks likely to arise and to initiate action for mitigation of risk arising in the operation and other related matters of our Company.

Chief Risk Officer (CRO)

Our Company has appointed the CRO pursuant to RBI circular RBI/2018-19/184 DNBR (PD) CC. No. 099/03.10.001/2018-19 dated May 16, 2019.

RISK MONITORED UNDER ALCO

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 is associated with the changes in market interest rates which may adversely affect our financial condition. The primary interest rate-related risks are from timing difference in the maturity of our fixed rate assets and liabilities (e.g. in an increasing interest rate environment, if our fixed rate liabilities mature prior to our fixed rate assets, it would require us to incur additional liabilities at a higher interest rate) and repricing risk, i.e. where there is an adverse mismatch between the repricing terms of our loan assets and our loan liabilities.

We have historically implemented and will in the future implement, interest rate risk management through the contractual terms of our loans, including pricing terms, maturities and prepayment and repricing provisions. Initially, most 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 one, 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-payment 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 one-three-or-ten-year intervals. Additionally, the terms of most of our loans permit us to increase the interest rate on any undrawn portion of the overall sanction.

Under our interest rate risk management policies, we are instituting analytical techniques, such as gap analysis and sensitivity analysis in order to measure our interest rate risk. Under our gap analysis technique, we group our interest rate sensitive assets and liabilities 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. We also perform sensitivity analysis based on assumed interest rate scenarios to determine our susceptibility to sudden changes in the interest rate environment.

As per the comprehensive risk management policy approved by our Board, our year-end mismatch of rate sensitive assets and rate sensitive liabilities may not exceed 40 per cent. of rate sensitive liabilities.

For additional information on our interest rate risk, see "*Risk Factors – We are susceptible to the volatility in interest rates in our operations and therefore may be adversely affected due to the fluctuation in interest rates*" in this Offering Circular.

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 of June 30, 2022, the Company's total foreign currency liabilities outstanding are Rs. 795,660.9 million denominated in USD, JPY, SGD and EUR amounting to Rs. 755,791.7 million, Rs. 34,039.9 million, Rs. 4,090.6 million and Rs. 1,738.7 million, respectively. As of June 30, 2022, the Company has not engaged in foreign currency denominated lending.

Our Company manages foreign currency risk associated with exchange rate and interest rate through various derivative instruments. For this, our Company has put in place a hedging policy to manage risk associated with foreign currency borrowings. Foreign currency risk associated with exchange rate and interest rate is managed through various derivate instruments.

As per the comprehensive risk management policy approved by our Board, the net open exposure position shall not be more than 25 per cent. of our adjusted net worth at any point of time for exchange rate risk and not more than 20 per cent. of our net worth for interest rate risk.

For additional information on our foreign currency risk, see the relevant section in "*Risk Factors*" in this Offering Circular.

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 unfavorable terms. We manage our liquidity risk through a mix of strategies, including through forward-looking resource mobilization based on projected disbursements and maturing obligations.

As per the comprehensive risk management policy approved by our Board, up to one month's mismatch of assets and liabilities may not exceed 15 per cent. of cash outflow, the three months cumulative mismatch may not exceed 30 per cent. of aggregate cash outflow and the annual cumulative mismatch may not exceed 30 per cent. of aggregate cash outflow.

For additional information on our liquidity risk, see the relevant section in "*Risk Factors*" in this Offering Circular.

RISK MONITORED UNDER RMC

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 its mitigation measures. We use a wide range of quantitative as well as qualitative parameters as part of the appraisal process to make a sound assessment to the extent of the underlying credit risk in a project.

Our current policies determine borrower's creditworthiness based on financial and operational strength, capability, competence and, *inter alia*, 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. For additional information on our lending policies, see the section titled "*Business – Our Lending Policies*" in this Offering Circular.

For additional information on our credit risk, see the relevant section titled "*Risk Factors*" in this Offering Circular.

Operational Risk

Operational risks are risks arising from inadequate or failed internal processes, people, systems or external events. We have been continually strengthening our systems and procedures to recognize and reduce operational risk in our business. For this, our Company has the RMC which comprises of one nominee director along with the Director (Finance) and the Director (Technical) for managing the integrated risk of our Company.

Operational controls in project finance activities. We have operational guidelines that provide a detailed description of the systems and procedures to be followed in the course of appraisal and approval.

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.

MANAGEMENT

Board of Directors

As at the date of this Offering Circular, the Board consists of eight directors out of which one is the chairman and managing director, two are whole-time directors, one is nominee director of the Government of India, three are part-time non-official independent directors and one is nominee director of PFC.**

The following table sets out details regarding the Board as of the date of this Offering Circular:

Name	Position	Other Directorships
Shri Vivek Kumar Dewangan DIN 01377212....................	Chairman and Managing Director Whole-Time Director *Non-Independent Director*	• REC Power Development and Consultancy Limited
Shri Ajoy Choudhury DIN 06629871……………..	Director (Finance) *Whole-Time Director* *Non-Independent Director*	• REC Power Development and Consultancy Limited
Shri Vijay Kumar Singh DIN: 02772733…………….	Director (*Technical*) Whole-Time Director *Non-Independent Director*	• REC Power Development and Consultancy Limited • Nellore Transmission Limited
Shri Vishal Kapoor DIN 08700132………………	Government – Nominee Director *Non-Executive Director*	• Nil
Dr. Gambheer Singh DIN: 02003319……………	Part-time Non-official Independent Director *Non-Executive Director*	• Samarpan Hospital Private Limited
Dr. Manoj Manoharrao Pande DIN: 09388430……………	Part-time Non-official Independent Director *Non-Executive Director*	• Nil
Smt. Durgesh Nandini DIN: 09398540……………	Part-time Non-official Independent Director *Non-Executive Director*	• Nil
Smt. Parminder Chopra DIN 08530587……………	Nominee Director of PFC *Non-Executive Director*	• PTC India Limited • Power Finance Corporation Limited • Chhattisgarh Surguja Power Limited • Coastal Tamil Nadu Power Limited • Deoghar Mega Power Limited • PFC Consulting Limited • Cheyyur Infra Limited • Bihar Mega Power Limited

** Our Board of Directors is presently short of the requisite number of independent directors. Being a Government Company, the power to appoint directors on the Board of REC vests with the President of India acting through the administrative ministry, i.e., Ministry of Power, Government of India. Our Company has already requested the Ministry of Power, Government of India, i.e., the appointing authority, for expediting the appointment of the requisite number of Independent Directors on the Board of the Company. In view of the above, our Company is presently unable to comply with the corporate governance requirements in respect of board composition. Further, the said non-compliance is beyond the control of our Company as the power to appoint Independent Directors is vested with the Ministry of Power, Government of India.

The details of the fines imposed by the BSE and NSE for non-compliance with the provisions of the SEBI (LODR) Regulations regarding appointment of requisite number of Independent Directors and composition of some committees are set out below under "*Corporate Governance*".

The Board oversees the overall function of our Company, with meetings held, on average, once a month.

Brief Profile of our Directors

Shri Vivek Kumar Dewangan, IAS, assumed the charge of Chairman and Managing Director of REC with effect from May 17, 2022.

Shri Vivek Kumar Dewangan is a 1993-batch Indian Administrative Service Officer of Manipur cadre. Prior to his joining as Chairman and Managing Director of REC, he was posted as Additional Secretary in the Ministry of Power. He holds a Bachelor of Engineering in Electronics from the Maulana Azad National Institute of Technology, Bhopal and a Postgraduate Degree in Optoelectronics and Optical Communication from the Indian Institute of Technology Delhi.

During his illustrious career as an Indian Administrative Service Officer, he has held various administrative positions in the areas of finance, power / energy, petroleum & natural gas, elections / law & justice, commerce & industries, minister's office (corporate affairs / agriculture & food processing industries), education / human resource development, sericulture / agriculture & cooperation, economic affairs, economics & statistics, rural development & panchayati raj, district administration (Surguja & Raipur district in Chattisgarh and Senapati district in Manipur) and revenue administration.

Shri Vivek Kumar Dewangan is also the ex-officio Chairman of REC's wholly-owned subsidiary viz., REC Power Development and Consultancy Limited (formerly known as REC Power Distribution Company Limited).

As at June 30, 2022, Shri Vivek Kumar Dewangan was holding "Nil" equity shares in the Company. Further, he has no inter-se relation with any other Director of the Company.

Shri Ajoy Choudhury, is Director (Finance) of REC since June 1, 2020. He is an Associate Member of the Institute of Cost & Management Accountants of India. He has over 33 years of experience in Indian power sector across diverse functions such as international finance, contracts management, loans & recovery, corporate accounts, resource mobilization and treasury, etc.

He has been working in REC since April 16, 2007 at senior management positions and has been instrumental in implementation of various systemic improvements including formulation of loan recovery guidelines, improving communication and services to customers and managing overall resources and treasury in REC in an efficient manner. He has also been a member of core team for implementation of 'Ujwal DISCOM Assurance Yojana' (UDAY), flagship programme of Government of India, aimed at turnaround of distribution companies in the Indian power sector. Prior to joining REC, he has worked at various levels with Power Grid Corporation of India Limited and NHPC Limited, over 19 years.

As Director (Finance), he provides directions with respect to financial management and operations of the organization, encompassing organizational and financial planning, formulation of financial policy, financial accounting, management control systems, cash and funds management, tax planning, mobilization and management of resources, liaison with financial institutions and capital market players. He also supervises treasury functions, lending operations and advises on corporate risk management matters.

He is a Director on the Board of RECPDCL, a wholly owned subsidiary of REC.

As at June 30, 2022, Shri Ajoy Choudhury was holding 1,200 equity shares in the Company. Further, he has no inter-se relation with any other Director of the Company.

Shri Vijay Kumar Singh is the Director (Technical) of REC since July 15, 2022. He holds a Bachelor's Degree in Electrical Engineering from IIT, Roorkee, and has over 33 years of experience in the Indian power sector. Prior to his appointment as Director (Technical) of REC, he was serving as Executive Director in the Company and was responsible for all aspects of project financing including project appraisal, entity appraisal, sanction, disbursement, monitoring of projects in renewable energy, generation and transmission.

Shri Vijay Kumar Singh has earlier worked in leading power sector public sector undertakings namely NTPC and Power Grid Corporation of India Limited in technical, commercial and operations functions, including transmission project development and management, procurement of goods and services, construction of extra high voltage sub-stations and transmission lines in various parts of the country. He also led a team for procurement activities, in respect of World Bank funded transmission projects. Further, he has exposure to various financial aspects including resource mobilization, raising of bonds, commercial paper, external commercial borrowings etc.

Shri Vijay Kumar Singh is also a Director on the Board of REC Power Development and Consultancy Limited, a wholly owned subsidiary of REC.

As on the date of appointment, Shri Vijay Kumar Singh was holding 'Nil' equity shares in the Company. Further, he has no inter-se relation with any other Director of the Company.

Shri Vishal Kapoor, is the Nominee Director of the Government of India on the Board of our Company since Spetember 7, 2021. Shri Vishal Kapoor is presently the Joint Secretary (Distribution) in the Ministry of Power, Government of India. He holds a degree in Mechanical Engineering and is a practicing Fellow of the Institution of Mechanical Engineers, UK. He also holds a post graduate degree in Public Administration from the Lee Kuan Yew School of Public Policy, National University of Singapore, and has also attended the Advanced Management program in Public Policy from Indian School of Business.

In his previous assignments, he has a wide and diverse experience on Indian Railways, especially in the field of railway traction, as well as in freight cars, in both operations & maintenance and design. In his assignments at the Ministry of Power, he has served in Distribution Division of the Ministry of Power and has coordinated the work of Integrated Power Development Scheme, National Electricity Fund, Ujwal DISCOM Assurance Yojana and also the Atmanirbhar Bharat interventions of the Liquidity Infusion Scheme & Privatization of Distribution function in Union Territories. He is currently looking after the distribution sector, official languages, social media in the Ministry of Power. He has been instrumental in formulating the Revamped Distribution Scheme, which is a reforms based results linked scheme for operational and financial turnaround of distribution utilities. Bringing with him a vast field experience and managing big manpower deployments, he is leveraging his professional cum policy background to contribute to the policy responses of the Government of India in order to bring improvements in the electricity distribution sector.

As at June 30, 2022, Shri Vishal Kapoor was holding 'Nil' equity shares in the Company. Further, he has no inter-se relation with any other Director of the Company.

Professor Dr. Gambheer Singh, is appointed as part-time non official (Independent) Director on the Board of REC with effect from November 15, 2021. He is a Medical Graduate (MBBS) from Gandhi Medical College Bhopal (MP) and a Post Graduate (Master of Surgery) from G.R. Medical College, Gwalior, Madhya Pradesh.

Presently, he is a Professor and Dean of Raipur Institute of Medical Sciences (RIMS), Raipur, Chhattisgarh. He has teaching experience of more than 18 years and had earlier served in G.R. Medical College, Gwalior & Pt. J.N.M. Medical College, Raipur. Further, he holds life memberships of the Association of Surgeons of India (ASI) and Indian Medical Association (IMA). He has also published more than 10 national and international papers of various index journals and has also been an examiner of undergraduate and post-graduate examinations.

Prof. Dr. Gambheer Singh has been running a 50 bedded multi-specialty hospital viz. M/s. Samarpan Hospital Private Limited in Raipur since 2008. The hospital is working on highest standards of medical specialty and is dedicated to the people of the state of Chhattisgarh.

As at June 30, 2022, Professor Dr. Gambheer Singh was holding 'Nil' equity shares in the Company. Further, he has no inter-se relation with any other Director of the Company.

Dr. Manoj Manoharrao Pande, is appointed as part-time non official (Independent) Director on the Board of REC with effect from November 15, 2021.

He is currently working as a family physician and social worker in Yavatmal, Maharashtra, India. Dr. Pande graduated in medicine and surgery from Amravati University, and subsequently trained in Naturopathy from the University of Delhi. He is also at the helm of two NGOs, dedicating his efforts for the betterment of society, for the past 15 years.

Dr. Pande has been relentlessly working for the upliftment of the neglected and vagabond community and slum dwellers in the Vidarbha region of Maharashtra. He has helped in fostering the rehabilitation of a plethora of suicide hit farmer families. Under the aegis of his able leadership, hundreds of free medical checkup camps were conducted so as to address the ailments of downtrodden masses. Dr. Pande has also been a pioneer in providing educational amenities to students from underprivileged communities. His efforts have garnered critical acclaim in news articles and he has been felicitated for his untiring social work. He heralded the production and distribution of Aayush Kadha, a potent potion for COVID-19 warriors, which helped in curbing the wrath of the pandemic.

He is also an avid organic farmer and agriculturist, having resorted to innovative farming techniques that have yielded an increment in soil fertility and low cost farming practices. Dr. Pande is an astute gentleman with a penchant for bringing about positive change in the society through his work.

As at June 30, 2022, Dr. Manoj Manoharrao Pande was holding 'Nil' equity shares in the Company. Further, he has no inter-se relation with any other Director of the Company.

Smt. Durgesh Nandini, is appointed as part-time non official (Independent) Director on the Board of REC pursuant to an order dated December 27, 2021 of Ministry of Power, Government of India. She holds a doctorate degree in Political Science and post graduate degree in Education from Dr. B.R. Ambedkar University, Agra.

Smt. Durgesh Nandini has rich and varied experience in addressing key social issues under the banner of national level volunteer organization "Jagriti" and is actively contributing as a social worker in the field of women empowerment, child development, health and environment preservation. She had earlier served as Principal in a prestigious Girls Inter-College in the past and has been a key contributor in the field of education through her involvement in editing of primary level textbooks and training modules in the Department of Elementary Education, Government of Haryana.

As at June 30, 2022, Smt. Durgesh Nandini was holding 'Nil' equity shares in the Company. Further, she has no inter-se relation with any other Director of the Company.

Smt. Parminder Chopra, is Nominee Director of PFC on the Board of our Company since February 4, 2022.

She is a finance professional with more than 32 years of experience in the power sector. She holds a Bachelor's degree in Commerce and is also a Cost Accountant and MBA. She has served in key power sector organizations like National Hydroelectric Power Corporation Limited and Power Grid Corporation of India Limited. She joined PFC in year 2005 and was Executive Director (Finance), before assuming the charge of Director (Finance), PFC with effect from July 1, 2020. Smt. Parminder Chopra has handled a gamut of finance portfolios such as resource mobilisation from domestic as well as international markets, banking & treasury, asset liability management, stressed assets resolution etc.

As at June 30, 2022, Smt. Parminder Chopra was holding 'Nil' equity shares in the Company. Further, she has no inter-se relation with any other Director of the Company.

Shareholding of Directors

Except as set forth below, none of our Directors hold any of our Shares as of the date of this Offering Circular:

S. No.	Name of Shareholder	Number of Shares held
1.	Shri Ajoy Choudhury	1,600

Corporate Governance

Our Company has been fully complying with all the requirements of corporate governance as prescribed under the SEBI LODR Regulations. As on date, the composition of the Board of Directors consists of one chairman and managing director, one whole time director, two nominee directors of the Government of India, three part-time non-official independent directors and one nominee director of PFC. Further, our Board of Directors is presently short of one independent director. Being a Government Company, the power to appoint directors on the Board of REC vests with the President of India acting through the administrative ministry, i.e., Ministry of Power, Government of India. Our Company has already requested the Ministry of Power, Government of India, i.e., the appointing authority, for expediting the appointment of the requisite number of Independent Directors on the Board of the Company. In view of the above, our Company is presently unable to comply with the corporate governance requirements in respect of board composition. Further, the said non-compliance is beyond the control of our Company as the power to appoint directors is vested with the Ministry of Power, Government of India.

Due to non-compliance with some provisions of SEBI (LODR) Regulations, regarding appointment of requisite number of Independent Directors and composition of the Board and some committees thereof, REC had received letters from the BSE and NSE for payment of fines, based on compliance reports on corporate governance filed by the Company with the stock exchanges for the quarter ended on March 31, 2020, all quarters of FY 2020-21, all quarters of FY 2021-22 and for the quarter ended on June 2022.

The total fine imposed till date amounts to Rs. 18,214,480 (including GST) for such non compliances.

Further, the Company has time and again requested the stock exchanges to waive all fines, as the power to appoint Independent Directors on the Board of the Company is vested with the President of India acting through administrative ministry, i.e. Ministry of Power, Government of India, and the Company cannot appoint any Director on the Board of REC.

Accordingly, BSE had considered our request and waived off fines for the quarters ended on September and December, 2020 amounting to Rs. 2,218,400. Further, REC has not paid any of the above fines and has time and again requested the relevant stock exchanges to waive off the balance fines as well.

The Board functions either as a full Board or through various committees constituted to oversee specific operational areas. Each committee of the Board is guided by its terms of reference, which defines the composition, scope and powers of the relevant committee. The committees meet at regular intervals and focus on specific areas and make informed decisions within the authority delegated to them. As of the date of this Offering Circular, the Board had the following committees:

(a) Audit Committee;

(b) Nomination and Remuneration Committee;

(c) Stakeholders Relationship Committee;

(d) Risk Management Committee;

(e) Corporate Social Responsibility Committee;

(f) Sub-Committee on Investment/Deployment of Surplus Funds;

(g) Sub-Committee to ensure compliance of GoI directives on ”Make in India”;

(h) Asset Liability Management Committee; and

(i) IT Strategy Committee.

Audit Committee

The Audit Committee currently comprises:

Name of the Committee Members/Attendees	Designation	Position in Committee
Dr. Gambheer Singh..	Independent Director	Chairperson
Dr. Manoj Manoharrao Pande	Independent Director	Member
Smt. Durgesh Nandini	Independent Director	Member
Smt. Parminder Chopra	PFC Nominee Director	Member

The quorum for an Audit Committee meeting shall either be two members or one third of the members of the Audit Committee, whichever is greater, with at least two Independent Directors. Further, Director (Finance), Head of Internal Audit and representatives of Statutory Auditors are invited for the meetings of the Audit Committee. The Company Secretary acts as the Secretary to the Committee.

The terms of reference of the Audit Committee are as follows:

(a) to comply with the requirements of Section 177 of the Companies Act read with the Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time;

(b) to comply with the requirements relating to the Audit Committee as envisaged in Listing Regulations, as amended from time to time;

(c) to comply with the guidelines on corporate governance for central public sector enterprises, 2010, as notified by the DPE, as amended from time to time; and

(d) ensures compliance with any other applicable provisions, as amended from time to time, relating to the Audit Committee.

The Chairman of the Audit Committee possesses accounting and financial management expertise and all other members of the Audit Committee are financially literate. Further, the Chairman of the Audit Committee was present at the Annual General Meeting held on September 24, 2021 to respond to shareholders' queries.

Nomination and Remuneration Committee

As our Company is a CPSU, the appointment, tenure and remuneration of the Chairman, the Managing Director, whole-time directors and other directors are decided by the President of India according to the Articles of Association of our Company and such appointment is communicated by the relevant administrative ministry, i.e., the Ministry of Power, Government of India, to our Company.

The remuneration of the functional directors and employees of our Company is fixed according to extant guidelines issued by the DPE, from time to time. Further, the part-time non-official directors, including independent directors, are paid sitting fees, as decided by the Board from time to time, for attending board and committee meetings well within the limits prescribed under the Companies Act, 2013. The sitting fee payable to Nominee Director of PFC for attending meetings of the Board and Committees thereof, is paid to PFC. Further, the Government Nominee Director is not entitled to any remuneration or sitting fee from the Company, as per the norms of the Government of India.

The terms of reference of the Nomination and Remuneration Committee to the extent applicable to our Company are as follows:

(a) to comply with the requirements in accordance with Section 178 of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time;

(b) to comply with the requirements relating to the Nomination and Remuneration Committee as envisaged in the Listing Regulations, as amended from time to time; and

(c) to comply with the Guidelines on Corporate Governance for Central Public Sector Enterprises, 2010, including to decide on the quantum of annual bonus, variable pay and policy for the ESOP scheme and the pension scheme within the prescribed limits across whole time directors, executive and non-unionized supervisors, as notified by the DPE, and as amended from time to time.

The MCA, through its notification dated June 5, 2015, has exempted Government companies from the requirements relating to the formulation of criteria for determining qualifications, positive attributes, independence and annual evaluation of directors and policy relating to the remuneration of directors.

Further, the MCA through its notification dated July 5, 2017, prescribed that the provisions relating to review of performance of the independent directors and evaluation mechanism prescribed under Schedule IV of the Companies Act, 2013, is also not applicable to Government companies. During Fiscal 2021, the performance evaluation of the Non-Executive Independent Directors of our Company was carried out by the administrative ministry, i.e. Ministry of Power, Government of India, as per their internal guidelines.

The Nomination and Remuneration Committee currently comprises:

Name of the Committee Members/Attendees	Designation	Position in Committee
Dr. Manoj Manoharrao Pande	Independent Director	Chairperson

Dr. Gambheer Singh	Independent Director	Member
Smt. Durgesh Nandini	Independent Director	Member

The quorum of the Nomination and Remuneration Committee is two members including the Chairman of the Committee. The Director (Finance), the Director (Technical) and Executive Director (Human Resource)/Chief General Manager (Human Resource) are standing invitees to the meetings of the Nomination and Remuneration Committee.

Stakeholders Relationship Committee

Our Company has constituted a Stakeholders Relationship Committee (SRC) in terms of the provisions of Section 178 of the Companies Act, the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable laws. This Committee specifically looks into the redressal of complaints from various security holders (including shareholders, debenture holders), such as non-receipt of dividend credit/warrants, non-receipt of interest on debentures, annual reports, transfer of shares or debentures, issue of duplicate share/debenture certificate and matters connected with the transfer, transmission, rematerialization, dematerialization, splitting and consolidation of securities issued by the Company.

As of the date of this Offering Circular, the composition of Stakeholders Relationship Committee is as follows:

Name of the Committee Member	Designation	Position in Committee
Smt. Durgesh Nandini	Independent Director	Chairperson
Dr. Manoj Manoharrao Pande	Independent Director	Member
Shri Ajoy Choudhury	Director (Finance)	Member
Shri Vijay Kumar Singh	Director (Technical)	Member

The quorum for a meeting of the Stakeholders Relationship Committee is two members, including the Chairman of the Committee. Further, the representatives of the registrar and share transfer agents appointed by our Company are standing invitees at the meetings of this committee. Shri J.S. Amitabh, Executive Director and Company Secretary, is the compliance officer of our Company in terms of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015. The Chairman of the Stakeholders Relationship Committee was present at the Annual General Meeting held on September 24, 2021.

Risk Management Committee

The Risk Management Committee has been constituted in line with the provisions of Regulation 21 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 to manage the integrated risk.

The terms of reference of Risk Management Committee are as follows:

(a) to manage the integrated risk;

(b) to identify various risks likely to arise, evaluate overall risks faced by the Company including liquidity risk, monitor and review the risk management plan, policies and practices followed by the Company from time to time;

(c) to oversee the mitigation of various risks and to perform all other risk management functions, which shall also cover cyber security; and

(d) to perform any other function, as may be required for compliance of applicable statutory provisions issued by RBI, SEBI, MCA and/or any other agencies, from time to time.

As of the date of this Offering Circular, the composition of the Risk Management Committee is as follows:

Name of the Committee Member	Designation	Position in Committee
Dr. Gambheer Singh..	Independent Director	Chairperson
Dr. Manoj Manoharrao Pande	Independent Director	Member
Shri Ajoy Choudhury	Director (Finance)	Member
Shri Vijay Kumar Singh	Director (Technical)	Member

The Executive Director (Finance-Resources), Executive Director (Private Sector Project Management), Executive Director (State Operations) and Executive Director (Asset-Liability Management) are standing invitees for all meetings of the committee; and the Chief Risk Officer is the convener of the Risk Management Committee.

Corporate Social Responsibility Committee

As per the provisions of Section 135 of the Companies Act, 2013 and rules made thereunder and the guidelines on corporate social responsibility and sustainability for CPSEs issued by the DPE, the Board of our Company has constituted the Corporate Social Responsibility Committee and the terms of reference of the Committee are as follows:

(a) to formulate and recommend to the Board, a CSR policy which shall indicate the activities to be undertaken by our Company as specified in Schedule VII of the Companies Act, 2013;

(b) to monitor the CSR policy of our Company from time to time;

(c) to recommend the amount of expenditure to be incurred on the activities referred to in paragraph(a) above;

(d) to recommend and/or review CSR projects, programs and/or proposals falling within the purview of Schedule VII of the Companies Act, 2013;

(e) to institute a transparent monitoring mechanism for the implementation of the CSR projects, programs and/or activities undertaken by our Company;

(f) to assist the Board of Directors to formulate strategies on CSR initiatives of our Company;

(g) to approve the content of annual report on CSR activities according to the pro forma given in the rules *inter alia* covering the responsibility statement that the implementation and monitoring of the CSR policy is in compliance with CSR objectives and policy of our Company;

(h) to periodically submit the reports to the Board for their information, consideration and necessary directions; and

(i) to comply with other requirements on the CSR policy, as amended from time to time.

As of the date of this Offering Circular, the composition of the Corporate Social Responsibility Committee is as follows:

Name of the Committee Member	Designation	Position in Committee
Dr. Manoj Manoharrao Pande	Independent Director	Chairperson
Dr. Gambheer Singh..	Independent Director	Member

Shri Ajoy Choudhury	Director (Finance)	Member
Shri Vijay Kumar Singh	Director (Technical)	Member

The quorum of the meeting of the Corporate Social Responsibility Committee is two members including the Chairman of the Committee.

Sub-Committee on Investment/Deployment of Surplus Funds

Our Company has a sub-committee on investment or deployment of surplus funds for the purpose of investment of surplus funds.

As of the date of this Offering Circular, the composition of the sub-committee on investment or deployment of surplus funds is as follows:

Name of the Committee Member	Designation	Position in Committee
Shri Vivek Kumar Dewangan	CMD	Chairman
Shri Ajoy Choudhury	Director (Finance)	Member
Shri Vijay Kumar Singh	Director (Technical)	Member

The quorum of the meeting of the sub-committee on investment or deployment of surplus funds is two members including the CMD. As of the date of this Offering Circular, the Committee is *inter alia*, authorized to approve the investment or deployment of short term surplus funds, at any time, of Rs. 10,000 million in a single instance in certificates of deposits, and at any time, Rs. 20,000 million in mutual funds and fixed deposits.

Sub-Committee to ensure compliance of GoI directives on "Make in India"

Our Company has constituted a sub-committee to ensure compliance of GoI directives on "Make in India", to *inter alia*, scrutinise/review the tender notices, as and when floated by our Company or our subsidiaries, valuing Rs. 250 Crore or above. However, no meeting of the said sub-committee was held during the financial year 2021-22

As of the date of this Offering Circular, the composition of the sub-committee to ensure compliance of GoI directives on "Make in India" is as follows:

Name of the Director	Designation	Position in Committee
Shri Vivek Kumar Dewangan	CMD	Chairman
Shri Ajoy Choudhury	Director (Finance)	Member
Shri Vijay Kumar Singh	Director (Technical)	Member

Asset Liability Management Committee

In pursuance to RBI guidelines on Asset Liability Management (ALM) System for NBFCs, the Company has constituted an Asset Liability Management Committee (**ALCO**) headed by the Chairman and Managing Director. The current members of the ALCO are the Director (Finance), Director (Technical) and the Executive Directors from the finance and operating divisions of the Company.

As of the date of this Offering Circular, the ALCO comprises:

Name of the Director	Designation	Position in Committee
Shri Vivek Kumar Dewangan	CMD	Chairman
Shri Ajoy Choudhury	Director (Finance)	Member
Shri Vijay Kumar Singh	Director (Technical)	Member
Shri Sanjay Kumar	Executive Director (Finance)	Member
Shri. T.S.C Bosh...	Executive Director (SOP)	Member
Smt. Malathi Sundararajan	Executive Director (ALM)	Member

ALCO monitors risks related to liquidity, interest rates and currency rates with the help of ALM support group, which provides various reports on liquidity gap analysis, interest rate sensitivity analysis and foreign currency movements etc.

ALCO meets every quarter to review the position of above risks.

IT Strategy Committee

In pursuance to RBI guidelines on IT Framework for the NBFC Sector, the Company has constituted an IT Strategy Committee (**ITSC**) headed by an Independent Director. The current members of the ITSC are as below:

(a) Independent Director (Chairman)

(b) Executive Director (IT) / Chief Information Officer (CIO)

(c) Senior GM (IT) / ISMS Officer / Chief Technology Officer (CTO) (Member)

(d) External Technical Expert (Member).

The roles and responsibilities of ITSC are as under:

(a) review and approve IT strategy and policy documents and ensure that the management has put an effective strategic planning process in place;

(b) ascertain that management has implemented processes and practices that ensure that the IT delivers value to the business;

(c) monitor the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;

(d) ensuring NBFC's growth and becoming aware about exposure towards IT risks and controls;

(e) contribute as a key governance member with matters pertaining to IT Policy, Information & Cyber Security, IT Operations, IS Audit, Business Continuity Planning and IT Services Outsourcing; and

(f) convene at least twice in each financial year. MOM of the ITSC meetings to be placed before Board for information.

Major Shareholders

As of June 30, 2022, we had approximately 467,024 shareholders. The list of our ten largest shareholders and the number of equity shares held by them as at that date is provided below:

S. No.	Name	Shares	% to Equity
1	Power Finance Corporation Limited	1,039,495,247	52.63
2	HDFC Trustee Company Limited	149,104,121	7.55
3	The Windacre Partnership Master Fund LP	85,873,000	4.35
4	Life Insurance Corporation of India	56,351,610	2.85
5	The Prudential Assurance Company Limited	22,440,279	1.14
6	India Capital Fund Limited	15,426,026	0.78
7	Vanguard Emerging Markets Stock Index Fund	13,177,520	0.67

8	HDFC Life Insurance Company Limited	12,500,000	0.63
9	Vanguard Total International Stock Index Fund	12,459,656	0.63
10	Emerging Markets Core Equity Portfolio of DFA Investment Dimensions Group Inc.	9,913,629	0.50
	Total	**1,416,741,088**	**71.73**

INDUSTRY OVERVIEW

The information in this section has not been independently verified by us, the Dealers or any of our or their respective affiliates or advisers. The information may not be consistent with other information compiled by third parties within or outside India. Industry sources and publications generally state that the information contained therein has been obtained from sources it believes to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Industry and government publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Industry and government sources and publications may also base their information on estimates, forecasts and assumptions which may prove to be incorrect. Accordingly, investment decisions should not be based on such information. Figures used in this section are presented as in the original sources and have not been adjusted, restated or rounded off for presentation in this Offering Circular.

The Indian Economy

India has an estimated population of 1.4 billion people in Fiscal 2021. The Indian economy is the sixth largest economy in the world based on nominal GDP at USD 3.2 trillion for the calendar year 2021 (*Source: The International Monetary Fund's World Economic Outlook, April 2022 Update*). Real GDP growth is expected to be in the range of 8.2% (*IMF data*) for CY2022. The forecast for CY2023 is in the range of 6.9% (*IMF data*). According to IMF, the Real GDP growth of India is estimated to be higher than World average of 3.6% and 3.6% in CY2022 and CY2023, respectively.

In 2021-22, India renewed its tryst with the recovery that had commenced in the second half of 2020-21 with the abatement of the first wave. Supported by continuing fiscal measures and congenial financial conditions engendered by monetary, regulatory and liquidity initiatives undertaken by the Reserve Bank, including some unconventional ones, the real GDP bounced back in Q2:2021-22 and grew at 1.3 per cent. over Q2:2019-20. The recovery was further entrenched in Q3:2021-22 with GDP exceeding the corresponding pre-pandemic quarter by 6.2 per cent. In Q4, however, the third wave of the pandemic driven by the Omicron variant and more recently, geopolitical conflict has caused a loss of pace in the recovery and dampened the outlook. *(Source: RBI Annual Report, 2022)*

Country	Estimated GDP Growth in 2023 (%)
China	5.1
India	6.9
ASEAN-5	5.9
Brazil	1.4
United States	2.3
United Kingdom	1.2
Japan	2.3

(Source: IMF Database, April 2022)

The invasion and resulting sanctions on Russia will have important consequences for the global economy. The baseline forecast assumes that the theatre of conflict remains limited to Ukraine and that sanctions on Russia (along with European plans to become independent of Russian energy) do not tighten beyond those announced by March 31, 2022 and remain in place over the forecast horizon. The effects of conflict and sanctions will hit Ukraine, Russia, and Belarus directly. But international spill overs via global commodity prices, trade and financial linkages, labor supply, and humanitarian impacts will spread the effects more widely – notably in Europe.

An important takeaway from the experience of 2021-22 is India's tryst with inflation. Supply shocks impacted food inflation intermittently, exacerbated by imported price pressures, especially from global edible oil prices. Crude oil prices pushed up core inflation later in the year. This experience also highlighted the important role of supply-side measures by the government in relieving price pressures in the case of edible oils and pulses, and in softening the pass-through of the sharp increase in global crude oil prices to domestic pump prices of petrol and diesel through timely reductions in excise duties and state-level value added taxes (**VATs**).

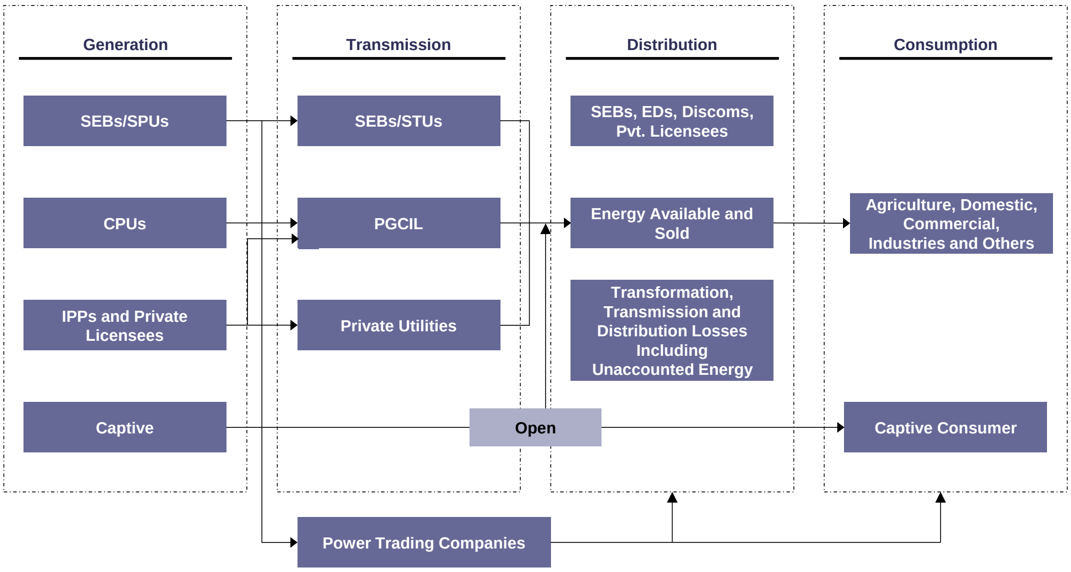
Furthermore, the presence of considerable slack in the economy tempered the pass-through of input cost pressures into firms' selling prices. The resurgence in global commodity prices (prices of energy increased by 102.1 per cent.; metals and minerals by 28.2 per cent.; precious metals by 10.3 per cent.; and agricultural commodities by 28.0 per cent. year-on-year in March 2022), renewed supply chain pressures and heightened financial market volatility in Q4:2021-22, shifted the trajectory of inflation sharply to the upside. Overall, headline inflation averaged 5.5 per cent. in 2021-22 as against 6.2 per cent. a year ago. Headline inflation breached the upper tolerance band in Q4:2021-22 and rendered the conduct of monetary policy challenging.

Against the background of the risks to the near-term inflation outlook rapidly materialising as reflected in the inflation print for March and the developments thereafter, the Monetary Policy Committee (**MPC**) held an off-cycle meeting on May 2 and May 4, 2022. While noting that domestic economic activity is navigating the vortex of forces confronting the world with resilience on the strength of underlying fundamentals and buffers, the MPC expected inflation to rule at elevated levels, warranting resolute and calibrated steps to anchor inflation expectations and contain second round effects. Accordingly, the MPC decided to increase the policy repo rate by 40 basis points to 4.40 per cent. *(Source: RBI Annual Report, 2022)*

THE INDIAN POWER SECTOR

Structure of the Indian Power Sector

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



Legend:

IPPs	Independent Power Producer
CPUs	Central Power Utilities
SEBs	State Electricity Boards

STUs	State Transmission Utilities
SPUs	State Power Utilities
PGCIL	Power Grid Corporation of India Limited
EDs	Electricity Departments
DISCOMs	Distribution Companies

Overview of the Indian power sector

India has continuously experienced shortages in energy and peak power requirements. According to CEA's monthly review of the power sector (**CEA Monthly Review**) published in March 2022, the provisional total energy deficit and peak power deficit during March 2022 was approximately 0.6 per cent. and 0.7 per cent., respectively. The shortages in energy and peak power have been primarily due to the sluggish progress in capacity addition. The Indian economy is based on planning through successive five year plans (**Five Year Plans**) that set out targets for economic development in various sectors, including the power sector. During the 9th Five Year Plan (1997-2002) (9th Plan), capacity addition achieved was 19,119 MW, which was 47.5 per cent. of the 40,245 MW targeted under the 9th Plan. During the course of the 10th Five Year Plan (2002-2007) (**10th Plan**), capacity addition achieved was 21,180 MW, which was 51.6 per cent. of the 41,110 MW targeted under the 10th Plan. During the 11th Five Year Plan (2007-2012) (**11th Plan**) capacity addition achieved has been 88.1 per cent. of the target addition or 62,374 MW. (*Source: Power Scenario at a Glance, MoP Website www.powermin.nic.in*) The installed power generation capacity in the country at the end of the 11th Plan was about 2,000,000 MW. The capacity addition during the 12th Five Year Plan (2012-2017) (**12th Plan**) period was targeted at 88,537 MW comprising 72,340 MW of thermal projects, 10,897 MW of Hydro power projects and 5,300 MW of nuclear power projects. (*Source: Ministry of Power Annual Report 2022*)

Power Demand in India

Rapid growth of the economy places a heavy demand on electric power. Reforms in the power sector, to make it efficient and more competitive, have been under way for several years and while there has been some progress, a shortage of power and lack of access continue to be major constraints on economic growth. The persistent shortages of electricity for both peak power and energy indicate the need for improving performance of the power sector in the country. (*Source: website of the Planning Commission of India* (***Planning Commission***))

The electricity generation target of thermal, hydro, nuclear & Bhutan import for the year 2021-22 has been fixed as 1356 Billion Unit (**BU**) i.e., growth of around 9.83 per cent. over actual generation of 1234.608 BU for the previous year (2020-21). The generation from above categories during 2020-21 was 1234.608 BU as compared to 1250.784 BU generated during 2019-20, representing a negative growth of about 1.29 per cent.

Generation and growth in conventional generation (including renewable sources) in the country during 2009-2010 to 2022-2023 are as follows:

Year	Total Generation	% growth
2009-2010	808.498	7.56
2010-2011	850.387	5.59
2011-2012	928.113	9.14
2012-2013	969.506	4.46
2013-2014	1,020.200	5.23
2014-2015	1,110.392	8.84
2015-2016	1,173.603	5.69
2016-2017	1,241.689	5.80
2017-2018	1,308.146	5.35
2018-2019	1,376.095	5.19
2019-2020	1,389.102	0.95
2020-2021	1,381.827	-2.49
2021-2022	1,491.859	7.96

2022-2023P	286.486	16.71

Provisional (*Source: http://powermin.nic.in/en/content/power-sector-glance-all-india*)

Power Supply in India

Historical Capacity Additions

Each successive Five Year Plan of the Government has had increased targets for the addition of power generation capacity. The energy deficit in India is a result of insufficient progress in the development of additional energy capacity. In each of the last three Five Year Plans (the 8th, 9th, and 10th Five Year Plans, covering Fiscal 1992 to Fiscal 2007), less than 55 per cent. of the targeted additional energy capacity level was added. According to the white paper, India added an average of approximately 20,000 MW to its energy capacity in each of the 9th Plan and 10th Plan periods.

The total capacity addition during the past 30 years between the 6th Five Year Plan and the 11th Plan was approximately 154,374 MW.

Current Capacity

India's total installed capacity was 395 GW as on January 31, 2022, out of which 235.9 GW was fossil fuel based (coal/gas etc.) and 159.1 GW was non-fossil fuel (renewablew energy and nuclear) based. The installed capacity is now close to double the peak demand and India is exporting power to Nepal, Bangladesh and Myanmar. (*Source: Ministry of Power Annual Report 2022*)

**RES – Renewable Energy Sources include Small Hydro projects, Biomass Gasifier, Biomass Power, Urban & Industrial Waste Power, Solar and Wind Energy.*

(*figures provided are in Mega Watts (**MW**)*)

Demand-Supply Imbalance in India

The Indian power sector has historically been beset by energy shortages which have been rising over the years. The following table provides the power supply position in the country during 2010-2011 to 2022-2023:

	Energy				**Peak**			
	Requirement	**Availability**	**Surplus/Deficits (-)**		**Peak Demand**	**Peak Met**	**Surplus/Deficits (-)**	
Year	**(MU)**	**(MU)**	**(MU)**	**(%)**	**(MW)**	**(MW)**	**(MW)**	**(%)**
2010-2011	861,591	788,355	–73,236	–8.5	122,287	110,256	–12,031	–9.8
2011-2012	937,199	857,886	–79,313	–8.5	130,006	116,191	–13,815	–10.6
2012-2013	995,557	908,652	–86,905	–8.7	135,453	123,294	–12,159	–9.0
2013-2014	1,002,257	959,829	–42,428	–4.2	135,918	129,815	–6,103	–4.5
2014-2015	1,068,943	1,030,785	–38,138	–3.6	148,166	141,160	–7,006	–4.7
2015-2016	1,114,408	1,090,851	–23,557	–2.1	153,366	148,468	–4,903	–3.2
2016-2017	1,142,929	1,135,334	-7,595	-0.7	159,542	156,934	-2,608	-1.6
2017-2018	1,213,326	1,204,697	-8,629	-0.7	164,066	160,752	-3,314	-2.0
2018-2019	1,274,595	1,267,526	-7,070	-0.6	177,022	175,528	-1,494	-0.8
2019-2020	1,291,010	1,284,444	-6,566	-0.5	183,804	182,533	-1,271	-0.7
2020-2021	1,275,534	1,270,663	-4,871	-0.4	190,198	189,395	-802	-0.4
2021-2022	1,379,812	1,374,024	-5,787	-0.4	203,014	200,539	-2,475	-1.2
2022-2023(1)	271,136	267,816	-3,319	-1.2	215,888	207,231	-8,657	-4.0

Note:

(1) Up to May 2022 (*Source: CEA* – https://powermin.nic.in/en/content/power-sector-glance-all-india)

Future Capacity Additions

12th Five Year Plan (2012-2017) (the 12th Plan)

Capacity addition of 88,537 MW has been envisaged for the 12th Plan. This comprises an estimated 72,340 MW thermal power, 10,897 MW hydro power and 5,300 MW nuclear power. (*Source: Ministry of Power Annual Report 2022*)

Power Transmission and Distribution

In India, the transmission and distribution system is a three-tiered structure comprised of regional grids, state grids and distribution networks. The five regional grids, configured on a geographical contiguity basis, enable the transfer of power from a power-surplus state to a power-deficit state. The regional grids also facilitate the optimal scheduling of maintenance outages and better coordination between power plants. These regional grids are to be gradually integrated to form a national grid, whereby surplus power from a region could be redirected to another region facing power deficits, thereby allowing a more optimal utilization of the national generating capacity.

Most inter-regional and inter-state transmission links are owned and operated by PGCIL though some are jointly owned by the SEBs. State grids and distribution networks are mostly owned and operated by the respective SEBs, STUs, distribution companies, or state Governments (through state electricity departments). A direct consequence of the high AT&C losses that are experienced by the Indian power sector is the inadequate financial condition of SEBs and SPUs thereby restricting the SEBs from making any meaningful investments in the generation and the modernization of the transmission and distribution network.

POLICY INITIATIVES AND ECONOMIC REFORMS IN INDIA

Since 1991, India has witnessed reforms across the policy spectrum in the areas of fiscal and industrial policy, trade and finance. Some of the key reform measures are:

(a) *Industrial Policy Reforms*: Removal of capacity licensing and opening up of various sectors to FDI;

(b) *Trade Policy Reforms*: Lowering of import tariffs and restrictions on imports, across industries; and

(c) *Monetary Policy and Financial Sector Reforms*: Lowering interest rates, relaxation of restrictions on fund movement and the introduction of private participation in insurance sectors.

In addition, FDI has been recognized as an important driver of economic growth in the country. The GoI has taken a number of steps to encourage and facilitate FDI and it is allowed in many key sectors of the economy, such as manufacturing, services, infrastructure and financial services. For many sectors, 100 per cent. FDI is allowed on an automatic basis, without prior approval from the Foreign Investment Promotion Board (**FIPB**). The cumulative amount of FDI Equity inflows in India from April 2000 to June 2021 (excluding amounts remitted through the RBI's NRI Schemes) is Rs. 33,037,990 million (U.S.$547,200 million). Financial year wise equity inflows are elaborated as follows:

S. Nos.	Financial Year (April – March)	Amount of FDI Inflows In ₹ million	In U.S.$ million	% growth over previous year (in terms of U.S.$)	
1.	2000-2001	107,330	2,463		
2.	2001-2002	186,540	4,065	(+)	65%
3.	2002-2003	128,710	2,705	(-)	33%
4.	2003-2004	100,640	2,188	(-)	19%
5.	2004-2005	146,530	3,219	(+)	47%
6.	2005-2006	245,840	5,540	(+)	72%
7.	2006-2007	563,900	12,492	(+)	125%
8.	2007-2008	986,420	24,575	(+)	97%
9.	2008-2009	1,428,290	31,396	(+)	28%
10.	2009-2010	1,231,200	25,834	(-)	18%
11.	2010-2011	973,200	21,383	(-)	17%
12.	2011-2012[(2)]	1,651,460	35,121	(+)	64%
13.	2012-2013	1,219,070	22,423	(-)	36%
14.	2013-2014	1,475,180	24,299	(+)	8%
15.	2014-2015	1,891,070	30,931	(+)	27%
16.	2015-2016[(1)]	2,623,220	40,001	(+)	29%
17.	2016-2017[(1)]	2,916,960	43,478	(+)	9%
18.	2017-2018[(1)]	2,888,890	44,857	(+)	3%
19.	2018-2019	3,098,670	44,366	(-)	1%
20.	2019-2020	3,535,580	49,977	(+)	13%
21.	2020-2021	4,425,690	59,636	(+)	19%
22.	2021-2022 (up to June 2021)	1,293,200	17,569		-
	CUMULATIVE TOTAL (from April 2000 to June 2021)	**33,043,340**	**547,322**		–

Notes:

(1) Figures for the years 2015-2016 to 2018-2019 are provisional subject to reconciliation with the RBI.

(2) Inflows for the month of March 2012 are as reported by the RBI, consequent to the adjustment made in the figures of March 2011, August 2011 and October 2011.

Out of the total FDI inflows as mentioned, an amount of Rs. 855,195 million (U.S.$15,368 million) has been invested in the power sector during April 2000 to June 2021. (*Source:* https://dpiit.gov.in/sites/default/files/FDI_Factsheet_June2021.pdf)

Further, in recent years, in light of persistent power shortages and given the estimated rate of increase in demand for electricity in India, the Government has taken significant action to restructure the power sector, increase capacity, improve transmission, sub-transmission and distribution, and attract investment to the sector. Some of the various strategies and reforms adopted by the Government and other initiatives in the power sector in India are summarized below:

Electricity Act, 2003

The Electricity Act is a Central legislation relating to generation, transmission, distribution, trading and use of electricity that seeks to replace the multiple legislations that govern the power sector. The Electricity Act aims to enable measures to be taken for the development of the electricity industry, promote competition, protect interest of consumers and supply of electricity to all areas, rationalize electricity tariff, ensure transparent policies regarding subsidies, promote efficient and environmentally benign policies, constitute the Central Electricity Agency and establish the Appellate Tribunal. The most significant reform initiative under the Electricity Act was the move towards a multi-buyer, multi-seller system as opposed to the existing structure which permitted only a single buyer to purchase power from power generators. In addition, the Electricity Act grants the electricity regulatory commissions freedom in determining tariffs. Under the Electricity Act, no license is required for generation of electricity if the generating station complies with the technical standards relating to connectivity with the grid. The Electricity Act was amended in 2007 to exempt captive power generation plants from licensing requirements for supply to any licensee or consumer and further amended in 2010 to provide that any developer of a special economic zone (**SEZ**) notified shall be deemed to be a licensee under the Electricity Act.

Electricity (Amendment) Bill, 2022

The Electricity (Amendment) Bill, 2022 introduced by the government seeks to amend the Electricity Act to facilitate non-discriminatory open access to the the distribution network of a distribution licensee. The Electricity (Amendment) Bill, 2022 was introduced in the Lok Sabha on August 8, 2022 and has been referred to the Parliamentary Standing Committee on Energy.

National Electricity Policy, 2005

The National Electricity Policy was notified in February 2005. This policy aims at accelerated development of the power sector, focusing on the supply of electricity to all areas and protecting the interests of consumers and other stakeholders, keeping in view the availability of energy resources and technology available to exploit these resources, economics of generations using different resources and energy security issues.

National Tariff Policy, 2016

In 2016, the Government, under the Electricity Act, notified the revised National Tariff Policy (the **Tariff Policy**) that replaces the existing tariff policy of 2006. The goals of the Tariff Policy are to ensure availability of electricity to consumers at reasonable and competitive rates, ensure the financial viability of the power sector, attract investment to the power sector, promote regulatory transparency, consistency and predictability across jurisdictions, minimize perceptions of regulatory risks, promote competition, ensure operational efficiency, improve the quality of the power supply, promote generation of electricity from renewable sources, promote hydroelectric power generation including pumped storage projects (**PSP**) to provide adequate peaking reserves, reliable grid operation and integration of variable renewable energy sources, evolve a dynamic and robust electricity infrastructure for better consumer services, facilitate supply of adequate and uninterrupted power to all categories of consumers and ensure creation of adequate capacity including reserves in generation, transmission and distribution in advance, for reliability of supply of electricity to consumers. The Tariff Policy mandates that the relevant ERCs must reserve a minimum percentage for the purchase of solar energy equivalent to 8 per cent. of total consumption of energy by March 2022. In order to further encourage renewable sources of energy, the Tariff Policy mandates that no inter-State transmission charges and losses shall be levied until such period as may be notified on transmission of the electricity generated from solar power plants through the inter-State transmission system for sale. For transmission, the Tariff Policy aims to ensure optimal development of the transmission network with adequate margin for reliability, by efficient utilization of generation and transmission assets and attracting investment providing adequate returns. The benefits of improved efficiency and new technology are passed on to consumers through reduced tariffs. It emphasizes the need for the appropriate regulator to ensure the recovery of all prudent costs when approving the financial restructuring of a transmission company.

The Tariff Policy requires all future power requirements be procured competitively by distribution licensees except for the expansion of pre-existing projects or State Government owned or controlled companies. Regulators must resort to tariffs set by reference to standards of CERC, provided generating capacity expansion by private developers for this purpose is restricted to a one-time addition of not more than 100 per cent. of the existing capacity. Under the Tariff Policy, tariffs for all new generation and transmission projects are decided on a competitive bidding basis.

Rural Electrification Initiatives – Deendayal Upadhyaya Gram Jyoti Yojana

In April 2005, the GoI launched the Rajiv Gandhi Grameen Vidyutikaran Yojana (**RGGVY**), a comprehensive programme merging within it all the ongoing rural electrification schemes with the aim to further strengthen the pace of rural electrification and with the initial objective of electrifying over one lakh un-electrified villages and to provide free electricity connections for 17.3 million rural BPL households under the ambit of the Bharat Nirman Electrification plan. Under the RGGVY, electricity distribution infrastructure is envisaged to establish a rural electricity distribution backbone with at least a 33/11 kV sub-station in a block, a village electrification infrastructure with at least a distribution transformer in a village or hamlet, and standalone grids with generation where grid supply is not feasible. Subsidy towards capital expenditure to the tune of 90 per cent. is being provided, through our Company, which is a nodal agency for the implementation of the scheme. The RGGVY scheme has been subsumed into the new 'Deendayal Upadhyaya Gram Jyoti Yojana' (**DDUGJY**) scheme which was approved by the GoI in an office memorandum dated December 3, 2014. Electrification of un-electrified BPL households is being financed with a 100 per cent. capital subsidy at Rs. 3,000 per connection in all rural habitations. The services of CPSUs are available to the states for assisting them in the implementation of rural electrification projects.

The RGGVY scheme has been subsumed into the DDUGJY scheme according to the GoI's notification on December 3, 2014. The components of the scheme are:

(i) to separate agriculture and non-agriculture feeders for providing an adequate supply to agricultural and non-agricultural consumers in rural areas;

(ii) strengthening and augmentation of sub-transmission and distribution infrastructure in rural areas including metering of feeders, distribution transformers and consumers; and

(iii) rural electrification work covered under the erstwhile RGGVY subsumed into the DDUGJY.

The components at (i) and (ii) will have an estimated outlay of Rs. 430,330 million including budgetary support of Rs. 334,530 million from the GoI during the entire implementation period. For component (iii) above, a scheme cost of Rs. 392,750 million including a budgetary support of Rs. 354,470 million has been approved.

Our Company is the nodal agency for operationalization of the scheme and our Company would be paid 0.5 per cent. of the total project cost as an agency fee.

Household Electrification Initiatives – Saubhagya

On September 25, 2017, the Government launched a Rs. 163.5 billion household electrification scheme named Pradhan Mantri Sahaj Bijli Har Ghar Yojana (translated as the Prime Minister's Program to provide easy electricity access to all households), or 'Saubhagya'.

The objective of the 'Saubhagya' is to provide energy access to all by last mile connectivity and electricity connections to all remaining un-electrified households in rural as well as urban areas. Projects under the scheme would be sanctioned based on the Detailed Project Reports to be submitted by the States, prepared by the State DISCOMs/Power Department and sanctioned by an inter-ministerial Monitoring Committee headed by the Secretary (Power), Government of India. Considering an average load of 1 KW per household and average uses of load for 8 hours in a day, estimated rise in demand for power after the inclusion of all households will be about 28,000 MW. With the enhancement of income and the habit of using electricity, the demand of electricity is bound to increase. Access to electricity is also expected to boost power-based ancillary economic and business activities, which will further increase the demand for power.

Our Company has been entrusted with the responsibility of operationalization of the Saubhagya scheme throughout India and will act as the nodal agency.

Ultra Mega Power Projects

For meeting the growing needs of the economy, generation capacity in India must rise significantly and sustainably over the coming decades. There is therefore a need to develop large capacity projects at the national level to meet the requirements of different states. Development of UMPPs is one of the steps that the MoP is taking to meet this objective. Each project is a minimum of 4,000 MW and involves an estimated investment of approximately U.S.$4 billion. The projects are expected to substantially reduce power shortages in India. The UMPPs will be awarded to developers on a build-own-operate basis and are expected to be built at 16 different locations.

Independent Transmission Projects (ITP)

The MoP has initiated a tariff-based competitive bidding process for ITPs, which is a process similar to that followed for UMPPs, for the development of transmission systems through private sector participation. The ITPs aim to evacuate power from generating stations and transmit the power from pooling stations to other grid stations, resulting in system strengthening across India. (*Source: website of the MoP*)

Hydro Power Policy 2008

The Hydro Power Policy 2008 emphasizes increasing private investment in the development of hydroelectric projects. The policy aims at attracting private funds by encouraging joint ventures with private developers and the use of the IPP model, in addition to promoting power trading and speeding up the availability of statutory clearances. The policy provides guidelines for accelerated development of the hydropower industry in India, particularly in the Himalayan States. (*Source: www.powermin.nic.in, Hydropower Policy 2008, MoP*)

National Solar Mission

The Ministry of New and Renewable Energy (**MNRE**) has approved a new policy on the development of solar energy in India by the Jawaharlal Nehru National Solar Mission. The mission recommends the implementation of an installed capacity of 100,000 MW by the end of the 13th Five Year Plan. It proposes to establish a single window investor-friendly mechanism, which reduces risk and, at the same time, provides an attractive, predictable and sufficiently adequate tariff for the purchase of solar power from the grid. The key driver for promoting solar power would be through a renewable purchase obligation mandated for power utilities, with a specific solar component. (*Source: www.mnre.gov.in*)

Restructured Accelerated Power Development and Reform Program

The GoI introduced the Accelerated Power Development Program (**APDP**) in Fiscal 2001 as part of the reform of the Indian power sector. During the 10th Five Year Plan, the GoI subsequently upgraded the APDP programme to the APDRP in Fiscal 2003. In July 2008, the APDRP was restructured and the MoP launched the R-APDRP.

The R-APDRP is a GoI initiative launched for implementation during the 11th Five Year Plan. The focus of the programme is the actual demonstrable performance in terms of sustained loss reduction, establishment of reliable and automated systems for collection of accurate and reliable baseline data, and adoption of IT in the areas of energy accounting and the implementation of regular distribution strengthening projects. The programme envisaged objective performance evaluation of utilities in terms of AT&C losses.

Under the R-APDRP, projects are being undertaken in two parts. Part – A includes the projects for the establishment of baseline data and IT applications for energy accounting as well as IT-based customer care centers and Part – B includes the regular strengthening projects.

IPDS

The President of India sanctioned the launch and implementation of the "Integrated Power Development Scheme" (**IPDS**) with the following components:

(i) strengthening of sub-transmission and distribution networks in urban areas;

(ii) metering of distribution transformers, feeders and consumers in urban areas; and

(iii) IT enablement of the distribution sector and strengthening of the distribution network, according to the CCEA approval dated June 21, 2013 for the completion of the targets laid down under the R-APDRP for the 12th and 13th Plans by carrying forward the approved outlay for the R-APDRP to the IPDS.

The components at (i) and (ii) above will have an estimated outlay of Rs. 326,120 million including a budgetary support of Rs. 253,540 million from the GoI during the entire implementation period.

The scheme of R-APDRP as approved by CCEA for continuation in the 12th and 13th Plans will get subsumed in this scheme as a separate component relating to IT enablement of the distribution sector and strengthening of the distribution network component (iii) above for which CCEA has already approved the scheme cost of Rs. 440,110 million, including a budgetary support of Rs. 227,270 million. (*Source: http://powermin.nic.in/upload/pdf/Integrated_Power_Development_Scheme.pdf*)

Atmanirbhar Bharat Abhiyan

In response to COVID-19 related economic distress, the Government of India announced on May 12, 2020 government reforms and incentives across seven sectors under "Atmanirbhar Bharat Abhiyaan", a special economic and comprehensive package of Rs. 20 trillion, equivalent to 10 per cent. of India's GDP, for a Self-Reliant India Movement.

The package is proposed to cushion the economy of India and aims at having a self-reliant India by focusing on the need to manufacture international quality products to export to other countries. Following are key highlights of the package announced. (*Source: Press Information Bureau of India – Ministry of Finance Releases*)

As part of the package, Finance Minister Nirmala Sitharaman had announced Rs. 900 billion liquidity infusion into cash strapped DISCOMs facing demand slump due to the COVID-19 crisis. This package was later increased to Rs. 1,200 billion by the Ministry of Power. The loan disbursements under the package are co-funded by REC and PFC in equal proportion.

STRUCTURE OF INDIA'S FINANCIAL SERVICES INDUSTRY

The RBI is the central regulatory and supervisory authority for the Indian financial system. The Board for Financial Supervision, constituted in November 1994, is the principal body responsible for the enforcement of the RBI's statutory regulatory and supervisory functions. SEBI and the IRDA regulate the capital markets and the insurance sectors, respectively.

A variety of financial institutions and intermediaries, in both the public and private sectors, participate in India's financial services industry. These are:

- commercial banks;
- small banks and payment banks;
- long-term lending institutions;
- NBFCs, including housing finance companies;
- other specialized financial institutions and state-level financial institutions;
- insurance companies; and
- mutual funds.

Debt Market in India

The Indian debt market has two segments; namely, the government securities market and the corporate debt market.

Government securities market

During the years 2010 and 2011, the RBI undertook various measures related to the development of the Government securities (**G-Sec**) market. In particular, a working group was set up to examine ways to enhance liquidity in the G-Sec and interest rate derivatives markets.

Change in Auction Timing of G-Secs – To improve the efficiency of the auction process of G-Secs, GoI dated securities, treasury bills (**T-Bills**), cash management bills, and state development loans, the timings for primary auction under competitive bidding have been revised from 10.30am-12.30pm to 10.30am-12 noon from April 13, 2012. This will permit more time for secondary market transactions for the securities auctioned on that day.

Extension of DvP-III facility to Gilt Account Holders – To extend the benefits of net settlement of securities and funds in the G-Sec market to gilt account holders (**GAHs**), the DvP III facility was extended in July 2011 to all transactions undertaken by GAHs, except those undertaken between GAHs of the same custodian.

Revised Guidelines for Authorization of PDs – To make the primary dealer (**PD**) authorization policy more transparent and ensure that new PDs have sound capital and adequate experience/expertise in the G-Sec market, the PD authorization guidelines were revised in August 2011. The applicant entity is required to be registered as an NBFC and should have exposure in the securities business, in particular to the G-Sec market, for at least one year prior to the submission of an application for undertaking PD business.

Working Group on Enhancing Liquidity in the G-Sec and Interest Rate Derivatives Markets – Considering the important role of the G-Sec market and the prominence of G-Sec in the investment portfolio of financial institutions, particularly banks, the RBI has been constantly reviewing the developments to further broaden and deepen this market. Despite the developments in the G-Sec market in the past two decades, it was deemed necessary to promote liquidity in the secondary market for G-Secs, especially across the yield curve. As part of this endeavor, the RBI set up a working group (Chairman: Mr. R. Gandhi) in December 2011, comprising various stakeholders, to examine and suggest ways to enhance secondary market liquidity in the G-Sec market and interest rate derivatives markets. The group submitted its report on August 10, 2012.

*Direct Access to Negotiated Dealing System – Order Matching (**NDS-OM**)* – In November 2011, direct access to NDS-OM was extended to licensed urban cooperative banks and systemically important non-deposit taking non-banking financial companies (**NBFC-ND-SIs**) that fall under the purview of Section 45-I(c)(ii) of the RBI of India Act, 1934, subject to compliance with the stipulated financial norms and procurement of an NOC from the respective regulatory departments.

Introduction of a Web-based System for Access to NDS-Auction and NDS-OM – To facilitate direct participation by the retail and mid-segment investors in G-Sec auctions, the RBI has allowed web-based access to the negotiated dealing system (**NDS**)-auction developed by the Clearing Corporation of India Limited. The system allows GAHs to directly place their bids in the G-Sec auction through a primary member's portal, as against the earlier practice wherein the primary member used to combine bids of all constituents and bid in the market on their behalf. A similar web-based access to the NDS-OM system for secondary market transactions has been permitted since June 2012.

Extension of Short Sale Period from Five Days to Three Months – Short selling plays an important role in price discovery, promoting liquidity and better risk management. With the re-introduction of IRFs on exchanges, there was a need to revisit the guidelines on short selling to ensure parity between the cash and futures market vis-à-vis short selling. Accordingly, the period of short sale was extended from five days to three months from February 1, 2012. This is expected to stimulate the IRF market by helping participants to hedge or arbitrage more effectively, and to develop the term repo market. (*Source: www.rbi.org.in/scripts/annualreportpublications.aspx?Id=1042*)

During 2021-22, the gross market borrowings of GoI through dated G-secs was lower by 17.7 per cent. as compared with the previous year. Net market borrowings through dated G-secs decreased by 24.5 per cent. as compared with that of previous year. Net market borrowings through date G-secs financed 54.2 per cent. of the central government's revised gross fiscal deficit (**GFD**) as against 62.9 per cent. in the previous year. The net market borrowings through dated securities and T-Bills taken together decreased by 32.4 per cent. as compared with that of the previous year.

The net short-term market borrowing of the government through T-Bills (91, 182 and 364 days) decreased to Rs. 9,298,351 Crore during 2021-22 as against Rs. 1,375,654 Crore in the previous year.

The weighted average yield (**WAY**) of G-sec issuances duringthe year increased by 49 basis points (**bps**) as compared to the WAY of the previous year. The weighted average coupon on the entire outstanding debt stock however decreased by 16 bps. The weighted average maturity (**WAM**) of primary issuances (excludes issuances under switch auction) increased to 16.99 years from 14.49 yearsin the previous year. The WAM of the outstanding debt increased from 11.31 years to 11.71 years.

The G-sec yields hardened during the year largely due to expectations of monetary policy normalisation measures by major central banks, rise in crude oil prices and changes in the Reserve Bank's liquidity measures aiming at rebalancing systemic liquidity. The 10-year bond yield hardened by 66 bps from 6.18 per cent. as at end-March 2021 to 6.84 per cent. as at end-March 2022. In the first two months of Q1:2021-22, yields declined due to the G-sec acquisition programme (**G-SAP**) and open market operations (**OMOs**) conducted by the Reserve Bank. However, the decline in yields was partly offset in June 2021 tracking the release of higher than expected CPI inflation figures for May and increase in crude oil prices. The 10-year yield softened by 13 bps in Q1. In Q2:2021-22, the G-sec yields initially softened due to lower than expected CPI inflation for June and July. However, the yields gained after the announcement of variable rate reverse repo (**VRRR**) auctions for liquidity rebalancing. The 10-year yield rose by 17 bps in Q2. Further hardening of the yields was witnessed in Q3:2021-22 with the 10-year yield increasing by 23 bps, mainly driven by rise in crude oil prices, higher cut-offs at VRRR auctions and rise in government bond yields in major economies. In Q4:2021-22, the announcement of higher than expected market borrowing by the central government in the Union Budget for 2022-23, the geopolitical uncertainties arising out of Russia-Ukraine conflict leading to a sharp rise in crude oil and other commodity prices and a rise in yields in major economies in the wake of policy normalisation measures by major central banks led to further firming up of the 10-year yield by 39 bps.

During 2021-22, about 58.2 per cent. of the market borrowings was raised through issuance of dated securities with a residual maturity of 10 years and above as compared with 49.0 per cent. in the previous year. Further, the 30-year and 40-year tenor securities were issued/re-issued during the year with the objective of catering to the demand from long-term investors such as insurance companies and pension funds.

The weighted average cut-off yield of SDL issuances during 2021-22 was higher at 6.98 per cent. than 6.55 per cent in the previous year. The weighted average spread (**WAS**) of SDL issuances over comparable central government securities was lower at 40.95 bps in 2021-22 as compared with 52.72 bps in the previous year. In 2021-22, twenty-one states and two union territories issued dated securities of tenors other than 10 year, ranging from 2 to 35 year. Seven states and one union territory rejected all bids in one or more of the auctions. The average inter-state spread on securities of 10-year tenor (fresh issuances) was 4 bps in 2021-22 as compared with 10 bps in 2020-21.

Corporate debt market

Pursuant to the guidelines of the High Level Expert Committee on Corporate Bonds and Securitization (December 2005) and the subsequent announcement made in the Union Budget 2006-07, SEBI authorized BSE (January 2007), NSE (March 2007) and the Fixed Income Money Market and Derivatives Association of India (**FIMMDA**) (August 2007) to set up and maintain corporate bond reporting platforms for information related to trading in corporate bonds.

BSE and NSE put in place corporate bonds trading platforms in July 2007 to enable efficient price discovery in the market. This was followed by the operationalization of a DvP-I (trade-by-trade)-based clearing and settlement system for over-the-counter trades in corporate bonds by the clearing houses of the exchanges. In view of these market developments, the RBI announced in its second quarter review of the annual policy statement for 2009-10, in October 2009, that the repo in corporate bonds could now be introduced. The RBI issued the Repo in Corporate Debt Securities (Reserve Bank of India) Directions, 2010, on January 8, 2010.

The private placement of corporate bonds decreased to Rs. 5,880,369 million (through 1,405 issues) in FY 2022 from Rs. 7,718,399 million (through 1,995 issues) in FY 2021. (*Source: SEBI Website: https://www.sebi.gov.in/statistics/corporate-bonds/privateplacementdata.html*)

NBFC – Infrastructure Finance Companies

In February 2010, the RBI introduced IFCs as a new category of infrastructure funding entities. Non-deposit taking NBFCs which satisfy the following conditions are eligible to apply to the RBI to seek IFC status:

- a minimum of 75 per cent. of its assets deployed in infrastructure loans;
- net owned funds of at least Rs. 3,000 million;
- minimum credit rating "A" issued by any SEBI-registered credit rating agency; and
- capital to risk (weighted) assets ratio of 15 per cent. (with a minimum Tier 1 capital of 10 per cent.).

IFCs enjoy relaxation in their single party and group exposure norms and in turn lend more to the infrastructure sector. For more information, see the section titled "*Regulations and Policies - Classification of Infrastructure Finance Companies*" on page 258 of this Offering Circular.

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, international development institutions and private banks. Besides our Company, the other public sector companies and agencies engaged in financing the power sector are as follows.

Power Finance Corporation Limited

PFC was incorporated in July 1986, with the main objective of financing power projects, transmission and distribution works and the renovation and modernization of power plants. PFC is a PSU and its main objective is to provide financial resources and encourage flow of investments to the power and associated sectors, to work as a catalyst to bring about institutional improvements in streamlining the functions of its borrowers in financial, technical and managerial areas to ensure optimum utilization of available resources and to mobilize various resources from domestic and international sources at competitive rates.

Indian Renewable Energy Development Agency

The Indian Renewable Energy Development Agency (**IREDA**) is a wholly owned government company, which is registered as an NBFC and has been notified as an IFC. It was established in 1987, under the administrative control of the Ministry of Non-Conventional Energy Sources of the Government, with the objective of promoting, developing and extending financial assistance for renewable energy, energy efficiency and energy conservation projects.

Private 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 to the industry in the form of loans, underwriting, direct subscription to shares, debentures and guarantees, and therefore they compete in the Indian power finance sector. The primary long-term lending institutions include Infrastructure Development Finance Company Limited and PTC India Financial Services Limited.

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. Examples include the Delhi Financial Corporation, the Delhi State Industrial Development Corporation Limited, the Economic Development Corporation of Goa, Daman and Diu Limited, the Goa Industrial Development Corporation, the Western Maharashtra Development Corporation Limited, the Madhya Pradesh State Industrial Development Corporation Limited and the Orissa Industrial Infrastructure Development Corporation. (*Source: Website for the Council of State Industrial Development and Investment Corporations of India*)

Public Sector Banks and other Public Sector Institutions

Public sector banks are believed to make up the largest category of banks in the Indian banking system. The primary public sector banks operating in the power sector include the IDBI Bank, SBI, Punjab National Bank and the Bank of Baroda. Other public sector entities also provide financing to the power sector. These include organizations such as the Life Insurance Corporation of India, India Infrastructure Finance Company Limited, IFCI Limited and Small Industries Development Bank of India. During the financial year ended March 31, 2020, ten of the Public Sector Banks were merged into four entities. These included the merger of United Bank of India and Oriental Bank of Commerce with Punjab National Bank, Syndicate Bank merger with Canara Bank, Allahabad Bank merger with Indian Bank and merger of Andhra Bank and Corporation Bank with Union Bank of India. The merger has come into effect from April 1, 2020.

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 the Japan Bank for International Cooperation, KfW, the World Bank, ADB and the International Finance Corporation.

In the early 1990s, the World Bank decided to mainly finance projects in states that "demonstrate a commitment to implement a comprehensive reform of their power sector, privatize 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 Indian states that have agreed to reform their power sector.

The overall strategy of the ADB 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.

REGULATIONS AND POLICIES

This section provides a brief overview of the Indian statutory and regulatory framework governing activities in the infrastructure financing industry in India. The regulations set out below may not be exhaustive, and are only intended to provide general information to potential investors and are neither designed nor intended to be a substitute for professional legal advice, and are a generic narration of the Indian laws applicable to the Company as on the date of this Offering Circular. Taxation statutes such as the Income Tax Act, the GST Act and other miscellaneous rules, regulations, guidelines and statutes, apply to the Company as they do to any other Indian company. The statements below are based on the current provisions of Indian laws as in force and effect on the date of this Offering Circular, and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.

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REGULATIONS GOVERNING NBFCs

*The Company is a Non-Banking Finance Company, that is Non-Deposit taking and Systemically Important (**NBFC-ND-SI**) and is notified as a public financial institution under section 2(72) of the Companies Act, 2013, as amended from time to time (corresponding to the erstwhile Section 4A of the Companies Act, 1956) and also classified as an Infrastructure Finance Company (IFC) by the RBI by its letter dated September 17, 2010. The Company is a leading public financial institution in the Indian power infrastructure sector and is engaged in the financing and promotion of transmission, distribution and generation projects throughout India. The business activities of NBFCs and public financial institutions are regulated by various RBI regulations and guidelines, but as a Government company, the Company has the benefit of certain exemptions/extensions that have been granted, along with tax-related exemption for instruments issued by the Company as per directives of Ministry of Finance, Government of India (GoI) as further described below.*

NBFCs are primarily governed by the Reserve Bank of India Act, 1934, as amended (the **RBI Act**), Systemically Important NBFC Directions and the Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016, as amended. Additionally, NBFCs are also governed by various circulars, notifications, guidelines and directions issued by the RBI from time to time. These include but are not limited to directions and guidelines in relation to fraud, appointment of statutory auditors, information technology requirements, outsourcing of financial services and information technology services, fair practices norms, proper maintenance and preservation of account information, data retrieval requirements, integrated ombudsman and internal ombudsman, microfinance, lending to priority sectors, appointment of chief risk officer, compensation of key managerial personnel and senior management and their related compensation policies and bank finance to NBFCs.

The RBI Act

The RBI Act defines an NBFC under Section 45-I (f) as:

(a) a financial institution which is a company;

(b) 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;

(c) such other non-banking institution or class of such institutions, as RBI may, with the previous approval of the central government and by notification in the official gazette of India, 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. Section 45-I (c) of the RBI Act defines a "financial institution" as a non-banking institution carrying on as its business or part of its business, among other activities, the financing, whether by way of making loans or advances or otherwise, of any activity, other than its own. Also, section 45-I (e) of the RBI Act defines a "non-banking institution" as a company, corporation or cooperative society.

The RBI has clarified that, while identifying a company as an NBFC, it will consider both the assets and the income pattern from the last audited balance sheet to decide its principal business. A company will be treated as a NBFC if: (a) 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 the principal business of a company.

NBFCs which are Government companies in which not less than 51 per cent. of the paid up capital is held by the central government or by any state government or partly by the central government and partly by one or more state governments, and includes a company which is a subsidiary of a Government company (**Government NBFCs**) were exempted by RBI from the applicability of certain sections of the RBI Act and Systemically Important NBFC Directions. However, pursuant to a notification dated May 31, 2018, Government NBFCs which were previously exempt from the Systemically Important NBFC Directions and certain income recognition, asset classification, provision requirements, capital adequacy requirements, concentration of credit and investments and corporate governance requirements must comply in the same way as non-Government companies at the latest by March 31, 2022 (**Withdrawal Notification**). Additionally, the Withdrawal Notification permits Government NBFCs set up to serve specific sectors to approach the RBI for exemptions for credit/investment concentration norms.

The RBI Act states that an NBFC shall commence or carry on the business of a non-banking financial institution after obtaining a certificate of registration (**CoR**) and having a minimum net owned fund of Rs. 2.5 million or such amount not exceeding Rs. 1,000 million as may be notified by RBI, provided that RBI may notify different amounts of net owned funds for different categores of NBFCs. NBFCs that do not accept deposits from the public also need to obtain a CoR, however the same will not authorize them to accept public deposits. All NBFCs are required to submit a certificate from their statutory auditors every year stating that they continue to undertake the business of a non-banking financial institution.

Systemically Important NBFC Directions

The RBI has issued the Non-Banking Financial Company — Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, as amended from time to time (**Systemically Important NBFC Directions**). NBFC-NDs must comply with prescribed capital adequacy ratios, income recognition, asset classification and provisioning requirements applicable to NBFCs, exposure norms, constitution of audit committee, disclosures in the balance sheet, restrictions and concentration of credits and investments, norms for restructuring of advances and flexible structuring of long-term project loans to infrastructure and core industries, single and group exposure norms and other prudential requirements prescribed.

These norms are being implemented by the Company, to the extent applicable. Our Company was exempted from applicability of RBI's credit concentration norms for exposure to central/state government entities, up to March 31, 2022. Subsequent to March 31, 2022, RBI, vide its letter dated August 24, 2022, has not acceded to our Company's request for exemption from credit concentration norms for government sector borrowers. While RBI has allowed the existing breaches of the Company (as on the date of the letter referenced above) to continue until maturity without invoking any regulatory violation, any new exposures must conform to the prescribed concentration norms. As of the date of this Offering Circular, we have not taken any new exposures which exceed the concentration norms post August 24, 2022 in accordance with RBI's response letter referenced above.

Classification of Infrastructure Finance Companies

All NBFC-NDs with an asset size of Rs. 5,000 million or more in accordance with the last audited balance sheet will be considered as an NBFC-ND-SI. Prudential regulations such as capital adequacy requirements and exposure norms are made applicable to them by the RBI. An Infrastructure Finance Company (**IFC**) NBFC-ND-SI in addition fulfils the following criteria:

(a) a minimum of 75 per cent. of its total assets deployed in "infrastructure loans";

(b) net owned funds of Rs.3 billion or above;

(c) minimum credit rating 'A' issued by any SEBI-registered credit rating agency; and

(d) CRAR of at least 15 per cent. (with a minimum Tier I capital of 10 per cent.).

The Company is a Government-owned IFC NBFC-ND-SI and consequently is subject to the following lending and investment norms in private sector:

(a) lend to: (i) any single borrower exceeding 25 per cent. of its owned fund; and (ii) any single group of borrowers exceeding 40 per cent. of its owned fund;

(b) invest in: (i) the shares of another company exceeding 15 per cent. of its owned fund; and (ii) the shares of a single group of companies exceeding 25 per cent. of its owned fund; or

(c) lend and invest (loans/investments taken together) exceeding: (i) 30 per cent. of its owned fund to a single party; and (ii) 50 per cent. of its owned fund to a single group of parties.

Our Company has been following the credit concentration norms in respect of the private sector borrowers. However, in respect of exposure to central/state government entities, RBI had allowed, vide its letter dated June 16, 2016, an exemption to our Company from applicability of concentration of credit/investment norms until March 31, 2022. As such, our maximum credit exposure limits to such utilities varies from 50 per cent. to 250 per cent. of our net worth, depending on the entity appraisal and status of unbundling of the respective state utilities.

Subsequent to March 31, 2022, RBI, vide its letter dated August 24, 2022, has not acceded to our Company's request for exemption from credit concentration norms for government sector borrowers. While RBI has allowed the existing breaches of the Company (as on the date of the letter referenced above) to continue until maturity without invoking any regulatory violation, any new exposures must conform to the prescribed concentration norms. As of the date of this Offering Circular, we have not taken any new exposures which exceed the concentration norms post August 24, 2022 in accordance with RBI's response letter referenced above.

Private Placement Guidelines

The RBI's Systemically Important NBFC Directions contain provisions with respect to NBFCs raising money through private placement of non-convertible debentures (**NCDs**) of maturity of more than one year. NBFC-ND-SIs need a board-approved policy for resource planning which, *inter alia*, should cover the planning horizon and the periodicity of private placement. The Company is governed by the following instructions:

(a) The minimum subscription per investor is Rs. 20,000.

(b) The issuance of private placement of NCDs shall be in two separate categories, those with a maximum subscription of less than Rs. 10 million and those with a minimum subscription of Rs. 10 million and above per investor.

(c) There shall be a limit of 200 subscribers for every financial year, for issuance of NCDs with a maximum subscription of less than Rs. 10 million, and such subscription shall be fully secured.

(d) There shall be no limit on the number of subscribers in respect of issuances with a minimum subscription of Rs. 10 million and above and the option to create security in favor of subscribers shall be with the issuers. Such unsecured debentures are not treated as public deposits.

(e) An NBFC shall issue debentures only for deployment of funds on its own balance sheet and not to facilitate resource requests of group entities, parent company or associates.

(f) An NBFC cannot extend loans against the security of its own debentures (issued either by way of private placement or public issue).

The Company, in respect of any private placements of debentures, needs to comply with the regulations of SEBI from time to time. These include, but are not limited to, the following: (i) the electronic booking platform provided by a recognized stock exchange for any issuance by the Company by way of a private placement of securities. The bidding mechanism applies to: (a) a single issue, inclusive of green shoe option, if any, of Rs. 1 billion or more; (b) a shelf issue, consisting of multiple tranches, which cumulatively amounts to Rs. 1 billion or more, in a financial year; or (c) a subsequent issue, where aggregate of all previous issues by an issuer in a financial year equals or exceeds Rs. 1 billion. Participants are then required to submit their bids through this platform to purchase securities.

The Company may be required to: (i) provide certain information and do certain acts in this respect; and (ii) provide circulars relating to the clubbing of international securities identification numbers for frequent issuers of debt issues with the same tenor during a quarter who, then, may club issuances under the same umbrella international securities identification numbers.

Measures for Capital Augmentation by NBFCs

NBFC-ND-SIs which meet the criteria prescribed in the Systemically Important NBFC Directions, may augment their capital funds by the issuance of perpetual debenture instruments in accordance with certain specified guidelines. Such perpetual debenture instruments shall be eligible for inclusion as Tier I capital to the extent of 15 per cent. of the total Tier I capital as of March 31 of the previous accounting year. NBFC-ND-SIs may augment their Tier II capital by the issuance of hybrid capital instruments and subordinated debt within certain specified guidelines. Perpetual debenture instruments issued in excess of 15 per cent. will be included in Tier II capital, subject to the proviso that Tier II capital does not exceed Tier I capital.

Non-Performing Assets

The Company is subject to asset classification and provisioning norms including identifying Stage 3 Assets, standard assets, sub-standard assets, doubtful assets and loss assets. The Company adopted Ind-AS from April 1, 2018 and assets are being recognized as stage 1, stage 2 and stage 3 assets as follows:

(a) financial instruments that are not credit impaired on initial recognition including any loan account which is up to 30 days overdue on its contractual payments (**Stage 1 Assets**);

(b) financial instruments where a significant increase in credit risk (**SICR**) is identified including any loan account which is more than 30 days and up to 90 days overdue on its contractual payments (**Stage 2 Assets**); and

(c) financial instruments that are credit-impaired including any loan account which is more than 90 days overdue on its contractual payments (**Stage 3 Assets**).

RBI requires applicable regulatory ratios, limits and disclosures, including as required under the Systemically Important NBFC Directions, to be based on Ind-AS figures. NBFCs are required to hold impairment allowances under Ind-AS , whilst also maintaining provisioning required by RBI prudential norms and maintain an 'impairment reserve' making up the shortfall, if any, between impairment allowance and provisioning required by RBI which cannot be reckoned for regulatory capital.

Norms for excessive interest rates

Interest rates beyond a certain level may be seen to be excessive and can neither be sustainable nor be conforming to normal financial practice. Boards of applicable NBFCs, therefore, are required to lay out appropriate internal principles and procedures in determining interest rates and processing and other charges. The Board of each applicable 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.

Asset Liability Management

The management of NBFCs is required to base its business decisions on a dynamic and integrated risk management system and process, driven by corporate strategy. It is, therefore, important that NBFCs introduce effective risk management systems that address the issues relating to interest rate and liquidity risks.

NBFCs are exposed to several major risks in the course of their business – credit risk, interest rate risk, equity / commodity price risk, liquidity risk and operational risk. It is, therefore, important that NBFCs introduce effective risk management systems that address the issues relating to interest rate and liquidity risks. The initial focus of the Asset Liability Management (**ALM**) function shall be to enforce the risk management discipline or manage the business after assessing the risks involved. The objective of good risk management systems shall be that these systems will evolve into a strategic tool for the management of NBFCs.

The ALM process rests on three pillars: (I) ALM Information Systems: (i) Management Information Systems; (ii) Information availability, accuracy, adequacy and expediency; (II) ALM Organization:- (i) Structure and responsibilities; (ii) Level of top management involvement; (III) ALM Process:- (i) Risk parameters; (ii) Risk identification; (iii) Risk measurement; (iv) Risk management; and (v) Risk policies and tolerance levels.

KYC Guidelines

All applicable NBFCs having customer interfaces are required to follow the Master Direction – Know Your Customer (**KYC**) Directions, 2016, as amended from time to time (**KYC Master Directions**) issued by the RBI. The RBI has extended the KYC Master Directions to NBFCs and has 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*, a customer acceptance policy, customer identification procedures, monitoring of transactions and risk management, adherence to KYC guidelines and the exercise of due diligence by persons authorized by the NBFC, including its brokers and agents.

Guidelines on liquidity risk management framework:

As per RBI's directions, all non-deposit taking NBFCs with asset size of Rs. 1,000 million and above, systemically important core investment companies and all deposit taking NBFCs irrespective of their asset size shall adhere to the set of liquidity risk management guidelines. It will be the responsibility of the board of each NBFC to ensure that the guidelines are adhered to. The internal controls required to be put in place by NBFCs as per these guidelines shall be subject to supervisory review.

Under the guidelines, NBFCs shall maintain a liquidity buffer in terms of LCR which will promote resilience of NBFCs to potential liquidity disruptions by ensuring that they have sufficient High Quality Liquid Asset (**HQLA**) to survive any acute liquidity stress scenario lasting for 30 days. The LCR requirement shall be binding on on non-deposit taking NBFCs with asset size of at least Rs. 100 billion from December 1, 2020 with the minimum HQLAs to be held being 50 per cent. of the LCR, progressively reaching up to the required level of 100 per cent. by December 1, 2024.

Fair Practice Code

Chapter VI of the Systemically Important NBFC Directions prescribe the fair practice code (**Fair Practice Code**) applicable to NBFCs, which, *inter alia*, include guidelines for application for loans and their processing, loan appraisal and terms/conditions, disbursement of loans including changes in terms and conditions, and regulation of excessive interest rate. The Fair Practice Code further prescribes that the Board of each NBFC shall adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium and shall determine the rate of interest to be charged for loans and advances.

Corporate Governance Guidelines

The RBI has mandated certain corporate governance rules for all NBFC-ND- SIs, which include the constitution of an audit committee, a nomination committee and a risk management committee. The guidelines have also issued instructions for the framing of internal guidelines on corporate governance with the approval of the board of directors of the NBFC and also for the rotation of the partners of the chartered accountancy firm conducting its audit every three years. However, Government NBFCs are also subject to the corporate governance guidelines of the DPE and their statutory auditors are appointed by the Comptroller and Auditor General of India.

Anti-Money Laundering

The RBI has specified that a proper policy framework for the Prevention of Money Laundering Act, 2002, as amended (**PMLA**) is put into place in NBFCs. The PMLA seeks to prevent money laundering and extends to all banking companies and financial institutions, including NBFCs and intermediaries. Pursuant to the rules framed under the PMLA and provisions of the KYC Master Directions, all NBFCs are advised to appoint a principal officer for internal reporting and reporting to the financial intelligence unit of India of suspicious transactions and cash transactions and to maintain a system of proper record of (i) all cash transactions of value of more than Rs. 1 million (or its equivalent in foreign currency); (ii) all series of cash transactions integrally connected to each other which have been valued below Rs. 1 million (or its equivalent in foreign currency), where such series of transactions have taken place within a month and the aggregate value of such transaction exceeds Rs.1 million (iii) all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place; (iv) all suspicious transactions whether or not made in cash and in manner as mentioned in the Rules framed by Government of India under the PMLA.

Additionally, all NBFCs should ensure that records pertaining to the identification of their customers and their respective addresses are obtained while opening the account and during the course of business relationship, and that the same are properly preserved for at least five years after the business relationship has ended. The identification records and transaction data is to be made available to the competent authorities upon request.

Directions on the Acquisition / Transfer of Control of NBFCs

Prior written permission from the RBI is required for:

(a) the takeover or acquisition of the applicable NBFC, which may or may not result in change of management;

(b) any change in the shareholding of the applicable NBFCs, including progressive increases over time, which would result in acquisition/transfer of shareholding of 26 per cent. or more of the paid up equity capital of the applicable NBFC. Prior approval would, however, not be required in the case of any shareholding going beyond 26 per cent. due to buyback of shares/reduction in capital where it has approval of a competent Court. The same is however required to be reported to the RBI not later than one month from its occurrence; and

(c) any change in the management of the applicable NBFC which results in the change in more than 30 per cent. of the directors, excluding independent directors. Prior approval would not be required for those directors who get re-elected on retirement by rotation.

Non-compliance of the directions could lead to adverse regulatory action including cancellation of the certificate of registration of NBFCs.

Opening of Branch, Subsidiary or Representative Office of an NBFC outside India

Prior approval of the RBI is required for the opening of a branch, subsidiary, joint venture or representative office or for undertaking any investment abroad by an NBFC.

Department of Public Enterprises and Department of Investment and Public Asset Management, Government of India

We are a Navratna Central Public Sector Undertaking under the administrative control of the MoP. The Department for Public Enterprises is the nodal department for all the Central Public Sector Enterprises (**CPSEs**) and formulates policy pertaining to CPSEs. It lays down, in particular, policy guidelines on performance improvement and evaluation, autonomy and financial delegation and personnel management in CPSEs. It furthermore collects and maintains information in the form of a Public Enterprises Survey on several areas in respect of CPSEs. The Department for Public Enterprises formulates policy guidelines pertaining to CPSEs in areas like performance improvements and evaluation, financial management, personnel management, board structures, wage settlement, training, industrial relation, vigilance and performance appraisal. The Department of Investment and Public Asset Management deals with all matters relating to management of the Central Government's equity investments including strategic disinvestment, minority stake sales, asset monetisation, capital restructuring. It also deals with all matters relating to sale of the Government equity through offer for sale or private placement or any other mode in the erstwhile central public sector undertakings.

Declaration of Dividend by NBFCs

CPSEs are required to follow government directives on declaration of minimum dividend, subject to the maximum dividend permitted under law and availability of disposable profits. In addition, RBI has published guidelines specifying criteria to be satisfied by NBFCs prior to dividend declaration which are applicable for financial year 2022 and onwards. The NBFC must, *inter alia*, be in compliance with the RBI Act and all RBI regulations and not be expressly restricted in declaring dividends.

Investment in NBFCs from FATF Non-Compliant Jurisdictions

RBI in 2021 has directed that new investors from or through non-compliant FATF jurisdictions cannot directly or indirectly acquire 'significant influence' in a NBFC, as defined in the applicable accounting standards. Thus, fresh investors (directly or indirectly) from such jurisdictions in aggregate should be less than the threshold of 20 per cent. of the voting or potential voting power of an NBFC.

Guidelines for Appointment of Statutory Auditors

On 27 April 2021, RBI has issued guidelines to, *inter alia*, commercial banks and NBFCs on appointment of statutory auditors (**SAs**) or statutory central auditors (**SCAs**). However, SAs of Government NBFCs are appointed by the Comptroller and Auditor General of India

Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016 (Fraud Monitoring Directions)

The Fraud Monitoring Directions apply to all deposit taking NBFCs and NBFC-ND-SIs. The Fraud Monitoring Directions require the relevant NBFCs to put in place a reporting system for reporting frauds and fix staff accountability in respect of delay in reporting of fraud cases to the RBI. All systemically important NBFCs are required to report all cases of fraud of Rs. 100,000 and above, and if the fraud is above Rs. 10 million, the NBFC would be required to report such fraud in a prescribed format within three weeks from the date of detection thereof. Such NBFCs are also required to report cases of fraud by unscrupulous borrowers including companies, partnership firms/proprietary concerns and/or their directors/partners and cases of attempted fraud.

Risk based internal audit (RBIA) for NBFCs

An independent and effective internal audit function in a financial entity provides vital assurance to the Board and its senior management regarding the quality and effectiveness of the entity's internal control, risk management and governance framework. The essential requirements for a robust internal audit function include, *inter alia*, sufficient authority, proper stature, independence, adequate resources and professional competence. RBI mandates RBIA framework for deposit taking NBFCs, irrespective of their size and non-deposit taking NBFCs (including Core Investment Companies) with asset size of Rs. 50 billion in accordance with the Guidelines on Risk-Based Internal Audit. The Guidelines are intended to enhance the efficacy of internal audit systems and processes followed by the NBFCs. Under the Guidelines, the board of directors of the Applicable NBFC must approve a policy clearly documenting the purpose, authority, and responsibility of the internal audit activity, with a clear demarcation of the role and expectations from risk management function and the RBIA function. It is also mandated that the policy be reviewed periodically, and that the internal audit function must not be outsourced. Further, the risk assessment of business and other functions of applicable NBFCs should be conducted at least on an annual basis.

RBI Directions on Securitisations and Transfer of Loan Exposures

Securitizations for NBFCs and transfer of loan exposures are regulated by Master Direction - Reserve Bank of India (Securitisation of Standard Assets) Directions, 2021 (**Securitisation Directions**) and Master Direction – Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021 (**Loan Transfer Directions**). The Securitisation Directions regulate securitisation of standard assets and intend to legally isolate the transferred exposures from the originator in such a way that the exposures are put beyond the reach of the originator or its creditors, even in bankruptcy (specially IBC) or administration. Investors who purchase securitisation notes have a claim only to the underlying exposures. There are minimum holding periods and minimum retention requirements (**MRR**) that apply. The Loan Transfer Directions on sale or transfer of standard loan exposures require: assignment, novation or loan participation. MRR is not applicable, except where there is limited due diligence and minimum holding period is applicable.

Prudential Framework for Resolution of Stressed Assets issued by the Reserve Bank of India (RBI)

The RBI issued the "Prudential Framework for Resolution of Stressed Assets by Banks" (the **Framework**) on June 7, 2019 – replacing earlier instructions on resolution of stressed assets. These directions have been issued with a view to providing a framework for early recognition, reporting and time-bound resolution of stressed assets. The directions are issued without prejudice to the issuance of specific directions, from time to time, by the RBI to banks, in terms of the provisions of Section 35AA of the Banking Regulation Act, 1949, for the initiation of insolvency proceedings against specific borrowers under the Insolvency Code. RBI issued the Framework for expeditious and effective resolution of stressed assets.

The RBI Framework applies to the following entities: (a) Scheduled Commercial Banks (excluding Regional Rural Banks); (b) All India Term Financial Institutions (NABARD, NHB, EXIM Bank, and SIDBI); (c) Small Finance Banks; and (d) Systemically Important Non-Deposit Taking Non-Banking Financial Companies (**NBFC-ND-SI**) (including our Company) and Deposit-taking Non-Banking Financial Companies (**NBFC-D**).

The fundamental principles underlying the Framework for resolution of stressed assets are as follows:

(i) early recognition and reporting of default in respect of large borrowers by banks, financial institutions and NBFCs;

(ii) lenders to recognize incipient stress in loan accounts immediately upon default by a borrower and classify such assets as special mention assets in accordance with the categories provide in the Framework;

(iii) complete discretion to lenders with regard to design and implementation of resolution plans, in supersession of earlier resolution schemes (S4A, SDR, 5/25 etc.), subject to the specified timeline and independent credit evaluations;

(iv) a system of disincentives in the form of additional provisioning for delay in implementation of resolution plan or initiation of insolvency proceedings;

(v) withdrawal of asset classification dispensations on restructuring and future upgrades to be contingent on a meaningful demonstration of satisfactory performance for a reasonable period;

(vi) for the purpose of restructuring, the definition of 'financial difficulty' to be aligned with the guidelines issued by the Basel Committee on Banking Supervision; and

(vii) signing of inter-creditor agreement by all lenders to be mandatory, which will provide for a majority decision making criteria.

The RBI has further withdrawn with immediate effect all existing instructions on resolution of stressed assets, such as the Framework for Revitalizing Distressed Assets, Corporate Debt Restructuring Scheme, Flexible Structuring of Existing Long-Term Project Loans, Strategic Debt Restructuring Scheme (**SDR**), Change in Ownership outside SDR, and Scheme for Sustainable Structuring of Stressed Assets (**S4A**). Accordingly, the Joint Lenders' Forum (**JLF**), as a mandatory institutional mechanism for resolution of stressed accounts, is also discontinued.

REGULATION OF CORPORATES

Companies Act, 2013

The Company is a company incorporated and registered under the erstwhile Companies Act, 1956 and now governed by the provisions and the rules made under the Companies Act, 2013, as amended. The

Companies Act, 2013 has replaced the Companies Act, 1956. The Companies Act provides the legal framework for corporate laws governing Indian companies. Indian companies in addition to the sector-specific statutes and the regulations and guidelines prescribed by the sectoral regulators, are required to comply with the relevant provisions of the Companies Act.

The Indian Parliament, from time to time, passes amendments to the Companies Act seeking to facilitate, *inter alia*, (i) promotion of ease of doing business; (ii) de-clogging of National Company Law Tribunal; (iii) strengthening of corporate governance standards and enforcement; and (iv) enhanced compliance by corporates. The Companies (Amendment) Act, 2020 *inter alia*, (i) decriminalises or reduces penalties in respect of violations of provisions of the Companies Act; and (ii) empowers the Indian Government, in consultation with SEBI, to exclude certain classes of companies or companies listing certain classes of securities from being considered as "listed companies" under the Companies Act.

SEBI Regulations

There are various rules and regulations which are framed and amended from time to time by the SEBI in order to regulate the functioning of the securities market, which the Company is required to comply with, being a listed company. The various laws and regulations that are primarily applicable to a listed company in India are Securities Contracts (Regulation) Act, 1956 , Securities and Exchange Board of India Act, 1992, and regulations and guidelines including SEBI LODR Regulations, SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011, SEBI (Prohibition of Insider Trading) Regulations, 2015, Depositories Act, 1996, SEBI (Delisting of Equity Shares) Regulations, 2021, SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 (**SEBI NCS Regulations**) and SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, each as amended.

India's regulatory regime pertaining to debt securities has recently been overhauled in a substantial manner. SEBI, India's capital markets regulator has consolidated the regulatory framework pertaining to issue of listed non- convertible debentures, non-convertible preference shares, perpetual debt securities, and commercial paper. The SEBI NCS Regulations merged (and consequently, repealed) the SEBI (Issue and Listing of Debt Securities) Regulations, 2008 and SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013.

SEBI has also consolidated the majority of the circulars on procedural and operational aspects in relation to the above regulations into an operational circular dated 10 August 2021, as amended (**SEBI Operational Circular**). The SEBI Operational Circular has been incorporated by BSE Limited and National Stock Exchange of India Limited in their respective operational guidelines for issuance of securities on private placement basis through an electronic book mechanism.

The SEBI NCS Regulations cover, *inter alia*, the following:-

(a) issuance and listing of debt securities and non-convertible redeemable preference shares by an issuer by way of public issuance;

(b) issuance and listing of non-convertible securities by an issuer issued on private placement basis which are proposed to be listed; and

(c) listing of commercial paper issued by an issuer in compliance with the guidelines framed by the Reserve Bank of India.

Large Corporates Framework

The Operational Circular also includes a chapter on "*Fund raising by issuance of Debt Securities by Large Corporates*" (**Large Corporates Framework**). The Large Corporates Framework applies to all listed entities that (i) have their specified securities or debt securities or non-convertible redeemable preference shares listed on a recognised stock exchange(s) in terms of SEBI LODR Regulations, (ii) have an outstanding long-term borrowing of Rs. 1,000 million or more, and (iii) have a credit rating of "AA and above". Such entitites must raise at least 25 per cent. of their incremental borrowings in a subsequent fiscal year by way of issuance of debt securities. For fiscal years 2020 and 2021, the requirement of meeting the incremental borrowing was made applicable on an annual basis. Accordingly, a listed entity identified as a 'large corporate' on the last day of fiscal 2019 and fiscal 2020, would be required to comply with the requirements by the last day of fiscal 2020 and fiscal 2021, respectively or explained such shortfall to the stock exchanges. From fiscal year 2021-2022, the requirement is to be complied with over a contiguous block of two years, failing which, a monetary penalty of 0.2 per cent. of the shortfall in the borrowed amount will be levied and paid to the stock exchanges.

IFSCA (Issuance and Listing of Securities) Regulations, 2021

The International Financial Services Centre Authority (**IFSCA**) is a statutory authority established under the International Financial Services Centres Authority Act, 2019 (**IFSCA Act**) for the development and regulation of financial products, financial services and financial institutions situated at International Financial Services Centres (**IFSC**).

For the first time, the regulatory powers of four financial services regulators in India, namely, the Reserve Bank of India (**RBI**), Securities and Exchange Board of India (**SEBI**), Insurance Regulatory Development Authority of India (**IRDAI**), Pension Fund Regulatory Development Authority of India (**PFRDAI**), have been vested in IFSCA with respect to regulation of financial institutions, financial services and financial products in IFSCs, making it a unified regulator for IFSCs in India.

The provisions relating to issuance and listing of specified securities and debt securities specified under the Securities and Exchange Board of India (International Financial Services Centres) Guidelines, 2015, have been superseded by the newly issued International Financial Services Centres Authority (Issuance and Listing of Securities) Regulations, 2021, as amended (**IFSCA Regulations**) by the IFSCA which permits debt securities to be issuedand listed in an IFSC.

The IFSCA Regulations provide a comprehensive regulatory framework governing the issuance and listing as well as prescribe the initial and ongoing disclosure requirements in respect of securities by various issuers in the capital markets.

The IFSCA Regulations are meant to serve as an all-encompassing unified regulatory framework specifying the requirements for issuance and listing of various types of securities, and disclosures. The IFSCA Regulations seek to create an ecosystem and supervise the procedures involved in the listing of starts-ups and sme companies, special purpose acquisition companies (**SPACs**), depository receipts, debt securities and ESG debt securities, while also simplifying the issuance of securities and disclosure of material information.

The IFSCA Regulations seek to ensure greater transparency in the securities markets, pertaining specifically to IFSCs. Further, they also provide for the responsibilities of merchant bankers and require companies to obtain and maintain credit ratings to improve accountability, thereby paving the path for a more mature securities eco-system. The Notes listed on India INX or NSE IFSC shall comply with the IFSCA Regulations.

LAWS RELATING TO THE RECOVERY OF DEBTS

Securitization Act

The Securitization and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002, as amended (the **Securitization Act)** grants certain special rights to banks and financial institutions to enforce their security interests. The Securitization Act provides that a "secured creditor" may, in respect of loans classified as stage 3 assets in its books of accounts, 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 and require, at any time on written notice, any person who has acquired any of the secured assets from the borrower and from whom any money is due or may become due to the borrower, to pay the secured creditor such amounts necessary to satisfy the debt. Registered NBFCs with assets Rs.1,000 million or more can enforce security under the Securitization Act for secured debts of Rs. 2.0 million and above.

Security interests covered under the Securitization Act are security interests over immovable and movable property, existing or future receivables, certain intangible assets (such as know-how, patents, copyrights, trademarks, licenses, franchises) and any debt or any right to receive payment of money, or any receivable, present or future, in which security interest has been created. The Securitization Act does not apply to security over ships, aircraft, statutory liens, pledges of movables, rights of unpaid sellers, any property not liable to attachment or sale under Section 60 of the Civil Code, security interests securing repayment of a financial asset less than Rs. 0.1 million, agricultural land or any case where the amount due is less than 20 per cent. of principal and interest.

Under the Securitization Act, all mortgages and charges on immovable properties in favor of banks and financial institutions are enforceable without the intervention of the Courts. The Securitization Act also provides for the establishment of asset reconstruction companies regulated by RBI to acquire assets from banks and financial institutions in accordance with RBI guidelines including the Framework.

Subject to the provisions of the Insolvency and Bankruptcy Code 2016, for financing of a financial asset by more than one secured creditor or joint financing of a financial asset by secured creditors, no secured creditor is entitled to exercise any rights unless such exercise is agreed by at least 60.0 per cent. of the secured creditors by value of outstanding and such action is binding on all the secured creditors.

Any securitization company or asset reconstruction company may acquire financial assets of a bank or financial institution by issuing a debenture, bond or any other security in the nature of a debenture, for agreed consideration or by entering into an agreement with such bank or financial institution to purchase such financial assets on terms and conditions as agreed. In respect of a shortfall in proceeds realized from the sale of secured assets, a secured creditor may file an application to the Debt Recovery Tribunal to recover the balance amount from a borrower under the Debt Recovery Act (as defined below).

Registration of Security Interest

The Government of India has issued the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (Central Registry) Rules, 2011 (**CERSEI Rules**) under the Securitization Act. Pursuant to the CERSEI Rules, as amended from time to time, all charges created by the Company in the form of mortgages, or creation, modification, or satisfaction of security interest other than mortgage by deposit of title deeds are required to be registered with the Central Registry of Securitization Asset Reconstruction and Security Interest of India in order to be enforceable under the Securitization Act.

In addition, companies who create security over their assets must register the charge with the relevant registrar of companies (within 30 days from the date of such transaction).

Debt Recovery Act

The Recovery of Debts Due to Banks and Financial Institutions Act, 1993 as amended from time to time (**Debt Recovery Act**) provides for the establishment of Debt Recovery Tribunals and a Debt Recovery Appellate 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 Debt

Recovery Act, the procedures for the recovery of debt have been simplified and timeframes have been fixed to facilitate the disposal of cases.

The Debt Recovery Act lays down the rules for establishment of Debt Recovery Tribunals, the procedure for making an application to the Debt Recovery Tribunals and their powers and modes of recovery of debts. Upon establishment of the Debt Recovery Tribunals and the Debt Recovery Appellate Tribunal, no court or other authority can exercise jurisdiction in relation to matters covered by the Debt Recovery Act, except the Supreme Court, and a High Court exercising jurisdiction under Articles 226 and 227 of the Constitution of India, in relation to matters specified in Section 17 of the Debt Recovery Act.

Debt Recovery Tribunals may pass orders for recovery of debts including: (i) a recovery certificate adjudicating the claim against a borrower; and (ii) injunctive orders restraining debtors from alienating, transferring or disposing of its moveable and immoveable properties. After a recovery certificate is issued, the recovery officer appointed for each Debt Recovery Tribunal recovers the amount by any mode including: (i) attachment or sale of moveable or immoveable properties; (ii) taking possession of secured property or any other property of a debtor and appointing receiver to sell them; (iii) arrest of a debtor and prison detention; or (iv) appointment of receivers and/or local commissioners for management of moveable and immoveable properties.

The Insolvency Code

The Insolvency Code was passed by Parliament on May 11, 2016, with a view to create a unified framework for resolving insolvency and bankruptcy in India. The Insolvency Code aims to consolidate the laws relating to insolvency of companies and limited liability entities (including limited liability partnerships and other entities with limited liability), unlimited liability partnerships and individuals into a single legislation.

The Insolvency Code classifies creditors into financial creditors and operational creditors, which includes the financial debts for interest and debts arising from the operational nature of the debtor, respectively. According to the Insolvency Code, the insolvency resolution process may be initiated by either the debtor or the creditors. The minimum amount of default for triggering the provisions of the Insolvency Code is Rs. 10 million. Some of the new concepts introduced by this Insolvency Code include, *inter alia*, the Insolvency and Bankruptcy Board of India, the Insolvency and Bankruptcy Fund and two separate tribunals having jurisdiction over insolvency cases, namely the National Company Law Tribunal (which shall have jurisdiction over companies and limited liability partnerships) and the debt recovery tribunal (**DRT**) (which shall have jurisdiction over individuals and partnership firms).

The Insolvency Code provides for the appointment of specialized insolvency professionals to assist corporate debtors through the corporate insolvency resolution process (**CIRP**) under the Insolvency Code. During the CIRP, there is moratorium on commencement of any legal proceedings, enforcement of claims by creditors, disposing of the debtor's assets or enforcing of any security. The Insolvency Code provides a 180-day timeline, which may be extended by 90 days for the completion of the insolvency resolution process. However, the Insolvency Code stipulates that the corporate insolvency resolution process shall mandatorily be completed within a period of 330 days from the insolvency commencement date, including any extension of the period of corporate insolvency resolution process granted under this section and the time taken in legal proceedings in relation to such resolution process of the corporate debtor. Subsequently, the insolvency resolution plan prepared by the resolution professional must, be approved by 66.00 per cent. of financial creditors (voting share proportionate to the financial debt owed) and the National Company Law Tribunal. If there is no resolution plan or the resolution plan is rejected, the National Company Law Tribunal orders liquidation of assets. During liquidation, repayment of amounts due is in accordance with a specified order of priority. The Insolvency Code was amended to introduce a pre-pack regime for micro, small and medium enterprises to aid resolution for such entities. In a bid to boost the sentiment among lenders, even repayment of dues to unsecured creditors has been given a higher priority as against payment of taxes to the Government.

Application of the Insolvency Code to NBFCs

Pursuant to the Insolvency and Bankruptcy (Insolvency and Liquidation Proceedings of Financial Service Providers and Application to Adjudicating Authority) Rules, 2019 and Ministry of Corporate Affairs Notification S.O. 4139(E) dated 18 November 2019, the Insolvency Code is applicable to NBFCs with an asset size of at least Rs. 5 billion. However, only RBI can commence a CIRP against NBFCs.

LAWS RELATING TO THE POWER SECTOR

In accordance with the Indian Constitution, the authority to regulate the electricity sector vests with both the State and the Central Governments.

The MoP acts as the administrative ministry governing the Central power sector in India. The MoP is responsible for the administration of the Electricity Act, 2003, as amended from time to time (the **Electricity Act**), the Energy Conservation Act, 2001 as amended, and to undertake such amendments to these Acts, as may be necessary from time to time, in conformity with the government's policy objectives. The CEA advises the MoP, *inter alia*, on electricity policies and technical matters.

Electricity Act, 2003

The Electricity Act is a central legislation relating to generation, transmission, distribution, trading and use of electricity that seeks to replace the multiple legislations that govern the power sector. The Electricity Act aims to enable measures to be taken for the development of the electricity industry, promote competition, protect the interest of consumers and supply of electricity to all areas, rationalize the electricity tariff, ensure transparent policies regarding subsidies, promote efficient and environmentally benign policies, constitute the CEA and establish an appellate tribunal.

The most significant reform initiative under the Electricity Act was the move towards a multi-buyer, multi-seller system as opposed to the existing structure which permitted only a single buyer to purchase power from power generators. In addition, the Electricity Act grants the electricity regulatory commissions freedom in determining tariffs. Under the Electricity Act, no license is required for generation of electricity if the generating station complies with the technical standards relating to connectivity with the grid.

The Electricity Act was amended in 2007 to exempt captive power generation plants from licensing requirements for supply to any licensee or consumer and further amended in 2010 to provide that any developer of a special economic zone (**SEZ**) notified shall be deemed to be a licensee under the Electricity Act.

Electricity (Amendment) Bill, 2022

The Electricity (Amendment) Bill, 2022 (**Bill**) was introduced in Lok Sabha on August 8, 2022 and seeks to amend the Electricity Act. The key provisions under the Bill are:

(a) Streamlining the concurrence of the hydro generating station to facilitate development of the hydro sector in the country;

(b) Facilitating the use of distribution networks by all licensees under provisions of non-discriminatory open access with the objective of enabling competition, enhancing efficiency of distribution licensees for improving services to consumers and ensuring sustainability of the power sector;

(c) Strengthening the functioning of the National Load Despatch Centre for ensuring the safety and security of the grid and for the economic and efficient operation of the power system in the country;

(d) Facilitating non-discriminatory open access to the distribution network of a distribution licensee;

(e) Enabling management of power purchase and cross-subsidy in case of multiple distribution licensees in the same area of supply; and

(f) Enhancing the rate of penalty for non-compliance of the provisions of the Act and the rules and regulations made thereunder.

Electricity (Rights to Consumers) Rules, 2020, as amended (Consumer Electricity Rules)

The MoP introduced the Consumer Electricity Rules to empower consumers of electricity and confer rights upon the consumers to be entitled to reliable electricity services. Installation of smart or pre-payment meters, gross metering, net-billing and net-metering are some of the provisions introduced for the benefit of customers. Further, to ensure the availability of 24x7 power to all the consumers, with some exceptions for lower hours that the relevant SERC may specify for certain categories of consumers, a robust grievance redressal mechanism has also been introduced.

Licensing Requirements

Under the Electricity Act, transmission and distribution of, and trading in, electricity requires licences from the appropriate CERC or SERC (collectively, **ERCs**), unless exempted. CERC has jurisdiction over generating companies owned or controlled by the Government or which have a composite scheme for generation and sale in more than one State. SERCs have jurisdiction over generating stations within State boundaries, except those under CERC's jurisdiction.

The respective ERC determines the tariff for supply of electricity from a generating company to a licensee, transmission, wheeling, and retail sale of electricity. All States in India have ERCs in operation. There can be private distribution licensees as well.

Generation

Currently, any generating company in India can establish, operate and maintain a generating station if it complies with the technical standards relating to connectivity with the grid. Approvals from the Government, the State Government and the techno-economic clearance from the CEA are no longer required, except for hydroelectric projects. Generating companies are permitted to sell electricity to any licensees and where permitted by the respective SERCs, to consumers. The respective ERCs determine the tariff for the supply of electricity from a generating company to any distribution licensee, transmission of electricity, wheeling of electricity and retail sale of electricity. CERC has jurisdiction over generating companies owned or controlled by the Government and those generating companies who have entered into or otherwise have a composite scheme for generation and sale in more than one State. SERCs have jurisdiction over generating stations within State boundaries, except those under CERC's jurisdiction.

In order to qualify as a captive generating plant, the Electricity Rules, 2005 as amended (the **Electricity Rules**) require that not less than 26 per cent. of the ownership of the plant be held by a captive user and not less than 51 per cent. of the aggregate electricity generated in such plant, determined on an annual basis, be consumed for captive use. If the minimum percentage of captive use is not complied with in any year, the entire electricity generated is treated as supplied by a "generating company" and benefits available to a "captive generating plant" (such as exemption from payment of certain levies and surcharges) will not apply in such year.

Transmission

Transmission, being a regulated activity, involves the intervention of various players. The Government is responsible for facilitating the transmission and supply of electricity, particularly inter-State, regional and inter-regional transmission. The Electricity Act vests the responsibility of efficient, economical and integrated transmission and supply of electricity with the Government and empowers it to make regional demarcations of the country for the same. In addition, the Government will facilitate voluntary inter-connections and co-ordination of facilities for the inter-State, regional and inter-regional generation and transmission of electricity. The CEA is required to prescribe certain grid standards under the Electricity Act and every transmission licensee must comply with such technical standards of operation and maintenance of transmission lines. In addition, every transmission licensee is required to obtain a license from the CERC and the SERCs, as the case may be.

The Electricity Act allows generating companies open access to transmission lines. The transmission licensee is required to comply with the technical standards of operation and maintenance of transmission lines specified by the CEA. The provision of open access is subject to the availability of adequate transmission capacity as determined by the Central Transmission Utility (**CTU**) or the State Transmission Utility (**STU**). The Electricity Act provides certain principles in accordance with which the appropriate ERC will specify terms and conditions for determination of the tariff. Under the Electricity Act, CERC is vested with the authority to determine the tariffs for inter-State transmission of electricity. A transmission licensee may, with prior intimation to CERC or the SERC, as the case may be, engage in any business for optimum utilization of its assets, provided that a proportion of its revenues from such business be utilized for reducing its charges for transmission and wheeling.

Under the Electricity Act, the Central Government is empowered to establish a center at the national level, to be known as the National Load Despatch Center (**NLDC**) for optimum scheduling and despatch of electricity among the Regional Load Despatch Centers (**RLDC**).

The primary responsibility of the NLDC is to ensure the optimum scheduling and despatch of electricity among the RLDCs. The RLDCs are responsible for: (i) optimum scheduling and despatch of electricity within the region, in accordance with the contracts entered into with the licensees or the generating companies operating in the region; (ii) monitoring grid operations; (iii) keeping accounts of the quantity of electricity transmitted through the regional grid; (iv) exercising supervision and control over the inter-state transmission system; and (v) carrying out real time operations for grid control and despatch of electricity within the region through secure and economic operation of the regional grid in accordance with the grid standards and grid code.

The Electricity Act also lays down provisions for intra-state transmission where the state commission facilitates and promotes transmission, wheeling and inter-connection arrangements within its territorial jurisdiction for the transmission and supply of electricity by economical and efficient utilization of the electricity.

Trading

The Electricity Act specifies trading in electricity as a licensed activity. Trading has been defined as the purchase of electricity for resale. This may involve wholesale supply or retail supply. The license to engage in electricity trading is required to be obtained from the appropriate ERC. The CERC issued the CERC (Procedure, Terms and Conditions for Grant of Trading License and Other Related Matters) Regulations, 2020, as amended from time to time (**Trading License Regulations**) to regulate the inter-State trading of electricity including fixation of trading margin. Under the Trading License Regulations, any person desirous of undertaking inter-State trading in electricity shall apply to the CERC for the grant of a license. The trading margin is applicable to all transactions under short term contracts, long term contracts, banking of electricity, transactions under back to back contracts, cross border trade of electricity undertaken by the trading licensee.

The Trading License Regulations set out various qualifications for the grant of a license for undertaking electricity trading, including certain technical and professional qualifications, and net worth requirements. Further, a licensee is subject to certain conditions including the extent of trading margin, maintenance of records and submission of auditors' report. The existing licensees are required to meet the net worth, current ratio and liquidity ratio criteria and are required to pay the license fee as specified by the CERC, from time to time. However, all licensees can apply to upgrade or downgrade their license. The licensees need to submit monthly reports on over-the-counter contracts and annual retirns of transaction volumes. The Trading License Regulations also specify acts of contravention and penalities for the same. These regulations also set out the grounds of revocation of the license.

The Guidelines for Import/Export (Cross Border) of Electricity 2018, as amended (**Cross Border Guidelines**), have been introduced by the MoP replacing all previous guidelines, in order to facilitate the import and export of electricity between India and neighbouring countries and to promote transparency, consistency and predictability in the regulatory mechanism in relation to import and export of electricity. Under the Cross Border Guidelines, the import and export of electricity between India and its neighbouring countries can be allowed by mutual agreements entered between Indian entities and entities of the neighbouring country under the overall framework of agreements signed between India and the respective neighbouring country and the applicable law, including through a bilateral agreement between two countries, through a bidding process or through mutual agreements between entities. Any entity proposing to import or export electricity can only do so after obtaining approval from the CEA, subject to some specific exceptions.

Following the Cross Border Guidelines, the CERC issued the CERC (Cross Border Trade of Electricity) Regulations 2019, as amended (**CBTE Regulations**), covering both bilateral and trilateral energy trade between India and its neighboring countries. The CBTE Regulations set out *inter alia*: (i) the institutional framework for cross border trade; (ii) tariff determination for import and export of electricity and connectivity-related provisions; and (iii) trade through Indian power exchanges on behalf of any participating entity of a neighbouring country. The tariff for import or export of electricity across the border will be determined through competitive bidding or through mutual agreements signed between the parties under the overall framework of agreements signed between India and the neighbouring countries. Further, the NLDC shall act as the system operator and will be responsible for granting short-term open access and for billing, collection, and disbursement of the transmission charges for short-term open access transactions.

Tariff Principles

Under the Electricity Act, the ERCs determine the tariff for the supply of electricity by a generating company (as well as for transmission, wheeling and retail sale of electricity). In case of a shortage of electricity supply, the ERC may fix the minimum and maximum tariff for sale or purchase of electricity, pursuant to an agreement entered into between a generating company and licensee or between licensees, for up to one year.

The Electricity Act provides that the ERC shall adopt such tariff that has been determined through a transparent process of bidding in accordance with the guidelines issued by the Government. The MoP has issued detailed guidelines for competitive bidding as well as standard bidding documents for competitive bid projects. Under guidelines issued by the MoP, the determination of the tariff for a particular power project depends on the mode of participation in the project, being (i) the MoU route, based on tariff principles prescribed by CERC (cost plus basis, comprising capacity charge, energy charge, unscheduled interchange charge and incentive payments); or (ii) the competitive bidding route, where the tariff is market-based.

CERC (Terms and Conditions of Tariff) Regulations, 2019 (2019-2024 Tariff Regulations)

The 2019-24 Tariff Regulations are applicable for the determination of the tariff between April 1, 2019 and March 31, 2024 for a generating station and a transmission system or its elements. They are not applicable to generating stations or state transmission systems, where tariffs have been discovered through competitive bidding or determined in accordance with the CERC (Terms and Conditions for Tariff determination from Renewable Energy Sources) Regulations, 2020, as amended (**Renewable Energy Tariff Regulations**).

The tariff for the supply of electricity from a thermal generating station comprises of two parts, namely a capacity charge (for recovery of annual fixed cost) and an energy charge (for recovery of fuel cost and limestone cost (where applicable)). Tariffs for the supply of electricity from a hydro generating station comprises of a capacity charge and an energy charge, for the recovery of annual fixed costs. The tariff for the transmission of electricity on the inter-state transmission system comprises of a transmission charge for the recovery of annual fixed costs.

The capacity charges shall be derived on the basis of annual fixed costs and shall consist of the following components: (i) return on equity; (ii) interest on loan capital; (iii) depreciation; (iv) interest on working capital; and (v) operation and maintenance expenses. Energy charges shall be derived on the basis of the landed fuel cost of a generating station (excluding the hydro generation station) and shall comprise the following components: (i) landed fuel cost of primary fuel; (ii) cost of secondary fuel oil consumption; and (iii) cost of limestone or any other reagent, as applicable.

For the determination of the tariff, the return on equity shall be computed at the base rate of 15.50 per cent. for thermal generating station, transmission system including communication system and run-of river hydro generating station, and at the base rate of 16.50 per cent. for the storage type hydro generating stations including pumped storage hydro generating stations and run-of river generating stations. In case of existing projects, additional capitalization shall be allowed on account of revised emission standards.

The 2019-24 Tariff Regulations also provide that for new projects, the debt-equity ratio of 70:30 as on date of commercial operation shall be considered. If the equity actually deployed is more than 30 per cent. of the capital cost, equity in excess of 30 per cent. shall be treated as normative loan. The special allowance admissible to a coal based thermal station which has completed its useful life, shall be computed at the rate of Rs. 0.95 million per MW per year for the tariff period extending from 2019 and 2024. The non-tariff net income in case of generating station and transmission system from rent of land or buildings, sale of scrap and advertisements shall be shared between the beneficiaries or the long term customers and the generating company or the transmission licensee, as the case may be, in the ratio of 50:50.

The costs for computing working capital shall cover *inter alia* (i) receivables equivalent to 45 days of capacity charge and energy charge for sale of electricity calculated on the normative annual plant availability factors; (ii) operation and maintenance expenses, including water charges and security expenses, for one month; and (iii) cost of coal or lignite and limestone towards stock, if applicable, for 10 days for pit-head generating stations and 20 days for non-pit-head generating stations for generation corresponding to the normative annual plant availability factor or the maximum coal/lignite stock storage capacity whichever is lower. Target availability for high demand season or low demand season and peak or off- peak hours shall be effective from April 1, 2020.

The 2019-24 Tariff Regulations also provide that in addition to the capacity charge, an incentive shall be payable to a generating station or unit thereof at the rate of Rs. 0.65 per kWh for ex-bus scheduled energy during peak hours and at the rate of Rs. 0.50 per kWh for ex-bus scheduled energy during off-peak hours which shall also be applicable from April 1, 2020. The generating company or the transmission licensee shall workout gains based on the actual performance of applicable controllable parameters such as (i) station heat rate; (ii) secondary fuel oil consumption; and (iii) auxiliary energy consumption.

In case the payment of any bill for charges payable under the 2019-24 Tariff Regulations is delayed by a beneficiary or long-term customers as the case may be, beyond a period of 45 days from the date of presentation of bills, a late payment surcharge at the rate of 1.50 per cent. per month shall be levied by the generating company or the transmission licensee, as the case may be.

Pursuant to the 2019-24 Tariff Regulations, the generating company shall recover the statutory charges imposed by the State and Central Government such as electricity duty, water cess by considering normative parameters specified in the 2019-24 Tariff Regulations.

The 2019-24 Tariff Regulations provide that the generating company or the transmission licensee, as the case may be, may apply for the determination of a tariff in respect of a new generating station or units thereof or a transmission system including an element thereof completed or projected to be completed within 60 days of the anticipated date of commercial operation. However, until such time as the tariff for the generating stations is determined by the CERC in accordance with the CERC Tariff Regulations, the generating company or the transmission licensee, as the case may be, shall continue to provisionally bill the beneficiaries or long-term customers with the tariff approved by the CERC and applicable as of March 31, 2019 for the period starting from April 1, 2019. On approval of the tariff by the CERC in accordance with the 2019-24 Tariff Regulations, adjustment shall be made on a retrospective basis.

The Central Electricity Regulatory Commission (Terms and Conditions of Tariff) (Second Amendment) Regulations, 2021 have included annual target quantity in respect of integrated mines which mean the quantity of coal or lignite to be extracted during a year from integrated mines as specified in the mining plan. These regulations shall apply in all cases where a generating company has the arrangement for supply of coal or lignite from the integrated mine allocated to it, for one or more of its specified end use generating stations, whose tariff is required to be determined by the Commission under the Electricity Act.

Renewable Energy Tariff Regulations

The Renewable Energy Tariff Regulations are effective until March 31, 2023, unless reviewed earlier or extended by CERC. The CERC has specified certain parameters for determination of tariff for new sources of renewable energy such as floating solar project, renewable hybrid energy project and renewable energy project with storage in addition to those covered in past tariff regulations. For renewable energy projects where the generic tariff must be determined, it will be done through a tariff order at least one month before the commencement of the year for each year of the control period, which is from July 2020 to March 2023. Any project specific tariff will be determined by the CERC on a case-to-case basis for, amongst others, solar PV power projects, floating solar projects, solar thermal power projects, wind power projects, renewable hybrid energy projects and renewable energy with storage projects.

Central Electricity Regulatory Commission (Grant of Connectivity, Long-term Access and Medium-Term Open Access in Inter-State Transmission and Related Matters) Regulations, 2009

The Central Electricity Regulatory Commission (Grant of Connectivity, Long-term Access and Medium-Term Open Access in Inter-State Transmission and Related Matters) Regulations, 2009 as amended (the **CERC Regulations**) provide various transmission products, standardize procedures, define timelines and ensure a level playing field between market players. They provide the procedures and requirements for obtaining connectivity to inter-State transmission systems, obtaining medium-term open access and obtaining long-term access. The CERC Regulations were amended on February 17, 2017 changing the definition of long-term access and medium-term open access to extend the right to use inter-State transmission systems (**ISTS**) for a period exceeding seven years and a period equal to or exceeding three months but not exceeding five years, respectively. There have been several amendments to the CERC Regulations in relation to the appointment of a principal generator on behalf of the renewable energy generating stations and provisions for connectivity and long-term access to renewable energy generators and renewable energy parks. The CERC Regulations were further amended on January 9, 2019 making it mandatory for the applicant generating company or any other entity on its behalf to develop, own and operate the dedicated transmission line from generating station of the applicant generating company or any other entity on behalf of generating company to the pooling station of the transmission licensee (including deemed transmission licensee).

Central Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2020

The Central Electricity Regulatory Commission (Sharing of Inter State Transmission Charges and Losses) Regulations, 2020 as amended (the **Inter-State Regulations**) came into force on November 1, 2020. It applies to all designated ISTS customers (**DICs**), inter-state transmission licensees, national load dispatch centre (**NLDC**), regional load dispatch centres (**RLDCs**), state load dispatch centres (**SLDCs**) and regional power committees (**RPCs**). According to the Inter-State Regulations, transmission charges shall be shared amongst the DICs on a monthly basis based on the yearly transmission charges such that: (i) yearly transmission charges are fully recovered; and (ii) any adjustment on account of revision of the yearly transmission charges are recovered. Long term access or medium-term open access for projects shall not be considered for appointment of yearly transmission charges. The Inter-State Regulations provide for components and sharing of national component, regional component, transformer component, AC system component, sharing of transmission charges under AC-UBC, short-term open access and transmission deviation. It also provides for late payment surcharge at the rate of 1.50 per cent. per month by the DIC in case charges payable under the regulations are delayed by a DIC, notwithstanding any provision contrary to tariff regulations or transmission service agreement. Bills for the first two billing periods after Inter-State Regulations come into force, i.e., November 1, 2020, shall be based on Central Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2010. The Central Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2010 stand repealed.

The Central Electricity Regulatory Commission has been entrusted with the functions under Section 79(1)(c) and Section 79(1)(d) of the Electricity Act, 2003 to regulate inter-State transmission of electricity and to determine the tariff of inter-State transmission system (ISTS). The Regulations were last amended on March 27, 2019 whereby no transmission charges and losses for the use of ISTS network shall be payable for the generation based on solar and wind power resources for a period of 25 years from the date of commercial operation of such generation projects if they fulfill certain conditions.

Central Electricity Regulatory Commission (Standards of Performance of Inter-State Transmission Licensees) Regulations, 2012

The Central Electricity Regulatory Commission (Standards of Performance of Inter-State Transmission Licensees) Regulations, 2012 as amended (the **Standard of Performance Regulations**) apply to all the inter-State transmission licensees to ensure compliance with performance standards and to provide for an efficient, reliable, coordinated and economic system of electricity transmission. The Standard of Performance Regulations also covers the methodology for calculating compensation in the case of loss on account of non-adherence.

Electricity (Timely Recovery of Costs due to Change in Law) Rules, 2021, as amended (Recovery Rules)

The Central Government has issued the Recovery Rules, framed under the provisions of Section 176 of the Electricity Act and is applicable to generating companies and transmission licensees. On the occurrence of a change in law, the monthly tariff shall be adjusted and recovered in accordance with the Recovery Rules to compensate the affected party in order to restore such affected party to the same economic position if such change in law had not occurred. Change in law includes any enactment or amendment or repeal of any law, made after the determination of tariff under Section 62 or Section 63 of the Electricity Act, and also includes changes in the interpretation of any law by competent courts, changes in domestic taxes, including duty, levy, cess, charge or surcharge by the central government, state government or union territory administration leading to corresponding changes in the cost; or any change in any condition of an approval or license or to be obtained for purchase, supply or transmission of electricity, unless specifically excluded in the agreement for the purchase, supply or transmission of electricity, resulting in the change in cost. The impact of the change in law to be adjusted and recovered shall also be recovered as a one time or monthly charges or per unit as part of the tariff and shall be calculated where the agreement provides a formula for recovery or in absence of which in accordance with the schedule provided under the Recovery Rules. Further, the affected parties shall furnish details of the calculation and relevant documents within thirty days for adjustment of the impact of the change in law for verification.

Green Hydrogen Policy, 2022 (Green Hydrogen Policy)

By way of a notification dated February 17, 2022, the MoP notified the Green Hydrogen Policy under the National Hydrogen Mission, which aims at aiding GoI in meeting its climate targets and making India a green hydrogen hub. The policy defines green hydrogen or green ammonia as hydrogen or ammonia produced by way of electrolysis of water using renewable energy, and hydrogen or ammonia produced from biomass. Grant of waiver of inter-state transmission charges for a period of 25 years to the producer of green hydrogen or green ammonia from projects commissioned before June 30, 2025 has also been provided for.

The Hydrogen Policy further stipulates that the renewable energy consumed for the production of green hydrogen or green ammonia shall count towards renewable purchase obligation (**RPO**) compliance of the consuming entity and the renewable energy consumed beyond the producer's obligation shall count towards RPO compliance of the distribution company in whose area the project is located. The implementation of this policy will reduce dependence on fossil fuel and also reduce crude oil imports. The policy aims to promote renewable energy generation which in turn will help in meeting the international commitments for clean energy.

Green Energy Corridor – Phase II (GEC)

The GEC is an initiative by the GOI to strengthen the country's power sector by facilitating the transfer of power from the renewable energy rich areas to other parts of the country in order to fulfil the rising demand in the power sector. The transmission systems will be created over a period of 5 years from financial year 2021-22 to 2025-26 and financial assistance from the GOI will help in offsetting the intra-state transmission charges, thereby keeping the power costs down. The scheme will help in achieving the target of 450 GW installed renewable energy capacity by 2030 and will also contribute to long term energy security of the country and promote ecologically sustainable growth by reducing the carbon footprint. GEC is in addition to the GEC-Phase-I which is already under implementation in some states for grid integration and power evacuation of approximately 24 GW of renewable energy power and is expected to be completed by 2022.

National Smart Grid Mission (NSGM)

The NGSM was established in 2015 with a view to plan and monitor the implementation of policies and programmes related to smart grid technology in India and envisages the transformation of last mile connectivity ecosystems i.e. distribution through micro grids, distributed generation, outage management, power quality improvement, peak load management and electric vehicle charging infrastructure. DISCOMs are encouraged for self-sustenance of smart grid interventions by adopting innovative financing models. The primary aim of the smart grids is to improve reliability of the electricity networks and make them amenable to renewable energy inputs through distributed generation. Further, increased efficiencies with smart grids and smart meters empower consumers to manage electricity consumption in a better manner and help them in reducing their bills.

Guidelines for Encouraging Competition in Development of Transmission Projects, as amended (CDTP Guidelines) and Tariff based Competitive-bidding Guidelines for Transmission Service, 2021, as amended (TBCB Guidelines)

The MoP and the GOI issued the CDTP Guidelines and the TBCB Guidelines, framed under the provisions of Section 63 of the Electricity Act in order to facilitate the smooth and rapid development of transmission capacity in the country as envisaged in the National Electricity Plan (**NEP**) and the National Tariff Policy 2016, as amended (**Tariff Policy**) such that inter state or intra state transmission projects, other than those exempted by the GoI are implemented through tariff based competitive bidding. The CDTP Guidelines provides for the preparation of: (a) perspective plan for 15 years; (b) short term plan for 5 years, both collectively being a part of the NEP by the CEA; and (c) a network plan prepared by the CTU prepared in accordance with the NEP which will be reviewed and updated as and when required but not later than once a year. Further, information will be made available to the stakeholders regarding new projects and the respective technical and other specifications for the purpose of project formulation and for enabling competitive bidding to take place. In addition, the selection of developers for identified projects would be through tariff based competitive bidding through e-reverse bidding for transmission services according to the TBCB Guidelines.

The TBCB Guidelines apply to the procurement of transmission services for the transmission of electricity through tariff-based competitive bidding. The TBCB Guidelines also provide that a Bid Process Coordinator (**BPC**) would be responsible for conducting the bid process for the procurement of the required transmission services for inter-state and intra-state transmission projects to be implemented under the tariff-based competitive bidding process prescribed. For the procurement of transmission services, the BPC shall adopt a single stage two envelope tender process featuring the requirement of a request for proposal with the preparation of bid documents as per the prescribed requirements. The initial price offer submitted online with the request for proposal will be evaluated based on annual transmission charged for all components covered under the package as quoted by the bidder. On selection of the bidder and issue of letter of intent from the BPC, the selected bidder shall execute the share purchase agreement to acquire the special purpose vehicle created for the project to become the transmission service provider in accordance with the bid made and consequently execute the transmission service agreement in accordance with the TBCB Guidelines.

Guidelines for Procurement and Utilization of Battery Energy Storage Systems as part of Generation, Transmission and Distribution assets, along with Ancillary Services (BESS Guidelines)

On March 10, 2022, MoP notified the BESS Guidelines on procurement and utilization of battery energy storage systems (**BESS**) as part of generation, transmission and distribution assets, along with ancillary services. The BESS Guidelines aim to facilitate procurement of BESS for optimum utilization of transmission and distribution network, and to ensure transparency and fairness in the procurement process. The guidelines provide standardization and uniformity in the processes with a risk sharing framework for stakeholders involved in energy storage and capacity procurement. Indian companies, foreign companies, SEBI registered alternative investment funds and consortiums of the former categories are eligible bidders who can participate in the tenders issued under these guidelines. The technical and financial eligibility criteria are set by procurers with the financial criteria requirement being that the net-worth of the bidder should at least be 20% of the estimated project capital cost. It is necessary that the bidder has sufficient cash flow or liquidity.

National Electricity Policy, 2005

The National Electricity Policy was notified in February 2005. This policy aims at accelerated development of the power sector, focusing on the supply of electricity to all areas and protecting interests of consumers and other stakeholders, keeping in view availability of energy resources technology available to exploit these resources, economics of generation using different resources and energy security issues.

The Government has issued the draft "National Electricity Policy" in April 2018 which aims at achieving the following:- (i) access of electricity to all un-electrified households by December 2018 and 24x7 Power to All by March 2019; (ii) to fully meet demand for all consumers with adequate reserve margin; (iii) supply of reliable and quality power of specified standards in an efficient manner and at reasonable rates; (iv) enhancement of per capita consumption of electricity to 1500 units by the year 2022; (v) achieve financial sustainability and commercial viability of the electricity sector; (vi) to promote renewable and environmentally sustainable sources of power keeping in view the environmental benefits and India's commitment as stated in the nationally determining contributions; (vii) provide an impetus to hydro generation, including pumped storage plants, which would provide balancing capacity for load and renewable generation fluctuations; (viii) to enhance efficiency and optimal utilization of assets in generation, transmission and distribution, promote energy conservation, and reduce carbon emissions; and (ix) promoting consumers interest.

National Tariff Policy, 2016

In 2016, the Government, under the Electricity Act, notified the revised National Tariff Policy that replaces the existing tariff policy of 2006. The goals of the Tariff Policy are to ensure availability of electricity to consumers at reasonable and competitive rates, ensure the financial viability of the power sector, attract investment to the power sector, promote regulatory transparency, consistency and predictability across jurisdictions, minimize perceptions of regulatory risks, promote competition, ensure operational efficiency, improve the quality of the power supply, promote generation of electricity from renewable sources, promote hydroelectric power generation including pumped storage projects (**PSP**) to provide adequate peaking reserves, reliable grid operation and integration of variable renewable energy sources, evolve a dynamic and robust electricity infrastructure for better consumer services, facilitate supply of adequate and uninterrupted power to all categories of consumers and ensure the creation of adequate capacity including reserves in generation, transmission and distribution in advance, for the reliability of supply of electricity to consumers.

The Tariff Policy mandates that the relevant ERCs must reserve a minimum percentage for the purchase of solar energy equivalent to 8 per cent. of total consumption of energy by March 2022. In order to further encourage renewable sources of energy, the Tariff Policy mandates that no inter-State transmission charges and losses shall be levied until such period as may be notified on transmission of the electricity generated from solar power plants through the inter-State transmission system for sale. For transmission, the Tariff Policy aims to ensure optimal development of the transmission network with adequate margin for reliability, by efficient utilization of generation and transmission assets and attracting investment providing adequate returns. The benefits of improved efficiency and new technology are passed on to consumers through reduced tariffs. It emphasizes the need for the appropriate regulator to ensure the recovery of all prudent costs when approving the financial restructuring of a transmission company.

The Tariff Policy requires that all future power requirements be procured competitively by distribution licensees except for expansion of pre-existing projects or State Government owned or controlled companies. Regulators must resort to tariffs set by reference to standards of the CERC, provided that the generating capacity expansion by private developers for this purpose is restricted to a one-time addition of not more than 100 per cent. of the existing capacity. Under the Tariff Policy, tariffs for all new generation and transmission projects are decided on a competitive bidding basis.

Renewable Purchase Obligations

The Electricity Act promotes the development of renewable sources of energy by requiring the SERCs to ensure grid connectivity and the sale of electricity generated from renewable sources. In addition, the Electricity Act and the Tariff Policy require the SERCs to specify, for the purchase of electricity from renewable sources, a percentage of the total consumption of electricity within the area of a distribution licensee, which are known as RPOs. RPOs are required to be met by obligated entities (distribution licensees, captive power plants and open access consumers) by purchasing renewable energy, either by renewable energy power producers, or by purchasing renewable energy certificates (**RECs**). In the event of default by an obligated entity in any financial year, the SERC may direct the obligated entity to pay a penalty or to deposit an amount determined by the relevant SERC, into a fund to be utilized for, among others, the purchase of RECs.

Further, in a bid to develop the power market from renewable energy sources through RECs, the CERC, has notified on May 9, 2022, the CERC (Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation Regulations), 2022, as amended, whereby captive generating stations based on renewable energy sources, renewable energy generating stations, distribution licensees and open access consumers are now eligible to issue RECs.

National Electricity Plan 2017-2022

The Electricity Act, 2003 provides an enabling legislation conducive to development of the power sector in transparent and competitive environment, keeping in view the interest of the consumers. As per Section 3(4) of the Electricity Act 2003, CEA is required to prepare a NEP in accordance with the National Electricity Policy and notify such plan once in five years, after obtaining the approval of the Central Government. The draft plan has to be published and suggestions and objections invited thereon from licensees, generating companies and the public within the prescribed time.

The National Electricity Policy stipulates that the plan prepared by CEA and approved by the Central Government can be used by prospective generating companies, transmission utilities and transmission/distribution licensees as reference document.

The aims and objectives of the National Electricity Policy are as follows:

- Access to Electricity - Available for all households in next five years.
- Availability of Power - Demand to be fully met by 2012. Energy and peaking shortages to be overcome and adequate spinning reserve to be available.
- Supply of Reliable and Quality Power of specified standards in an efficient manner and at reasonable rates.
- Per capita availability of electricity to be increased to over 1000 units by 2012.
- Minimum lifeline consumption of 1 unit/household/day as a merit good by year 2012.
- Financial Turnaround and Commercial Viability of Electricity Sector.
- Protection of consumers' interests.

As per the National Electricity Policy, the NEP would be for a short-term framework of five years while giving a 15 year perspective and would include:

- Short-term and long term demand forecast for different regions;
- Suggested areas/locations for capacity additions in generation and transmission keeping in view the economics of generation and transmission, losses in the system, load center requirements, grid stability, security of supply, quality of power including voltage profile, etc; and environmental considerations including rehabilitation and resettlement;
- Integration of such possible locations with transmission system and development of national grid including type of transmission systems and requirement of redundancies;

- Different technologies available for efficient generation, transmission and distribution; and
- Fuel choices based on economy, energy security and environmental considerations.

The National Electricity Policy also stipulates that while evolving the NEP, CEA will consult all the stakeholders including state governments and the state governments would, at state level, undertake this exercise in coordination with stakeholders including distribution licensees and STUs. While conducting studies periodically to assess short-term and long-term demand, projections made by distribution utilities would be given due weightage. CEA will also interact with institutions and agencies having economic expertise, particularly in the field of demand forecasting.

Projected growth rates for different sectors of the economy will also be taken into account in the exercise of demand forecasting. The National Electricity Policy stipulates that in addition to enhancing the overall availability of installed capacity to 85 per cent., a spinning reserve of at least 5 per cent. at national level would need to be created to ensure grid security, quality and reliability of power supply. The National Electricity Policy states that efficient technologies, like super-critical technology, integrated gasification combined cycle etc. and large size units would be gradually introduced for generation of electricity as their cost effectiveness gets established.

The NEP prepared by the CEA in accordance with the National Electricity Policy is a document towards realization of the Government's mission of providing reliable and quality power at reasonable rates to all. The CEA constituted a committee in 2015 to create the NEP for the period 2017-2022. The major highlights of the National Electricity Plan, 2018 are:

(a) 112% of the 12th five year plan target for capacity addition from conventional sources has been met;

(b) revised renewable energy capacity target to 175 gigawatt (**GW**) by the year 2021-22;

(c) total energy savings due to implementation of various energy saving measures during the years 2021-22 and 2026-27 are estimated to be 249 billion units (**BU**) and 337 BU respectively;

(d) as per the 19th Electric Power Survey, the projected peak demand is 226 GW and energy requirement is 1,566 BU at the end of year 2021-22 and the projected peak demand is 299 GW and energy requirement is 2047 BU at the end of year 2026-27;

(e) the share of non-fossil based installed capacity (nuclear, hydro and renewable sources) will increase to 49.3% by the end of 2021-22 and will further increase to 57.4% by the end of 2026-27;

(f) the renewable energy generation will contribute about 20.1% and 24.4% of the total energy in 2021-22 and 2026-27 respectively;

(g) the total coal requirement in the year 2021-22 and 2026-27 has been estimated as 735 million tonne (**MT**) and 877 MT respectively including imported coal of 50 MT. The coal requirement for the year 2021-22 and 2026-27 have been worked out considering 30% reduction in hydro generation due to failure of monsoon and being supplemented by coal based generation;

(h) the total fund requirement for the period 2017-22 is estimated to be ₹ 11,55,652 Crores, which also includes the likely expenditure during this period for the projects coming up in the year 2022-27;

(i) the total fund requirement for the period 2022-27 is estimated to be ₹ 9,56,214 Crores but does not include advance action for projects coming up during the period 2027-2032;

(j) it is estimated that 20.69 MT of carbon dioxide emissions has been avoided by March 31, 2017 due to commissioning of super-critical technology based coal power plants vis-à-vis the scenario of only subcritical units had been commissioned; and

(k) it is estimated that about 268 million tonnes of carbon dioxide emission will be avoided annually by the end of the year 2021-22 due to the addition of renewable energy sources.

The CEA has revised the NEP after receiving feedback from more than 30 state-owned and private institutions, mostly questioning the redundancy of coal. To retire coal-based power completely, according to the CEA, India would need 6,440 MW thermal power during 2017-22. In the earlier version of the NEP, which was released in 2017, the CEA had stated that the country did not need coal-based capacity addition until 2022.

Government Initiatives and Policies

Rural Electrification Initiatives - Deendayal Upadhyaya Gram Jyoti Yojana

In April 2005, the Government launched the Rajiv Gandhi Grameen Vidyutikaran Yojana (**RGGVY**), a comprehensive programme merging within it all the on-going rural electrification schemes with the aim to further strengthen the pace of rural electrification and with the initial objective of electrifying over one lakh unelectrified villages and to provide free electricity connections to 1.73 Crore rural below poverty line (**BPL**) households under the ambit of the Bharat Nirman Electrification Plan.

Under the RGGVY, electricity distribution infrastructure was envisaged to establish a Rural Electricity Distribution Backbone (**REDB**) with at least a 33/11KV sub-station in a block, Village Electrification Infrastructure (**VEI**) with at least a distribution transformer in a village or hamlet, and standalone grids with generation where grid supply was not feasible. Subsidy towards capital expenditure of 90 per cent. was provided, through our Company, which was a nodal agency for implementation of the scheme.

The RGGVY scheme has been subsumed in the DDUGJY scheme which was approved by the Government on December 3, 2014. Electrification of unelectrified BPL households was financed with 100 per cent. capital subsidy at 3000 per connection in all rural habitations. The services of Central Public Sector Undertakings (**CPSUs**) are available to the States for assisting them in the implementation of rural electrification projects.

Our Company acted as the nodal agency appointed by the Government of India for the implementation of Pradhanmantri Sahaj Bijli Har Ghar Yojana (**Saubhagya**) and Deendayal Upadhyaya Gram Jyoti Yojana (**DDUGJY**), the schemes which aimed at providing 24x7 sustainable and affordable power to all households in the country. We have also been entrusted with the responsibility of being the coordinating agency for rolling out Ujwal Discom Assurance Yojana (**UDAY**) which seeks to operationally reform and financially turn around the power distribution companies of the country.

The components of DDUGJY were:

(a) separating agriculture and non-agriculture feeders for providing adequate supply to agricultural and non-agricultural consumers in rural areas;

(b) strengthening and augmentation of sub transmission and distribution infrastructure in rural areas;

(c) including metering of feeders, distribution transformers and consumers; and

(d) rural electrification works covered under the RGGVY subsumed in DDUGJY.

Our Company was the nodal agency for operationalization of DDUGJY was paid 0.5 per cent. of the total project cost as agency fee. The DDUGJY scheme was valid up to March 31, 2022.

Household Electrification Initiatives – Saubhagya

On September 25, 2017, the GOI launched a Rs. 163.20 household electrification scheme named Pradhan Mantri Sahaj Bijli Har Ghar Yojna (translated as the Prime Minister's Programme to provide easy electricity access to all households), or 'Saubhagya'.

The objective of the 'Saubhagya' was to provide energy access to all by last mile connectivity and electricity connections to all remaining un-electrified households in rural as well as urban areas. Projects under the scheme would be sanctioned based on the detailed project reports to be submitted by the States, prepared by the State DISCOMs / power department and sanctioned by an inter-ministerial monitoring committee headed by the Secretary (Power), Government of India.

Further, considering an average load of 1 KW per household and average uses of load for 8 hours in a day, the estimated rise in demand for power after inclusion of all households was about 28,000 MW.

Our Company had been entrusted the responsibility of operationalization of the Saubhagya scheme throughout India and acted as the nodal agency. The Saubhagya scheme was valid up to March 31, 2022.

National Solar Mission

The Ministry of New and Renewable Energy (**MNRE**) has approved a new policy on the development of solar energy in India by the Jawaharlal Nehru National Solar Mission (**Mission**).

The Mission has set the ambitious target of deploying 20,000 MW of grid connected solar power by 2022 and is aimed at reducing the cost of solar power generation in the country through: (i) long term policy; (ii) large scale deployment goals; (iii) aggressive research and development; and (iv) domestic production of critical raw materials, components and products, as a result to achieve grid tariff parity by 2022.

The Mission will create an enabling policy framework to achieve this objective and make India a global leader in solar energy. The Government has revised the target of grid connected solar power projects from 20,000 MW by the year 2021-22 to 100,000 MW by the year 2021-22 under the Mission.

Revamped Distribution Sector Scheme: A Reforms based and Results linked Scheme

The RDSS has been formulated with the objective of improving the quality and reliability of power supply to consumers through a financially sustainable and operationally efficient distribution sector. The scheme aims to reduce the aggregate, technical and commercial losses on a pan India level. To avail funding under the RDSS, an eligible DISCOM is required to prepare an action plan for strengthening their distribution system and improving its performance by way of various reform measures, which would result in an improvement in their operational efficiency and financial viability as well as improve the quality and reliability of power supply to the consumers. The Company has been designated as a nodal agency for the scheme.

The Integrated Power Development Scheme (IPDS)

The MoP introduced the IPDS in order to extend financial assistance against capital expenditure for addressing the gaps in sub transmission and distribution network and metering in urban areas to supplement the resources of DISCOMs and power companies. The earlier scheme of Restructured Accelerated Power Development and Reforms Programme (R-APDRP) was subsumed in the scheme of IPDS and the major components of the scheme included:

(a) Strengthening of sub transmission and distribution network;

(b) Metering provisions;

(c) Provisioning of solar panels; and

(d) Completion of the ongoing R-APDRP.

National Committee on Transmission (NCT)

The composition and terms of reference of the NCT have been modified in order to fast-track the ISTS ***planning*** and approval process, facilitating renewable energy development. To-expedite approval of ISTS, the power to approve ISTS projects costing upto Rs. 500 Crore have been delegated. The proposal of expansion of ISTS up to Rs. 100 Crore will be approved by CTU and the proposal costing between Rs. 100 Crore and Rs. 500 Crore will be approved by NCT. The NCT shall examine the cost of the proposed ISTS scheme, and formulate packages for the proposed transmission schemes for their implementation.

Scheme for Financial Restructuring of State Distribution Companies (SDC Scheme)

The SDC Scheme aims to restore the power purchasing capacity of debt ridden DISCOMs and also to enable banks to recover their loans and is applicable to all State owned DISCOMs having accumulated and operational losses. The scheme contains various measures required to be taken by State DISCOMs and State Governments for achieving the financial turnaround of the DISCOMs by restructuring their debt with support through a transitional finance mechanism provided by the Central Government. Support under the scheme will be available for all participating State owned DISCOMs on fulfilling certain mandatory conditions with a view to accelerate the aggregate technical and commercial loss reduction effort of DISCOMs through additional incentives from the Central Government.

The Electricity (Transmission System Planning, Development and Recovery of Inter-State Transmission Charges) Rules 2021, as amended (IST Rules)

The MoP has introduced the IST Rules with the aim to overhaul the transmission planning system, giving power sector utilities easier access to the electricity transmission network across the country. In a major change from the present system of taking transmission access, power plants will no longer have to specify their target beneficiaries, which will also empower state power distribution and transmission companies to determine their transmission requirements. States will now also be able to purchase electricity from short term and medium term contracts and optimize their power purchase costs. Recovery of general network access (GNA) charges from the users of transmission network is also provided for and the responsibility of billing, collection and disbursement of inter state transmission charges has been assigned to the CTU. Further, transmission capacity can be sold, shared or purchased by the States and generators and excess drawal or injection over the GNA capacity sanctioned shall be charged at rates which are at least 25% higher, ensuring that entities do not under-declare their GNA capacity.

Electricity (Late Payment Surcharge and Related Matters) Rules, 2022 as amended (LPS Rules)

The LPS Rules, are applicable to outstanding dues of generating companies, inter-state transmimssion licensees and electricity trading licensees. The LPS Rules *inter alia* require that the total outstanding dues including late payment surcharge up to the date of notification of the LPS Rules, are to be rescheduled and the due dates re-determined for payment by a distribution licensee from a period ranging from 12 to 48 months as the maxium number of equated monthly instalments, corresponding to outstanding dues. The key features of the LPS Rules are as follows:

- *Late payment surcharge*: Overdue payments will attract extra levies in the form of a late payment surcharge. The rate of surcharge rate will increase by 0.5% for every month of delay, subject to a maximum of 3% above the rate for the first month of default. All payments made by DISCOMs will be first adjusted towards the late payment surcharge and thereafter towards other dues.

- *Conversion of dues to monthly instalments*: Due date for outstanding dues up to the date of notification of the LPS Rules will be re-determined. DISCOMs will be allowed to pay the dues in monthly instalments. To avail this option, DISCOMs will be required to communicate to the entities it owes, within 30 days of the notification of the LPS Rules. The maximum number of instalments will be 48 (subject to the quantum of dues).

- *Payment security mechanism*: DISCOMs are required to maintain an adequate payment security mechanism (through a letter of credit). Under a letter of credit, a bank guarantees that payment will be made to a party. Supply of power to a DISCOM will be made only if payment security is provided or advance payment is made. In case of continuing non-payment of dues, supply to DISCOMs will be gradually curtailed as per the mechanism specified under the LPS Rules.

National Electricity Fund

The Government has approved the National Electricity Fund (Interest Subsidy) Scheme (the **NEF Scheme**) to promote capital investment in the power distribution sector by providing interest subsidies, linked with reform measures, on the loans taken by public and private power utilities for various capital works under distribution projects. This scheme shall be applicable to the entire country and all the capital works except the works covered under and restructured accelerated power development and reforms programme projects (to ensure non-duplication and non-overlapping of grant or subsidy towards investment).

The NEF Scheme has the provision to provide interest subsidies and other charges aggregating to Rs. 8,466 Crore for a period of 14 years on loans availed by distribution utilities in both the public and private sectors.

The requirement of funds for the power sector for the XI Plan was estimated at Rs. 10,59,515 Crore which includes Rs. 5,91,734 Crore for the generation sector, Rs. 15875 Crores for renovation and modernization of existing generation plants and Rs. 4,49,577 Crore for the transmission and distribution sector. The actual expenditure in the distribution sector was much below the estimates due to various reasons during the XI Plan, resulting in the huge funding gap. The creation of the National Electricity Fund thereby became more relevant since the NEF Scheme seeks to encourage utility to match the investments with the planned generation during XII Plan. As per the Working Group on Power of Twelfth plan, the requirement of funds for the power sector was estimated as Rs. 10,31,600 Crore.

UDAY

State DISCOMs in the country have huge accumulated losses and outstanding debt. Financially stressed DISCOMs are not able to supply adequate power at affordable rates, which hampers quality of life and overall economic growth and development. Efforts towards 100 per cent. village electrification, 24X7 power supply and clean energy cannot be achieved without performing DISCOMs.

Power outages also adversely affect national priorities like “Make in India” and “Digital India”. In addition, default on bank loans by financially stressed DISCOMS has the potential to seriously impact the banking sector and the economy at large. To improve the situation, a scheme called Ujwal DISCOM Assurance Yojana (**UDAY**) for financial turnaround of power distribution companies was formulated and launched by the Government on November 20, 2015 in consultation with various stakeholders for the financial and operational turnaround of DISCOMs and to ensure a sustainable permanent solution to the problem.

UDAY envisages reform measures in all sectors- generation, transmission, distribution, coal and energy efficiency.

The Highlights of UDAY are as follows:

(a) Formulated and launched for a sustainable financial and operational turnaround of DISCOMs.

(b) To provide for permanent solutions to legacy debts and address potential future losses.

(c) Empowering DISCOMs with the opportunity to break even in the next 2-3 years through four initiatives.

(d) Increasing operational efficiency improvements inter alia compulsory smart metering, upgrading of transformers, meters etc., energy efficiency measures like efficient light-emitting diode bulbs, agricultural pumps, fans and air-conditioners etc. to reduce the average aggregate technical and commercial loss from around 22 per cent. to 15 per cent.

(e) Reducing the cost of power through measures such as increased supply of cheaper domestic coal, coal linkage rationalization, liberal coal swaps from inefficient to efficient plants, coal price rationalization based on gross calorific value, supply of washed and crushed coal, and faster completion of transmission lines.

(f) DISCOM debt not taken over by the State shall be converted by the banks and financial institutions into loans or bonds with interest rates not more than the bank's base rate plus 0.1 per cent. Alternately, this debt may be fully or partly issued by the DISCOM as State guaranteed DISCOM bonds at the prevailing market rates which shall be equal to or less than bank base rate plus 0.1 per cent.

(g) Further provisions for spreading the financial burden on states over three years to give flexibility in managing interest payments within their fiscal place in initial years.

(h) States which are not stressed or where power is managed through state run power department and not through DISCOMs were allowed to join UDAY on operational parameters and need not take over DISCOM debt.

UDAY and REC

The Company provides debt for a fairly long tenure and a strategic programme like UDAY which essentially addresses the core issues of the sector. In addition, UDAY has also provided the Company with opportunities to participate in the DISCOMs rebuilding process. There are areas including loss reduction, smart metering financing, smart grids, green energy infrastructure where the Company or its subsidiaries are playing a large role.

Recent Developments

Indian Union Budget – 2022-2023

As part of the Indian Finance Bill, 2022, it is proposed to introduce reforms-based schemes to provide assistance to power distribution companies for infrastructure creation to address concerns over viability. To facilitate domestic manufacturing for the target of 280 GW of installed solar capacity by 2030, an additional allocation of Rs. 19,500 Crore for Production Linked Incentive (**PLI**) for manufacture of high efficiency modules, with priority to fully integrated manufacturing units from polysilicon to solar PV modules, will be made. Further, the PLI for domestic solar cells, modules manufacturing has been enhanced to Rs. 24,000 Crores. Further, in accordance with the recommendations of the 15th Finance

Commission, the states will be allowed a fiscal deficit of 4.0 per cent. of the gross state domestic product of which 0.5 per cent. will be tied to power sector reforms.

Miscellaneous Regulations and Guidelines

Electricity (Promoting renewable energy through Green Energy Open Access) Rules, 2022, as amended (Green Energy Rules)

The MoP has notified the Green Energy Rules under the provisions of Section 176 of the Electricity Act, for the purchase and consumption of green energy including the energy from waste-to-energy plants. The Green Energy Rules identify green energy as electrical energy generated from renewable sources of energy. Uniform RPOs would apply to all obligated entities, i.e. the distribution licensees, open access consumers, and captive power consumers. An entity may elect to purchase and consume renewable energy by: (a) own generation from renewable energy sources; (b) procuring renewable energy through open access from any developer with which the entity enters into an agreement; (c) requisition from a distribution licensee; (d) purchase of RECs; (e) purchase of green hydrogen; and (f) any other sources as may be prescribed by the GoI. The tariff for green energy would be determined by the appropriate commission which may comprise of the average pooled power purchase cost of the renewable energy, cross-subsidy charges (if any) and service charges covering all prudent cost of the distribution licensee for providing the green energy.

Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related Matters) Regulations, 2022 (DSM Regulations)

The DSM Regulations apply to all grid connected regional entities and other entities engaged in inter-state purchase and sale of electricity. The aim of the DSM Regulations is to ensure that users of the grid do not deviate from and adhere to their schedule of drawal. The regulations also provide for the methodology for computation of deviation and the rate of charges that shall apply to them.

Central Electricity Regulatory Commission (Ancillary Services) Regulations, 2022 (Ancillary Services Regulations)

The Ancillary Services Regulations apply to all regional entities including entities having energy storage resources and aim to provide mechanisms for the procurement, deployment and payment of ancillary services at the regional and national level. The regulations categorises four types of ancillary services and each type has its own eligibility criteria for the providers.

Central Electricity Regulatory Commission (Power Market) Regulations, 2021 (Power Market Regulations)

The CERC notified the Power Market Regulations on August 15, 2021, to develop and regulate the power market, keeping pace with the developments in the power sector. The regulations aim to help in the creation of a comprehensive market structure and enable execution and contracting all types of possible products in the power markets. An enabling framework has also been provided for market coupling among the power exchanges with an objective to discover the uniform market clearing price for the day ahead market or real- time market.

Guidelines for Registration and Filing Application for Establishing and Operating Over the Counter (OTC) Platform, 2022 (OTC Guidelines)

The CERC on May 11, 2022, has notified the OTC Guidelines which shall apply to the over the counter (**OTC**) platform, the OTC platform operator and participants on the OTC Platform. These guidelines seek to describe: (a) eligibility criteria; (b) procedure for filing application and grant of registration for establishing and operating OTC platform; (c) operational and risk management framework; and (d) submission of information by the OTC platform. The objective of the OTC platform is to provide an electronic platform with the information of potential buyer and seller of electricity and maintain a repository of data related to buyers and sellers and provide such historical data to market participants.

Central Electricity Regulatory Commission (Payment of Fees) (Third Amendment) Regulations, 2022 (Payment of Fees Regulations)

The CERC through a notification dated February 24, 2022 has further amended the Central Electricity Regulatory Commission (Payment of Fees) Regulations, 2012. Through this amendment, a transmission licensee including the deemed transmission licensee shall now furnish, by 15th July of each year, the audited statement of annual transmission charges for the preceding financial year which shall include the annual transmission charges determined by the CERC and the amount or charges received for transmission services of the preceding financial year along with the audited certificate of the licence fee payable during the corresponding financial year. While providing such details, the amount received as reimbursement of filing fees in form of licence fees and amount or charges received for services other than transmission services shall not be included. The differential licence fee payable, if any, shall be deposited by the 15th day of July each year.

Central Electricity Regulatory Commission (Connectivity and General Network Access to the Inter-State Transmission System) Regulations, 2022 (GNA Regulations)

CERC has issued the GNA Regulations on June 7, 2022 to provide a framework to facilitate open access power to consumers, generating companies, and distribution licensees for ISTS through the GNA. The GNA Regulations provides for the following: (a) application for grant of connectivity and GNA, (b) eligibility requirements for GNA, temporary GNA (T-GNA) and connectivity to ISTS, and (c) in-principle and final grant of connectivity by the nodal agency. Only following entities shall be eligible as applicants to apply for grant of GNA or for enhancement of the quantum of GNA: (a) state transmission utility on behalf of intra-state entities including distribution licensees; (b) a drawee entity connected to intra-state transmission system; (c) a distribution licensee or a bulk consumer, seeking to connect to ISTS, directly, with a load of 50 MW and above; (d) trading licensees engaged in cross border trade of electricity in terms of the CBTE Regulations; and (e) transmission licensee connected to ISTS for drawal of auxiliary power.

ENVIRONMENTAL LAWS

The three major statutes in India which seek to regulate and protect the environment against pollution related activities in India are the Water (Prevention and Control of Pollution) Act 1974 as amended, the Air (Prevention and Control of Pollution) Act, 1981 as amended and the Environment Protection Act, 1986 as amended (the **EPA**). The Pollution Control Boards (**PCBs**), which are vested with diverse powers to deal with water and air pollution, have been set up in each State to control and prevent pollution. The PCBs are responsible for setting the standards for maintenance of clean air and water, directing the installation of pollution control devices in industries and undertaking investigations to ensure that industries are functioning in compliance with the standards prescribed. All industries and factories are required to obtain consent orders from the PCBs, and these orders are required to be renewed annually.

The Environment Impact Assessment (EIA) Notification dated September 14, 2006

The Ministry of Environment, Forests and Climate Change, Government of India (**MoEFCC**) mandates that Environment Impact Assessment (**EIA**) must be conducted for specified projects. In the process, the MoEFCC receives proposals for the setting up of projects and assesses their impact on the environment before granting clearances to the projects

The EIA Notification S.O. (E) 1533, issued on September 14, 2006 (**EIA Notification**) and amended from time to time, under the provisions of the EPA, classifies projects and activities into two categories, category A and category B, based on the spatial extent of potential impacts and potential impacts on human health and natural and man-made resources. The said notification prescribes that new construction of specified projects require prior environmental clearance from the concerned authority. Environmental clearnance is required from the MoEFCC for matters falling under Category 'A' and at State level, environmental clearance is required from the State Environment Impact Assessment Authority (**SEIAA**) for matters falling under Category 'B'. The environmental clearance must be obtained from the MoEFCC according to the procedure specified in the EIA Notification. Projects and activities have been classified into two categories, category A and category B, based on the spatial extent of potential impacts and potential impacts on human health and natural and man-made resources. No construction work or preparation of land by the project management except for securing the land, relating to the setting up of a specified project can be undertaken until such clearance is obtained.

Under the EIA Notification, the environmental clearance process for new projects consists of four stages – screening, scoping, public consultation and appraisal. After completion of public consultation, the applicant is required to make appropriate changes in the draft 'EIA Report' and the 'Environment Management Plan.' The final EIA Report has to be submitted to the concerned regulatory authority for appraisal. The regulatory authority is required to give its decision within 105 days of the receipt of the final EIA Report.

Draft Environmental Impact Assessment Notification, 2020 dated March 23, 2020

MoEFCC proposed a draft Environmental Impact Assessment Notification, 2020 dated March 23, 2020 (**Draft EIA Notification**) on April 11, 2020 to replace the EIA Notification and promote transparency and streamline compliance. It proposes a new set of rules for various industrial projects and aims to make the process of issuing environmental clearances more transparent and expedient through implementation of an online system. The two most significant changes in the new Draft EIA Notifications are provisions for a post facto clearance of projects and abandoning the public trust doctrine. However, the Draft EIA Notification has not been implemented yet.

Public Liability Insurance Act, 1991

The Public Liability Insurance Act, 1991, as amended (**Public Liability Act**), imposes liability on the owner or controller of hazardous substances for any damage arising out of an accident involving such hazardous substances. A list of 'hazardous substances' covered by the legislation has been enumerated by the Government by way of a notification. The owner or handler is also required to take out an insurance policy insuring against liability under the legislation. The rules made under the Public Liability Act mandate that the employer has to contribute towards the Environment Relief Fund, a sum equal to the premium paid on the insurance policies. This amount is payable to the insurer.

Water (Prevention and Control of Pollution) Act, 1974

The Water (Prevention and Control of Pollution) Act, 1974 as amended (the **Water Act**) aims to prevent and control water pollution and to maintain or restore wholesomeness of water. The Water Act provides for a Central Pollution Control Board and for various State Pollution Control Boards to be constituted to implement its provisions. The Water Act debars any person from establishing any industry, operation or process or any treatment and disposal system likely to discharge sewage or trade effluents into a water body, without prior consent of the State Pollution Control Board (the **SPCB**).

Air (Prevention and Control of Pollution) Act, 1981

The Air (Prevention and Control of Pollution) Act, 1981, as amended from time to time (the **Air Act**) prescribed that no person shall, without the previous consent of the State Board, establish or operate any industrial plant in an air pollution control area. The SPCB may grant the consent applied for subject to such conditions and for such period as may be specified in the order.

Hazardous and Other Wastes (Management and Trans-boundary Movement) Rules, 2016

The Hazardous and Other Wastes (Management and Trans-boundary Movement) Rules, 2016, lists processes that generate hazardous waste, creating a danger to health or environment. Each occupier and operator of any facility generating hazardous waste must dispose of such hazardous waste in accordance with the steps delineated in the rules.

They also impose obligations in respect of the collection, treatment and storage of hazardous wastes on the relevant state government, occupier, operator of a facility or any association of occupiers. Each occupier and operator of any facility generating hazardous waste is required to obtain an authorisation from the relevant SPCB for collecting, storing, handling and treating the hazardous waste. The relevant SPCB is required to monitor the setting up and operation of the common or captive treatment, storage and disposal facility regularly. Further, registration must be obtained by any person desirous of recycling or reprocessing hazardous wastes. These rules also impose restrictions on import and export of hazardous wastes. MoEFCC is the nodal Ministry to deal with the trans-boundary movement of hazardous wastes.

LABOR LAWS

Various labor laws in India regulate the conditions of work and employment, work hours, safety, protection, working conditions, employment terms and welfare of laborers and/or employees. The Issuer is, *inter alia*, subject to the applicable shops and establishments legislation, the Employees State Insurance Act, 1948 (**ESIA**), the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (**EPFA**), the Minimum Wages Act, 1948 (**MWA**), the Payment of Wages Act, 1936 (**PWA**), the Payment of Bonus Act, 1965 (**PBA**), the Equal Remuneration Act, 1976 (**ERA**), the Trade Unions Act, 1926 (**TUA**), the Payment of Gratuity Act, 1972 (**PGA**), the Workmen's Compensation Act, 1923, the Contract Labour (Regulation and Abolition) Act, 1970 (**CLA**), the Maternity Benefit Act, 1961 (**MBA**) and the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, all as amended.

The Indian Parliament has enacted four labour codes on (i) wages; (ii) industrial relations; (iii) social security welfare; and (iv) occupational safety, health and working conditions, by amalgamating, simplifying, and rationalising the relevant provisions of the existing labour laws in India.

Code on Wages 2019

The Code on Wages 2019 (**Code on Wages**) received presidential assent on August 8, 2019 and subsumes the MWA, the PWA, the PBA and the ERA into one statute. However, the Code on Wages is yet to be notified. After the notification, the MWA, the PWA, the PBA and the ERA will be repealed. The primary aim of the Code on Wages is to remove multiplicity of definitions and authorities leading to ease of compliance, without compromising the wage security and social security of workers. A concept of statutory national minimum wage for different geographical areas has been introduced. It will ensure that no state government fixes the minimum wage below the national minimum wages for that particular area as notified by the Indian Government. The Government of India notified certain provisions of the Code on Wages in relation to the constitution and functions of the central advisory board. In this regard, the Government of India has also notified the Code on Wages (Central Advisory Board) Rules, 2021.

Industrial Relations Code, 2020

The Industrial Relations Code, 2020 (**Industrial Relations Code**) received presidential assent on September 28, 2020 and will repeal and replace the TUA, the Industrial Employment (Standing Orders) Act, 1946 and the Industrial Disputes Act, 1947 when notified by the Government. The primary aim of the Industrial Relations Code is to consolidate the laws relating to trade unions, conditions of industrial employment and investigation and settlement of industrial disputes.

Code on Social Security and Welfare, 2020

The Code on Social Security and Welfare, 2020 (**Social Security Code**) received presidential assent on September 28, 2020 and will repeal and replace various social security related laws including but not limited to the Employee's Compensation Act, 1923, the ESIA, the EPFA, the MBA and the PGA when notified by the Government. The primary aim of the Social Security Code to amend and consolidate the laws relating to social security and provide social security benefits to employees and workers of all sectors.

Occupational Safety, Health and Working Conditions Code, 2020

The Occupational Safety, Health and Working Conditions Code, 2020 (**Work Safety Code**) received presidential assent on September 28, 2020 and will repeal and replace various employee and worker related laws including not limited to the Factories Act, 1948 and the CLA, when notified by the Government. The primary aim of the Work Safety Code is to consolidate the laws regulating the occupational safety, health and working conditions of workers and employees.

Shops and Establishments Legislation in Various States

The provisions of various Shops and Establishments legislation, 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.

Other Laws

In addition to the above, the Company is required to comply with other applicable statutes imposed by the central or the state government and authorities for the day-to-day business and operations. The Company is also subject to various central and state tax laws.

LAWS RELATING TO INTELLECTUAL PROPERTY

In India, trademarks enjoy protection under both statutory laws and common law jurisprudence. The Trademarks Act, 1999 as amended (the **Trademarks Act**) and the Copyright Act, 1957 as amended among others govern the law in relation to intellectual property, including brand names, trade names and service marks and research works. The Trademarks Act governs the statutory protection of trademarks in India.

The Trademarks Act governs the registration, acquisition, transfer and infringement of trademarks and remedies available to a registered proprietor or user of a trademark. The registration of a trademark is valid for a period of ten years, and can be renewed in accordance with the specified procedure.

TAX LAWS

Income Tax Act, 1961

Income Tax Act and the Income Tax Rules, 1962, as amended by the Finance Act in respective years is applicable to every domestic and foreign company whose income is taxable depending upon its 'residential status' and 'type of income' involved.

Goods and Services Tax

Goods and Services Tax (**GST**) has been effective in India since July 1, 2017. GST is a unified and comprehensive indirect tax which aims to expand the tax base, rationalize the input tax credit and harmonize the current multiple taxation laws in India which are levied by the State Governments such as the service tax, Central excise duty, sales tax and State value added tax. India has adopted a dual model GST. Therefore, under the GST regime, a tax called the Central Goods and Services Tax along with the State Goods and Services Tax or the Union Territory Goods and Services Tax are simultaneously levied on all intra-State supplies of goods and/or services at the rates specified in this regard. Further, an Integrated Goods and Services Tax is levied on all supplies of goods and/or services made in the course of inter-State trade or commerce.

Pursuant to the Ministry of Finance notification No. 12/2017 Central Rates (Tax) notification No. 12/2017 dated June 28, 2017 (entry No.25) – 'Transmission or distribution of electricity by an electricity transmission or distribution utility' are taxable under GST @ 'NIL'.

Ancillary services rendered by DISCOMs are taxable as per the Circular No. 34/8/2018-GST dated March 1 2018. The following services are taxable under GST @ 18 per cent.:- (i) Application fee for releasing connection of electricity; (ii) Rental Charges against metering equipment; (iii) Testing fee for meters/ transformers, capacitors etc.; (iv) Labor charges from customers for shifting of meters or shifting of service lines; and (v) Charges for duplicate bill.

REGULATION OF FOREIGN INVESTMENT

The Indian Government's Department for Promotion of Industry and Internal Trade (**DPIIT**) has issued the "Consolidated FDI Policy", with effect from October 15, 2020 (**FDI Policy**) which consolidates the policy framework on foreign direct investment (**FDI**). DPIIT makes policy pronouncements on FDI through press notes or press releases which are notified by RBI from time to time. Foreign investment in India is governed primarily by the provisions of the FEMA which relates to regulation primarily by the RBI and the rules, regulations and notifications thereunder.

Foreign Exchange Management (Debt Instruments) Regulations, 2019 (Debt Instrument Regulations)

The Debt Instrument Regulations were issued by RBI in supersession of the Foreign Exchange Management (Transfer of Issue of Security by a Person Resident outside India) Regulations, 2017. The RBI, in exercise of its power under the FEMA, has notified the Debt Instrument Regulations. The Debt Instruments Regulations lays down, for an investment made by a person resident outside India, the attendant conditionalities, the investment limits and the entry routes. Further, a person resident outside India may trade in all exchange trade derivative contracts approved by SEBI subject to the limits prescribed by SEBI and the conditions specified under Schedule I of the Debt Instruments Regulations.

Under the Debt Instrument Regulations, a foreign portfolio investor (**FPI**) may purchase debt instruments, including bonds issued by an Indian company, on a repatriation basis, subject to RBI regulations. The short-term investment limit by an FPI in government securities state development loans and corporate bonds is 30 per cent. of the total investment in that segment and FPI investments in government securities, state development loans and corporate bonds made between July 8, 2022 and October 31, 2022 and security receipts, debt instruments issued pursuant to insolvency resolution and defaulted bonds are currently exempted from the short-term investment limit. FPIs have been permitted to invest in commercial papers and non-convertible debentures with an original maturity of up to one year, during the period between July 8, 2022 and October 31, 2022 (both dates included) and such investments are also exempted from the FPI short-term investment limit until maturity or sale of such investments.

The Ministry of Finance, in exercise of its powers under the FEMA, has issued the Foreign Exchange Management (Non-debt Instruments) Rules, 2019 (**Non-Debt Rules**) to prohibit and regulate the transfer by or issue of security to a person resident outside India. The Non-Debt Rules regulate persons resident outside India to make investments in India as well as Indian entities receiving investment(s), without the prior approval of the Government or RBI. The Non-Debt Rules cover FPIs, non-resident

Indians and other non-resident investors. Additionally, the RBI has also notified the Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019, to regulate the mode of payment and reporting requirements for investment in India by persons resident outside India.

No prior consent is required from the Government or RBI for FDI under the automatic route within the specified sectoral caps. In respect of industries and sectors not specified in the FDI policy, FDI is permitted under the automatic route. In respect of investment in excess of the specified sectoral limits under the automatic route, approval may be required from the respective administrative ministries of the Indian Government for the relevant sector and/or DPIIT. In accordance with the Consolidated FDI policy effective from October 15, 2020, foreign direct investment in NBFCs regulated by the RBI comes under the automatic route for FDI investment up to 100 per cent. Investors are urged to consult their own advisers in connection with the applicability of any Indian laws or regulations.

EXTERNAL COMMERCIAL BORROWINGS

The laws relating to ECBs are embodied in FEMA, the Foreign Exchange Management (Borrowing and Lending) Regulations, 2018, the RBI Master Direction on External Commercial Borrowings, Trade Credits and Structured Obligations dated March 26, 2019 and the Master Direction on Reporting under FEMA dated January 1, 2016, each as amended (the **ECB Guidelines**).

ECBs can be accessed under two routes, namely (i) the automatic route and (ii) the approval route. The ECB Guidelines regulate the maintenance of prudent limits for total external borrowings, end-use, all-in-cost ceilings and reporting requirements amongst other terms of borrowing. The automatic route does not require a borrower to obtain any RBI approvals, whereas the approval route refers to circumstances where prior RBI approval is mandatory before raising an ECB. 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.

The maximum amount which can be raised every financial year under the automatic route is: U.S.$750 million or its equivalent (temporarily increased to U.S.$ 1.5 billion until December 31, 2022). The ECB Guidelines classify ECBs under two categories: (i) foreign currency denominated ECBs (which would include Notes other than the Rupee Denominated Notes) (**FCNY ECBs**); and (ii) Rupee denominated ECBs (which would include Rupee Denominated Notes) (**Rupee ECBs**).

Automatic Route

All entities eligible to receive foreign direct investment in India, port trusts, special economic zones units, Small Industries Development Bank of India, Export Import Bank of India can raise ECBs and in addition registered micro-finance entities can raise Rupee ECBs.

The all-in cost (which includes rate of interest, other fees, charges and expenses, guarantees fees or export credit agency fees payable in foreign currency or Rupees but does not include commitment fees or payments for withholding tax in Rupees) ceilings for (i) FCNY ECBs is 500 basis points per annum over any widely accepted interbank rate or alternative reference rate of 6-month tenor, applicable to the currency of borrowing (plus an additional 50 basis points for existing FCNY ECBs linked to London interbank offered rate whose benchmarks are changed to an alternative reference rate) and (ii) for Rupee ECBs will be is 450 basis points per annum over the prevailing yield of the Government securities of corresponding maturity. In accordance with the ECB Guidelines, various components of the all-in-cost (such as interest or charges) have to be paid by a borrower without drawing down on the ECB. RBI has temporarily permitted investment grade borrowers to raise FCNY ECBs at 600 basis points per annum and Rupee ECBs at 550 basis points per annum until December 31, 2022.

Foreign investors eligible to lend ECBs must be one of the following under the ECB Guidelines: (i) a non-individual resident of a FATF Compliant Country or an IOSCO Compliant Country, (ii) a multilateral and regional financial institution where India is a member country; (iii) individuals who are from a FATF Compliant Country or an IOSCO Compliant Country if they are foreign equity holders or the Notes are listed; or (iv) (a) in the case of foreign currency denominated Notes (and excluding Rupee Denominated Notes), foreign branches or subsidiaries of Indian banks and subject to prudential guidelines issued by the Department of Banking Regulation of the RBI and (b) foreign branches or subsidiaries of Indian banks, subject to applicable prudential norms, can participate as arrangers, underwriters, market-makers or traders for Rupee denominated Notes issued overseas. These requirements apply in respect of the transfer of any ECB, including the transfer of any of the Notes. For further details, see "*Subscription and Sale – India*".

The minimum average maturity period (**MAMP**) for FCNY ECBs and Rupee ECBs is three years unless specified otherwise. The MAMP for ECBs up to U.S.$50 million by manufacturing companies is 1 year. If the ECB is raised from foreign equity holders (other than foreign branches or subsidiaries of Indian banks) and utilised for working capital purposes, general corporate purposes or repayment of Rupee loans, the ECB MAMP will be 5 years. In cases where the eligible borrower is not a foreign equity holder and not a foreign branch or subsidiary of an Indian bank, and the ECB is raised for: (a) repayment of Rupee loans availed in India for capital expenditure purposes or on-lending by NBFC for the same purpose, the ECB MAMP is 7 years, (b) working capital purposes, general corporate purposes or repayment of Rupee loans availed in India for purposes other than capital expenditure or on-lending by NBFCs for the same purposes, the ECB MAMP is 10 years. No call and put option, if any, can be exercised prior to the expiry of the MAMP.

ECB proceeds can be utilised for all purposes except as set out in a negative list, being:

(i) real estate activities;
(ii) investment in the capital markets;
(iii) equity investment;
(iv) working capital purposes except (a) from foreign equity holder(s) where the MAMP is 5 years; or (b) where the ECB MAMP is 10 years;
(v) general corporate purposes except (a) from foreign equity holder(s) where the MAMP is 5 years; or (b) where the ECB MAMP is 10 years;
(vi) repayment of Rupee loans – however repayment of Rupee loans through ECB is permitted if (a) the ECB is raised from foreign equity holder(s), (b) the Rupee loans were availed in India for capital expenditure and, the ECB has a MAMP of 7 years, or (c) the Rupee loans were availed in India for purposes other than capital expenditure and the ECB has a MAMP of 10 years; or
(vii) on-lending to entities for the above activities, however, NBFCs can on-lend for (a) working capital purposes, general corporate purpose and repayment of Rupee loans availed in India for purposes other than capital expenditure where the ECB MAMP is 10 years, or (b) repayment of Rupee loans availed in India for purposes of capital expenditure where the ECB MAMP is 7 years.

An Indian company under restructuring or in a corporate insolvency resolution process can utilise ECBs if permitted under a resolution plan, as well as, a resolution applicant under the Insolvency Code, with prior RBI approval. For capital expenditure loans in the manufacturing and infrastructure sectors, which are classified as non-performing assets (a) ECBs can be raised by an eligible borrower for a one-time settlement payment to Indian lenders in respect of such Rupee loans, or (b) a lending bank may choose to sell, by way of assignment, Rupee loans to eligible ECB lenders, except foreign branches or overseas subsidiaries of Indian banks, in each case subject to the ECB complying with to all-in-cost, MAMP, and other conditions under the ECB Guidelines.

Approval Route

All ECBs falling outside the automatic route limits are considered by the RBI under the approval route. Under the approval route, the prospective borrowers are required to send their requests to the RBI through their AD Bank, for examination.

Creation of Security

Under the present ECB Guidelines, the choice of security to be provided is left to the borrower. ECBs may be secured, after approval by an AD Bank, by creation of a charge on immovable assets, movable assets, financial securities and the issue of corporate or personal guarantees in favor of an overseas lender or a security trustee, to secure the ECB, subject to certain conditions.

Creation of Charge on Movable Assets

In the event of enforcement of the charge over movable assets, the claim of the lender, whether the lender takes possession over the movable asset or otherwise, will be restricted to the outstanding claim against the ECB. Encumbered movable assets may also be taken out of the country subject to getting 'no objection certificate' from domestic lenders, if any.

Filing and regulatory requirements in relation to issuance of the Notes

The various reports and forms prescribed by the RBI and required to be submitted under FEMA are provided under the ECB Guidelines. An ECB borrower is required to obtain a loan registration number (**LRN**) from the RBI before an issuance of Notes is effected. To obtain this, ECB borrowers are required to submit a completed Form ECB certified by a company secretary or a chartered accountant to the AD Bank of the ECB borrower. The AD Bank is then required to forward a copy of the completed form ECB to the RBI. Any ECB borrower is required to submit Form ECB-2 filing on a monthly basis via its AD Bank to the RBI.

Procedure in relation to any change to the Terms and Conditions of the Notes

Any change in the terms and conditions of the Notes after obtaining the LRN are required to be reported to Department of Statistics and Information Management through a revised Form ECB at the earliest, and in any case not later than seven days from the changes effected. Further, the borrowers are required to report actual ECB transactions through Form ECB 2 filing through AD Bank on a monthly basis so as to reach RBI within seven working days from the close of month to which it relates and the changes, if any, in ECB parameters should also be incorporated therein.

Further, any change in the terms and conditions of the Notes after obtaining the LRN may require prior approval of the RBI or AD Bank, as the case may be. Certain changes (such as change of AD Bank, cancellation of LRN, refinancing of existing of ECB, conversion of ECB into equity, security for ECB) may be approved by the AD Bank under a delegated authority from the RBI subject to certain conditions being complied with. Any redemption of the Notes prior to their stated maturity, including on occurrence of an event of default or for taxation reasons (as further described in the Conditions) may require the prior approval of the RBI or the AD Bank, as the case may be. Refinancing of existing ECB with fresh ECB is permitted provided that the outstanding maturity of the original borrowing (weighted outstanding maturity in case of multiple borrowings) is not reduced and the all-in-cost of the fresh ECB is lower than the all-in-cost (weighted average cost in case of multiple borrowings) of the existing ECB.

Hedging

Indian companies raising FCNY ECB are required to follow guidelines for hedging if any, by relevant sectoral or prudential regulators in respect of foreign currency exposure. Infrastructure space companies (being companies in the infrastructure sector, NBFCs undertaking infrastructure financing, holding companies or core investment companies undertaking infrastructure financing, housing finance companies and port trusts) raising FCNY ECBs are required to (i) have a board approved risk management policy; and (ii) mandatorily hedge 70 per cent. of their FCNY ECB exposure if the MAMP is less than five years.

An AD Bank is required to confirm that the hedging requirement has been complied with during the currency of the ECB and report the position to the RBI by way of Form ECB 2 filing. ECB investors are eligible to hedge their exposure for Rupee ECBs through permitted derivative products with AD Banks in India or through branches or subsidiaries of Indian banks abroad or branches of foreign banks with Indian presence on a back to back basis.

Payment of Indemnity

In accordance with the FEMA and the regulations framed thereunder, a person resident in India will be required to obtain the approval of the RBI for any payment in respect of any indemnities that may be required to be made by such person to, or for the credit of, any person resident outside India, in Rupees or foreign currency, before any such payment is made. Consequently, any indemnity payment by the Company to Noteholders will require RBI approval.

Recent Indian Regulatory Developments

RBI has issued a circular on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications dated November 12, 2021 and further clarified on February, 15 2022 (**RBI Clarification Circular**). The RBI Clarification Circular was introduced with a view to ensuring uniformity in the implementation of Income Recognition, Asset Classification and Provisioning (**IRACP**) norms across all lending institutions and included, *inter alia*, the following clarifications:

(i) the exact due dates for repayment of a loan, frequency of repayment, breakup between principal and interest, examples of SMA/NPA classification dates must be clearly specified in the loan agreement and the borrower shall be apprised of the same at the time of loan sanction and also at the time of subsequent changes, if any, to the sanction terms or loan agreement till full repayment of the loan. In cases of loan facilities with moratorium on payment of principal and/or interest, the exact date of commencement of repayment must also be specified in the loan agreements. These instructions are applicable immediately for fresh loans and upon renewal or review of existing loans;

(ii) in order to remove any ambiguity on SMA classification (recognising stress in borrower account immediately upon default) under the Framework, it was clarified that the intervals are intended to be continuous;

(iii) classification of a borrower account as SMA as well as NPA must be done as part of day-end process for the relevant date and the NPA/SMA classification date is the calendar date for which the day-end process is run;

(iv) in case of interest payments in respect of term loans, an account will be classified as NPA if the interest applied at specified rests remains overdue for more than 90 days;

(v) loan accounts classified as NPAs may be upgraded to ‘standard’ only if the entire arrears of interest and principal of all facilities given by a lender are paid by the borrower.

The RBI Clarification Circular does not make any changes to NBFC’s credit reporting requirements nor does it interfere with their implementation of Ind-AS.

Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs

Pursuant to the announcement made in the Statement on Developmental and Regulatory Policies dated December 04, 2020, and the discussion paper dated January 22, 2021 on Revised regulatory framework for NBFC’s, the RBI notified Scale Based Regulation (SBR): A Revised Regulatory Framework for

NBFC's which shall become fully effective on October 1, 2022. The RBI has proposed a four-tier structure for tighter regulatory framework of NBFCs.

The proposed 4-tier structure is as follows:

1. **NBFC-Base Layer (NBFC-BL)** – NBFC-BLs include, amongst others, non-deposit taking NBFCs with asset size less than INR 10 billion and NBFCs not availing public funds or having a customer interface.
2. **NBFC-Middle Layer (NBFC-ML)** – NBFC-MLs include, amongst others, NBFCs with asset size of at least INR 10 billion, non-deposit taking NBFC-IFCs and deposit-taking NBFCs.
3. **NBFC Upper Layer (NBFC-UL)** – RBI will identify NBFC-ULs that warrant enhanced regulation and will include the 10 largest NBFCs by asset size. However, Government owned NBFCs will not be classified as NBFC-ULs for the time being and will be regulated as NBFC-MLs or NBFC-BLs, as applicable. Notified NBFC-ULs have three months to put in place a board-approved policy for the SBR and set out an implementation plan (to achieve full compliance within 24 months).
4. **NBFC Top Layer –** This is a new layer comprising NBFC-ULs notified by RBI due to the extreme risks they pose. This layer is designed to be empty and once the higher levels of supervision are not necessary, the NBFCs will be placed back in the upper layer.

The proposed framework is aimed at protecting financial stability while ensuring that smaller NBFCs continue to enjoy light regulations and grow with ease. This includes mandating implementation of a core financial services solution for NBFC-MLs and NBFC-ULs with 10 or more fixed points of delivery manned by own staff or outsourced agents by September 30 2025. Furthermore, guidelines for NBFC-ULs in respect of provisioning of standard assets, large exposures and capital requirements have been issued. In addition, RBI has set out regulatory restrictions on loans and advances to the real estate sector and to directors and senior officers of NBFCs. RBI has also specified additional disclosures to be included in the notes to account of NBFC's annual financial statements for FY 2023 and onwards.

RBI issued a circular dated April 11, 2022 (**Compliance Circular**) setting out a compliance framework for NBFC-ULs and NBFC-MLs, who are now mandated to put in place a board-approved policy and a compliance function, including the appointment of a chief compliance officer (**CCO**) by April 1, 2023 and October 1, 2023, respectively. Applicable NBFCs are required to consider the Compliance Circular and devise an implementation strategy in a time-bound manner.

Legal Entity Identifier (LEI) for Borrowers

RBI has extended guidelines on LEI to NBFCs. Non-individual borrowers with an aggregate exposure of ₹50 million must obtain LEI codes in a phased manner by April 30, 2025. The aggregate exposure includes all fund based and non-fund based (credit as well as investment) exposure towards the borrower, taking the higher of sanctioned limit or outstanding balance for the purpose. Borrowers (other than government departments and agencies) who fail to obtain LEI codes cannot be sanctioned any new exposure nor be granted renewal or enhancement of any existing exposure.

Statements on Developmental and Regulatory Policies issued by the RBI dated April 8, 2022

The Statement on Developmental and Regulatory Policies dated April 8, 2022 proposed, *inter alia*, a discussion paper on climate risk and sustainable finance to be placed shortly on the RBI's website for comments of stakeholders. Climate change may result in physical and transition risks that could have implications for the safety and soundness of individual regulated entities (**REs**) as well as financial stability. Thus, there is a need for REs to develop and implement a sound process for understanding and assessing the potential impact of climate-related financial risks in their business strategy and operations. This would require, among other things, an appropriate governance structure and a strategic framework to effectively manage and address these risks. Further, some regulatory initiatives in the area of climate risk and sustainable finance would also help REs to better handle climate risk and guide them in the transition period.

MEASURES TO ADDRESS STRESS ON ACCOUNT OF COVID-19 PANDEMIC

Reserve Bank of India

In order to mitigate the disruptions due to the COVID-19 pandemic, the RBI issued COVID-19 regulatory packages with relaxations from regulatory compliances for restructuring, of stressed assets under the Framework. The RBI on March 27, 2020, April 17, 2020 and May 22, 2020 has announced various measures.

COVID-19 Economic Stimulus Package – Liquidity Infusion Scheme for DISCOMs

In view of the economic disruption caused by the lockdown imposed to contain the COVID-19 outbreak, to facilitate liquidity flow in the power sector, the Ministry of Finance, Government of India, on May 13, 2020, as part of the economic stimulus package, announced a credit package of Rs. 900,000 million to enable DISCOMs for clearance of their outstanding dues to transmission and generation firms as on March 31, 2020. The Company and PFC were mandated as key lending partners for this package. To facilitate funding under the liquidity package, the Company formulated a lending scheme in line with the broad contours prescribed by Ministry of Power. Under the scheme, loans were to be given to the DISCOMs in two tranches, 50 per cent. of the sanctioned loan amount in tranche-I and balance in tranche-II. The loans were to have a maximum tenor of 10 years. A principal moratorium could be considered on a case -to- case basis, not exceeding three years. The loan amounts to be sanctioned (in the form of special long-term transition loans up to 10 years) were to be restricted to the outstanding dues of central public sector undertakings, electricity generation companies, transmission companies, IPPs and renewable energy generators. The interest rate was to be the cost of funds of the Company plus margins as may be decided. The loans were to be secured with unconditional and irrevocable guarantees by state governments covering the loan amounts along with interest and any other charges towards the loan. Also, the loans to the DISCOMs under tranche II were subject to progress achieved in implementation of conditions such as clearance of unpaid electricity dues and unpaid subsidies dues by the respective state governments, installation of smart meters and digital payments of electricity bill. Further, approval was given to allow Utilities in States which did not have adequate headroom against State receivables or working capital limits under UDAY to avail the benefits of the liquidity infusion scheme.

Further, in September 2020, the GoI allowed enhanced funding to DISCOMs for clearance of their outstanding dues as on June 30, 2020. Also, the GoI had allowed funding to DISCOMs in exemption of the working capital limits under the UDAY scheme. Thus, pursuant to the MoP order dated September 2, 2020, DISCOMs were made eligible for loans to clear outstanding dues of CPSU generation companies and transmission companies, IPPs and renewable energy generators up to June 30, 2020.

Reduced rate of Late Payment Surcharge

In order to address the problems faced by electricity Distribution Companies due to COVID-19 pandemic, MoP directed CERC under Section 107 of the Electricity Act, 2003, for specifying reduced rate of Late Payment Surcharge (**LPS**) for payments which is delayed beyond a period of 45 days (from the date of presentation of the bill) during the period from March 24, 2020 to June 30, 2020 to generating companies and licensees treating the restrictions placed by the central government vide its order dated March 24, 2020 to contain COVID-19 as an event of force majeure.

It was also provided by the MoP in its directive that for generating companies and transmission licensees whose tariff was determined under section 63 by the Central Commission, DISCOMs may claim relief from its obligations regarding the rate at which LPS is to be paid, as per force majeure provisions given in respective power purchase agreement. Subsequently, CERC issued necessary orders on April 3, 2020. On September 20, 2020, MoP, GoI has advised Generating Companies and Transmission Companies to charge LPS at a rate not exceeding 1 per cent. per month on the principal dues (excluding LPS) for all payments made by DISCOMs under the Liquidity Infusion Scheme of PFC and the Company.

On August 3, 2022, under the LPS Rules of 2022, the Company provided a financial assistance of approximately Rs. 220,000 million for clearing the outstanding dues by the distribution licensees of Jharkhand, Rajasthan, Chhattisgarh and Jammu & Kashmir.

Regulatory Measures

Various ministries and regulators, including the Ministry of Finance, Ministry of Corporate Affairs and SEBI implemented measures to minimise the compliance burden and impact of the economic slowdown and to protect the interest of investors during market volatility due to the COVID-19 pandemic.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the ***Clearing Systems****) currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Arrangers, the Dealers nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. The applicable Pricing Supplement will specify the Clearing system(s) applicable for each series.*

BOOK-ENTRY SYSTEMS

DTC

DTC has advised the Issuer that it is a limited purpose trust company organized under the New York Banking Law, a member of the Federal Reserve System, a "banking organization" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants (**Direct Participants**) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust and Clearing Corporation (**DTCC**). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**Indirect Participants** and, together with Direct Participants, **Participants**). More information about DTC can be found at www.dtcc.com and www.dtc.org but such information is not incorporated by reference in and does not form part of this Offering Circular.

Under the rules, regulations and procedures creating and affecting DTC and its operations (the **DTC Rules**), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system (**DTC Notes**) as described below and receives and transmits distributions of principal and interest on DTC Notes. The DTC Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (**Owners**) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the DTC Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note (**Beneficial Owner**) is in turn to be recorded on the Direct Participant's and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect

Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to DTC Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the relevant agent (or such other nominee as may be requested by an authorized representative of DTC), on the relevant payment date in accordance with their respective holdings shown in DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct Participants and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which will be legended as set forth under in "*Subscription and Sale*" and "*Transfer Restrictions*".

A Beneficial Owner shall give notice to elect to have its DTC Notes purchased or tendered, through its Participant, to the relevant agent, and shall effect delivery of such DTC Notes by causing the Direct Participant to transfer the Participant's interest in the DTC Notes, on DTC's records, to the relevant agent. The requirement for physical delivery of DTC Notes in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the DTC Notes are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered DTC Notes to the relevant agent's DTC account.

DTC may discontinue providing its services as depositary with respect to the DTC Notes at any time by giving reasonable notice to the Issuer or the relevant agent. Under such circumstances, in the event that a successor depositary is not obtained, DTC Note certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depositary). In that event, DTC Note certificates will be printed and delivered to DTC.

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective accountholders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an accountholder of either system.

BOOK-ENTRY OWNERSHIP OF AND PAYMENTS IN RESPECT OF DTC NOTES

The Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer.

TRANSFERS OF NOTES REPRESENTED BY REGISTERED GLOBAL NOTES

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a Direct Participant or Indirect Participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "*Subscription and Sale*" and "*Transfer Restrictions*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant Clearing System in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian (**Custodian**) with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their direct or indirect participants or accountholders of their obligations under the rules and procedures governing their operations nor will the Issuer, any Agent or any Dealer have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

The information provided below does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase the Notes. In particular, the information does not consider any specific facts or circumstances that may apply to a particular purchaser or investor of the Notes. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The statements do not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules and regulations.

Prospective purchasers of the Notes are advised to consult their own tax advisers as to the tax consequences of the purchase, ownership and disposal of the Notes, including the effect of any state or local taxes, under the tax laws applicable in India and each country of which they are residents or countries of purchase, holding or disposal of the Notes. Additionally, in view of the number of jurisdictions where local laws may apply, this Offering Circular does not discuss the local tax consequences to a potential holder, purchaser, investor, or seller arising from the acquisition, holding or disposal of the Notes. Prospective investors must therefore keep themselves informed as to any tax, foreign exchange control legislation or other laws, regulations and guidelines in force relating to the subscription, holding or disposal of the Notes at their place of residence, and the countries of which they are citizens or countries of purchase, holding or disposal of the Notes.

Indian Taxation

The following is a summary of the existing principal Indian tax consequences for non-resident investors subscribing to the Notes issued by the Issuer. The summary is based on existing Indian taxation laws and practice in force at the date of this Offering Circular and is subject to change, possibly also with retroactive or retrospective effect. The summary does not constitute specific legal or tax advice and is not intended to represent a complete analysis of the tax consequences under Indian laws, of the acquisition, ownership or transfer of the Notes. Prospective investors should, therefore, consult their own tax advisers regarding the Indian tax consequences, as well as the tax consequences under any other applicable taxing jurisdiction, of acquiring, owning and disposing of the Notes.

Payments from India

Any payments which the Issuer makes on the Notes, including additional amounts, made from India are subject to the relevant RBI guidelines and regulations.

Taxation of Interest

Since the proceeds of the issuance of the Notes are to be used for the purposes of the business of the Issuer in India, non-resident investors are liable to pay tax on the interest paid on the Notes. As of the date of this Offering Circular, the rate of tax on such interest in accordance with the Income-tax Act, 1961, as amended, (**IT Act**) is 5 per cent. (plus applicable surcharge, and health and education cess) provided the Notes are issued before July 1, 2023, have a minimum original maturity period of 3 years and comply with the ECB Guidelines. However, the rate of tax for interest paid on Notes issued before July 1, 2023 and listed exclusively on a recognised stock exchange located in any IFSC is 4 per cent. (plus applicable surcharge and cess).

The rates of tax will stand reduced if the beneficial recipient is a resident of a country with which the Government has entered into an agreement for granting relief of tax or for avoidance of double taxation (a **Tax Treaty**) and the provisions of such treaty, which provide for the taxation in India of income by way of interest at a rate lower than that prescribed in the IT Act, are fulfilled. The Noteholder may be required to provide certain documents or other information as prescribed by law to apply the tax rate in accordance with the applicable Tax Treaty.

In respect of interest income on long term bonds issued to non-residents, in accordance with section 194LC of the IT Act, pursuant to Section 206AA of the IT Act, the payee is not required to provide its permanent account number to the payer.

Withholding Tax on Interest

Since the interest payable on the Notes is subject to taxation in India, there is a requirement to withhold tax on the interest paid on the Notes at 5 per cent. (or 4 per cent., in respect of Notes listed exclusively on a recognised stock exchange located in any IFSC) (plus applicable surcharge and cess) provided the Notes are issued before July 1, 2023, have a minimum original maturity period of three years and comply with the ECB Guidelines. These rates would be subject to any lower rate of tax provided by an applicable Tax Treaty. Tax may also be withheld at higher rates under Section 206AB of the IT Act (described below).

Pursuant to the Terms and Conditions of the Notes, all payments of, or in respect of, principal and interest on the Notes, will be made free and clear of and without withholding or deduction on account of any present or future taxes within India unless it is required by law, in which case pursuant to Condition 8.1, the Issuer will pay additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction, subject to certain exceptions.

In the event that the tax withheld from interest on the Notes payable to a non-resident investor is determined to be in excess of, or less than, its ultimate Indian tax liability on such interest, the non-resident Noteholder will be entitled to a refund of, or obligated to pay, such differential income tax, as the case may be, subject to and in accordance with the provisions of the IT Act.

Taxation on gains arising on disposal of Notes

Any gains arising to a non-resident investor from the transfer of a capital asset held (or deemed to be held) will be chargeable to income tax in India if such capital asset is regarded as property situated in India. A non-resident investor generally will not be charged to income tax in India upon disposal of the Notes held as a capital asset provided the Notes are regarded as being situated outside India. The issue as to where the Notes should properly be regarded as being situated is not free from doubt. The ultimate decision, however, will depend on the view taken by the Indian tax authorities on the position with respect to the situs of the Notes. There is a possibility that the Indian tax authorities may treat the Notes as being situated in India as the Issuer is incorporated in and resident in India.

If the Notes are regarded as situated in India by the Indian tax authorities, upon disposition of the Notes:

(i) there is no tax on capital gains arising on a transfer of a Rupee Denominated Note, if the Note is transferred by a non-resident investor on a recognised stock exchange located in the IFSC and where the consideration for such transaction is paid or payable in foreign currency;

(ii) when the conditions stated in clause (i) above are not met, a non-resident investor, who has held the Notes for a period of more than 36 months immediately preceding the date of their disposal, will be liable to pay capital gains tax at 10 or 20 per cent. (plus applicable surcharge and cess), as may be applicable, of the capital gains in accordance with the provisions of the IT Act subject to any lower rate provided for by an applicable Tax Treaty;

(iii) when the conditions stated in clause (i) above are not met, a non-resident investor who has held the Notes for a period of 36 months or less will be liable to pay capital gains tax at rates ranging up to 40 per cent. (plus applicable surcharge and cess), depending on the legal status of the non-resident investor and his taxable income in India subject to any lower rate provided for by an applicable Tax Treaty;

(iv) any income arising to a non-resident investor from the transfer of the Notes held as stock-in-trade will be considered as business income. Business income would be subject to income tax in India only to the extent, it is attributable to a "business connection in India" or, in case where a Tax Treaty is applicable, to a "permanent establishment" of the non-resident investor in India. A non-resident investor will be liable to pay Indian tax on such income at rates ranging up to 40 per cent. (plus applicable surcharge and cess) depending on the legal status of the non-resident investor and his taxable income in India subject to any lower rate provided for by an applicable Tax Treaty;

(v) any gains arising on account of appreciation of the Rupee against a foreign currency at the time of redemption of Rupee Denominated Notes held by a non-resident investor, shall be ignored for the computation of full value of consideration and not subject to tax in India; and

(vi) capital gains, if any, arising pursuant to any transfer made outside India by a non-resident to another non-resident of a capital asset being a Rupee Denominated Note issued outside India are not subject to tax in India.

Withholding Tax on gains arising from disposal of Notes

If applicable, under the Indian tax laws, tax shall be withheld by the person making any payment to a non-resident on long-term capital gains at 10 or 20 per cent. (plus applicable surcharge and cess) as may be applicable, and short-term capital gains up to 40 per cent. (plus applicable surcharge and cess), depending on the legal status of the recipient of income, provided that tax may be withheld at higher rates under Section 206AB of the IT Act if the non-resident: (i) cannot show that they do not have a permanent establishment in India; and (ii) have not filed income tax return in a previous year where tax was withheld in excess of INR 50,000. Tax is computed in such manner as set out in the IT Act.

Documents to be provided to claim beneficial rates of tax and withholding under a Tax Treaty

For the purpose of tax withholding, holders of Rupee Denominated Notes are obliged to provide details of their permanent account number as allotted by the Indian tax authorities and all prescribed information and documents, including a tax residency certificate (issued by the tax authorities of the country in which the Noteholder is resident) for claiming Tax Treaty benefits. Holders of Notes are not required to provide a permanent account number but they must provide documentation including a tax residency certificate, a tax identification number and other details including their name, address, email details and contact number in respect of the instruments set out in section 206AA(7) of the IT Act and rule 37BC of the Income-tax Rules, 1962, as amended from time to time.

Taxation of Deemed Income

As a measure to prevent laundering of unaccounted income, the IT Act provides that any person receiving certain specified assets (including the Notes) at a price less than their fair market value (determined in a prescribed manner), will be subject to income tax in India on the benefit accruing. Tax is payable at the rates applicable for regular income. This is not applicable if the asset is received from a relative or under a will or by way of inheritance or any other specific instances provided under section

56(2)(x) of the IT Act. In respect of a non-resident Noteholder, this is subject to any beneficial provision provided for by an applicable Tax Treaty.

Anti-Avoidance Provisions

Under the IT Act, there are both specific as well as generic anti-avoidance provisions relating to tax-like transfer pricing provisions and GAAR.

Under the transfer pricing provisions, any income arising from an international transaction between two associated enterprises must be computed having regard to the arm's length price (**ALP**). In the event that the Notes are transferred by a non-resident investor to another non-resident investor and such non-resident investors are associated enterprises, then the transactions must be at ALP and there are necessary consequential compliances.

The GAAR provisions are intended to catch arrangements declared as "impermissible avoidance arrangement" which are defined under Section 96 of the IT Act, as any arrangement, the main purpose of which is to obtain a tax benefit and which:

creates rights, or obligations, which are not ordinarily created between persons dealing at arm's length;

results, directly or indirectly, in misuse, or abuse, of the provisions of the IT Act;

lacks commercial substance or is deemed to lack commercial substance, as set out in Section 97 of the IT Act, in whole or in part; or

is entered into, or carried out, by means, or in a manner, which are not ordinarily employed for bona fide purposes.

The aggregate monetary limit to invoke the GAAR provisions is Rs. 30 million. The onus to prove that the transaction is an "impermissible avoidance arrangement" is on the tax authorities. If the GAAR provisions are invoked, then the tax authorities have wide powers, including, *inter alia*, disregarding, combining or re-characterising any step in or part or whole of the impermissible avoidance arrangement, considering or looking through any arrangement by disregarding any corporate structure, denial of tax benefit claimed by a taxpayer or the denial of a benefit under a tax treaty. Arrangements are presumed to have been entered into or carried out for the main purpose of obtaining a tax benefit when the main purpose of a step in, or a part of, the arrangement is to obtain a tax benefit, notwithstanding the fact that the main purpose of the whole arrangement is not to obtain a tax benefit.

Estate Duty

No estate duty is payable at present in India in relation to the Notes.

Gift Tax

There is no gift tax payable at present in India in relation to the Notes.

Stamp Duty

A transfer of the Notes outside India will not give rise to any Indian stamp duty liability unless the Notes are brought into India. Stamp duty will be payable if the Notes are brought into India for enforcement or for any other purpose. The amount of stamp duty payable will depend on the applicable Stamp Act of the relevant state of India into which the Notes are brought in India. This stamp duty will have to be paid within a period of three months from the date the Notes are first received in India (including via electronic mode).

The proposed financial transactions tax (FTT)

On February 14, 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

United States Federal Income Taxation

The following is a general summary of certain U.S. federal income tax consequences that may be relevant with respect to the purchase, ownership and disposition of the Notes. This summary does not address the material U.S. federal income tax consequences of every type of Note which may be issued under the Programme and the relevant Pricing Supplement may contain additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to such type of Note as appropriate. In general, this summary assumes that U.S. Holders (as defined below) acquire the Notes at original issuance at their issue price (as defined below) and will hold the Notes as capital assets. It does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase Notes. In particular, it does not discuss special tax considerations that may apply to certain types of taxpayers, including, without limitation, the following: (i) financial institutions; (ii) insurance companies; (iii) dealers or traders in stocks, securities, notional principal contracts or currencies; (iv) tax-exempt entities; (v) real estate investment trusts; (vi) regulated investment companies; (vii) persons that will hold the Notes as part of a "hedging" or "conversion" transaction or as a position in a "straddle" or as part of a "synthetic security" or other integrated transaction for U.S. federal income tax purposes; (viii) persons that own (or are deemed to own) 10 per cent. or more of the equity of the Issuer (by vote or value); (ix) partnerships, pass-through entities, or persons that hold Notes through partnerships or pass-through entities; (x) U.S. Holders (as defined below) that have a "functional currency" other than the U.S. dollar; and (xi) certain U.S. expatriates and former long-term residents of the United States. In addition, this summary does not address alternative minimum tax or Medicare contribution tax consequences, special tax accounting rules as a result of any item of gross income with respect to the Notes being taken into account on an applicable financial statement or the indirect effects on the holders of interests in a holder of Notes. This summary also does not describe any tax consequences arising under the laws of any taxing jurisdiction other than the U.S. federal government.

Each prospective investor should consult its own tax adviser with respect to the U.S. federal, state, local and non-U.S. tax consequences of acquiring, owning or disposing of the Notes. This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the **Code**), U.S. Treasury regulations and judicial and administrative interpretations thereof, in each case as in effect or available on the date of this Offering Circular. All of the foregoing is subject to change, and any such change may apply retroactively and could affect the tax consequences described below.

As used in this section, the term **U.S. Holder** means a beneficial owner of Notes that is for U.S. federal income tax purposes: (i) a citizen or individual resident of the United States; (ii) a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia); (iii) any estate the income of which is subject to U.S. federal income tax regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust. A **Non-U.S. Holder** is a beneficial owner of Notes that is neither a U.S. Holder nor a partnership for U.S. federal income tax purposes. If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds Notes, the tax treatment of a partner generally will depend upon the status of the partner and upon the activities of the partnership. Partners of entities or arrangements treated as partnerships for U.S. federal income tax purposes that hold Notes should consult their own tax advisers.

This discussion applies only to holders of Registered Notes. Bearer Notes are not being offered to U.S. Holders. A U.S. Holder who owns a Bearer Note may be subject to limitations under U.S. federal income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Code.

Characterization of the Notes

This summary should be read in conjunction with any discussion of U.S. federal income tax consequences to holders in the applicable Pricing Supplement. To the extent there is any inconsistency in the discussion of the U.S. federal income tax consequences to holders between this Offering Circular and the applicable Pricing Supplement, holders should rely on the tax consequences described in the applicable Pricing Supplement instead of this Offering Circular. Any special U.S. federal income tax consequences relevant to a particular issue of Notes, including any Index Linked Notes, Dual Currency Notes, Instalment Notes and Partly Paid Notes may be specified in the applicable Pricing Supplement. The balance of this discussion, unless otherwise specified, assumes that the Notes will be treated as debt and will not be treated as contingent payment debt instruments for U.S. federal income tax purposes. A prospective investor in the Notes should consult its tax adviser in determining the tax consequences of an investment in the Notes, including the application of state, local or other tax laws and the proper characterization of the Notes for tax purposes.

Taxation of U.S. Holders of the Notes

Payments of Interest

Interest paid on a Note, including the payment of any additional amounts whether payable in U.S. dollars or a currency other than U.S. dollars (a **foreign currency**), other than interest on a "Discount Note" that is not "qualified stated interest" (each as defined below under "*Original Issue Discount*"), will be taxable to a U.S. Holder as ordinary interest income at the time it is received or accrued, depending on the U.S. Holder's method of accounting for U.S. federal income tax purposes. Interest income on the Notes, original issue document (**OID**) if any, accrued with respect to the Notes (as described below under "*Original Issue Discount*") and payments of additional amounts generally will be treated as foreign source income for U.S. federal income tax purposes.

As discussed in "*Taxation – Indian Taxation – Withholding Tax on Interest*", under current law, payments of interest and OID on the Notes to foreign investors may be subject to Indian withholding taxes. As discussed under "*Terms and Conditions of the Notes – Taxation – Payment without Withholding*", in certain cases the Issuer is liable for the payment of additional amounts to U.S. Holders so that U.S. Holders receive the same amounts they would have received had no Indian withholding taxes been imposed. For U.S. federal income tax purposes, U.S. Holders will be treated as having actually received the amount of Indian taxes withheld by the Issuer with respect to a Note, and as then having actually paid over the withheld taxes to the Indian taxing authorities. As a result of this rule, the amount of interest income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of interest or OID may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from the Issuer with respect to the payment.

Subject to certain limitations, a U.S. Holder may be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for Indian income taxes withheld by the Issuer. The U.S. foreign tax credit limitation is calculated separately with respect to specific classes of income. The foreign tax credit rules are complex, and U.S. Holders should consult their tax advisers regarding the availability of a foreign tax credit and the application of the limitation in their particular circumstances.

Original Issue Discount

The following is a summary of the principal U.S. federal income tax consequences of the ownership of Notes issued with OID. In the event the Issuer issues contingent payment debt instruments, the applicable Pricing Supplement may describe the material U.S. federal income tax consequences thereof.

A Note, other than a Note with a term of one year or less (a **Short-Term Note**), will be treated as issued with OID (a **Discount Note**) if the excess of the Note's "stated redemption price at maturity" over its issue price is equal to or more than a *de minimis* amount (0.25 per cent. of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity). An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an **instalment obligation**) will be treated as a Discount Note if the excess of the Note's stated redemption price at maturity over its issue price is equal to or greater than 0.25 per cent. of the Note's stated redemption price at maturity multiplied by the weighted average maturity of the Note. A Note's weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note's stated redemption price at maturity. Generally, the issue price of a Note will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. The stated redemption price at maturity of a Note is the total of all payments provided by the Note that are not payments of "qualified stated interest." A qualified stated interest payment is generally any one of a series of stated interest payments on a Note that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described below under "*Variable Interest Rate Notes*"), applied to the outstanding principal amount of the Note. Solely for the purposes of determining whether a Note has OID, the Issuer will be deemed to exercise any call option that has the effect of decreasing the yield on the Note, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Note.

U.S. Holders of Discount Notes must generally include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includible in income by a U.S. Holder of a Discount Note is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the Discount Note. The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Note as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Note's adjusted issue price at the beginning of the accrual period and the Discount Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Note allocable to the accrual period. The "adjusted issue price" of a Discount Note at the beginning of any accrual period is the issue price of the Note increased by (x) the amount of accrued OID for each prior accrual period, and decreased by (y) the amount of any payments previously made on the Note that were not qualified stated interest payments.

Short-Term Notes

In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (as specially defined below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight-line basis or, if the U.S. Holder so elects, under the constant-yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realized on the sale, exchange or other disposition of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale, exchange or other disposition. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realized.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note's stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the Short-Term Note. This election will apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the Internal Revenue Service (the **IRS**).

Variable Interest Rate Notes

Notes that provide for interest at variable rates (**Variable Interest Rate Notes**) generally will bear interest at a "qualified floating rate" and thus will be treated as "variable rate debt instruments" under U.S. Treasury regulations governing accrual of OID. A Variable Interest Rate Note will qualify as a "variable rate debt instrument" if (a) its issue price does not exceed the total noncontingent principal payments due under the Variable Interest Rate Note by more than a specified *de minimis* amount, (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate, and (c) it does not provide for any principal payments that are contingent (other than as described in (a) above).

A "qualified floating rate" is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Note is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Note (e.g., two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable

Interest Rate Note's issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate.

An "objective rate" is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of the Issuer (or a related party) or that is unique to the circumstances of the Issuer (or a related party), such as dividends, profits or the value of the Issuer's stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Issuer). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Note will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Note's term. A "qualified inverse floating rate" is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Note's issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a "current value" of that rate. A "current value" of a rate is the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a "variable rate debt instrument", then any stated interest on the Note which is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a "variable rate debt instrument" will generally not be treated as having been issued with OID unless the Variable Interest Rate Note is issued at a "true" discount (i.e., at a price below the Note's stated principal amount) equal to or in excess of a specified *de minimis* amount. OID on a Variable Interest Rate Note arising from "true" discount is allocated to an accrual period using the constant-yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as at the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note.

In general, any other Variable Interest Rate Note that qualifies as a "variable rate debt instrument" will be converted into an "equivalent" fixed rate debt instrument for purposes of determining the amount and accrual of OID and qualified stated interest on the Variable Interest Rate Note. Such a Variable Interest Rate Note must be converted into an "equivalent" fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate Note with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as at the Variable Interest Rate Note's issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Note is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note. In the case of a Variable Interest Rate Note that qualifies as a "variable rate debt instrument" and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Note provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Note as at the Variable Interest Rate Note's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the "equivalent" fixed rate debt instrument by applying the general OID rules to the "equivalent" fixed rate debt instrument and a U.S. Holder of the Variable Interest Rate Note will account for the OID and qualified stated interest as if the U.S. Holder held the "equivalent" fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the "equivalent" fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Note during the accrual period.

If a Variable Interest Rate Note, such as a Note the payments on which are determined by reference to an index, does not qualify as a "variable rate debt instrument", then the Variable Interest Rate Note will be treated as a contingent payment debt obligation. The proper U.S. federal income tax treatment of Variable Interest Rate Notes that are treated as contingent payment debt obligations may be more fully described in the applicable Pricing Supplement.

Election to Treat All Interest as Original Issue Discount

A U.S. Holder may elect to include in gross income all interest that accrues on a Note using the constant-yield method described above under "*Original Issue Discount*", with certain modifications. For purposes of this election, interest includes stated interest, OID and *de minimis* OID. This election will generally apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. U.S. Holders should consult their tax advisers concerning the propriety and consequences of this election.

Sale, Exchange or Other Disposition

A U.S. Holder's adjusted tax basis in a Note will generally equal its cost, increased by the amount of any OID included in the U.S. Holder's income with respect to the Note and the amount, if any, of income attributable to *de minimis* OID included in the U.S. Holder's income with respect to the Note, and reduced by the amount of any payments that are not qualified stated interest payments. A U.S. Holder will generally recognize gain or loss on the sale, exchange or other disposition of a Note in an amount equal to the difference between the amount realized on the sale, exchange or other disposition and the U.S. Holder's adjusted tax basis in the Note. The amount realized does not include the amount attributable to accrued but unpaid qualified stated interest, which will be taxable as interest income to the extent not previously included in income. Except to the extent described above under "*Short-Term Notes*" or attributable to changes in exchange rates (as discussed below), gain or loss recognized on the sale, exchange or other disposition of a Note will be U.S.-source capital gain or loss and will be long-term capital gain or loss if the U.S. Holder's holding period in the Notes exceeds one year. As a result of recent changes to the foreign tax credit rules, any Indian income tax imposed upon such gain (as discussed in "*Taxation – Indian Taxation – Taxation on gains arising from disposal of Notes*") may not be treated as a creditable tax for the U.S. Holder. Prospective investors should consult their own tax advisers with respect to the treatment of capital gains (which may be taxed at lower rates than ordinary income for taxpayers who are individuals, trusts or estates that hold the Notes for more than one year) and capital losses (the deductibility of which is subject to limitations), as well as the application of the foreign tax credit rules in their particular circumstances.

Foreign Currency Notes

Interest

If a qualified stated interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognized by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognized with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year). Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale, exchange or other disposition of a Note) denominated in, or determined by reference to, a foreign currency, the accrual basis U.S. Holder will generally recognize U.S.-source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

OID

OID for each accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment on the Note or a sale, exchange or other disposition of the Note), a U.S. Holder may recognize U.S.-source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Sale or Retirement

As discussed above under "*Sale, Exchange or other Disposition*", a U.S. Holder will generally recognize gain or loss on the sale or retirement of a Note equal to the difference between the amount realized on the sale or retirement and its tax basis in the Note. A U.S. Holder's tax basis in a Note that is denominated in a foreign currency will be determined by reference to the U.S. dollar cost of the Note. The amount realized on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of this amount. If the Notes are traded on an established securities market, as defined in the applicable U.S. Treasury regulations, the amount realized will be, in the case of a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), determined using the spot rate on the settlement date for the purchase. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A U.S. Holder will recognize U.S.-source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Note equal to the difference, if any, between the U.S. dollar values of the U.S. Holder's purchase price for the Note (or, if less, the principal amount of the Note) (i) on the date of sale or retirement and (ii) the date on which the U.S. Holder acquired the Note. Any such exchange rate gain or loss will be realized only to the extent of total gain or loss realized on the sale or retirement (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest). An accrual basis U.S. Holder that does not elect to determine its amount realized using the spot rate on the settlement date of the sale or retirement will also recognize U.S. source exchange rate gain or loss on the difference between the U.S. dollar amount realized and the U.S. dollar value of the foreign currency on the date of receipt.

<u>Disposition of Foreign Currency</u>

Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its U.S. dollar value at the time the foreign currency is received. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognized on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be U.S.-source ordinary income or loss.

Base Rate Change

It is possible that a change in the interest rate benchmark referenced by a Floating Rate Note from the Original Reference Rate to an Alternative Rate or a Successor Rate (a **Base Rate Change**) will be treated as a deemed exchange of the existing Note for a new note, which may be taxable to U.S. Holders, or will affect the calculation of OID. U.S. Holders should consult with their own tax advisers regarding the potential consequences of a Base Rate Change.

Taxation of Non-U.S. Holders of the Notes

Subject to the discussion under "*Backup Withholding and Information Reporting*", "*Foreign Account Tax Compliance Act*" and "*U.S. Dividend Equivalent Withholding*" below, a Non-U.S. Holder generally should not be subject to U.S. federal income or withholding tax on any payments on a Note or gain from the sale, exchange or other disposition of a Note unless: (i) that payment or gain is effectively connected with the conduct by that Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized on the sale, exchange or other disposition of a Note by an individual Non-U.S. Holder, that holder is present in the United States for 183 days or more in the taxable year of the sale, exchange or other disposition and certain other conditions are met. Non-U.S. Holders should consult their own tax advisers regarding the U.S. federal income and other tax consequences of purchasing, owning and disposing of Notes.

IRS Disclosure Reporting Requirements

Certain U.S. Treasury regulations (the **Disclosure Regulations**) meant to require the reporting of certain tax shelter transactions (**Reportable Transactions**) could be interpreted to cover transactions generally not regarded as tax shelters. Under the Disclosure Regulations, it may be possible that certain transactions with respect to the Notes may be characterized as Reportable Transactions requiring a U.S. Holder of Notes to disclose such transaction, such as a sale, exchange, retirement or other taxable disposition of a Note that results in a loss that exceeds certain thresholds and other specified conditions are met. A penalty in the amount of U.S.$10,000 in the case of a natural person and U.S.$50,000 in all other cases is generally imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. Accordingly, if a U.S. Holder realizes a loss on any Note (or, possibly, aggregate losses from the Notes) satisfying the monetary thresholds discussed above, the U.S. Holder could be required to file an information return with the IRS, and failure to do so may subject the U.S. Holder to the penalties described above. In addition, the Issuer and its advisers may also be required to disclose the transaction to the IRS, and to maintain a list of U.S. Holders, and to furnish this list and certain other information to the IRS upon written request. Prospective investors in the Notes should consult their tax advisers to determine the tax return obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Statement).

Backup Withholding and Information Reporting

Backup withholding and information reporting requirements may apply to certain payments on the Notes and proceeds of the sale, exchange or other disposition of the Notes to U.S. Holders. A U.S. Holder may be subject to backup withholding if it fails to furnish (usually on IRS Form W-9) the U.S. Holder's taxpayer identification number to certify that such U.S. Holder is not subject to backup withholding, or to otherwise comply with the applicable requirements of the backup withholding rules. Certain U.S. Holders are not subject to the backup withholding and information reporting requirements. Non-U.S. Holders may be required to comply with applicable certification procedures (usually on IRS Form W-8BEN or W-8BEN-E) to establish that they are not U.S. Holders in order to avoid the application of such information reporting requirements and backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a U.S. Holder generally may be claimed as a credit against such U.S. Holder's U.S. federal income tax liability or refunded, provided that the required information is timely furnished to the IRS. Prospective investors in the Notes should consult their own tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Foreign Financial Asset Reporting

Certain U.S. Holders that own "specified foreign financial assets" that meet certain U.S. dollar thresholds generally are required to file an information report with respect to such assets with their tax returns. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements unless the Notes are held in an account at certain financial institutions. U.S. Holders are urged to consult their tax advisers regarding the application of these disclosure requirements to their ownership of the Notes.

THE U.S. FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A HOLDER'S PARTICULAR SITUATION. PROSPECTIVE INVESTORS IN THE NOTES SHOULD CONSULT THEIR OWN TAX ADVISERS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN FEDERAL OR OTHER TAX LAWS.

U.S. Dividend Equivalent Withholding

Section 871(m) of the Code treats a "dividend equivalent" payment as a dividend from sources within the United States. Under Section 871(m), such payments generally will be subject to a 30 per cent. U.S.

withholding tax that may be reduced by an applicable tax treaty, eligible for credit against other U.S. tax liabilities or refunded, provided that the beneficial owner timely claims a credit or refund from the IRS. A "dividend equivalent" payment is (i) a substitute dividend payment made pursuant to a securities lending or a sale-repurchase transaction that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, (ii) a payment made pursuant to a "specified notional principal contract" that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, and (iii) any other payment determined by the IRS to be substantially similar to a payment described in (i) or (ii) above. U.S. Treasury regulations issued under Section 871(m) and applicable guidance (the **Section 871(m) Regulations**) require withholding on certain non-U.S. holders of the Notes with respect to amounts treated as attributable to dividends from certain U.S. securities (**871(m) Withholding**). Under the Section 871(m) Regulations, only a Note that has an expected economic return sufficiently similar to that of the underlying U.S. security, based on tests set forth in the Section 871(m) Regulations, will be subject to the Section 871(m) Withholding regime (making such Note a **Specified Note**). The Section 871(m) Regulations provide certain exceptions to this withholding requirement, in particular for instruments linked to certain broad-based indices.

Withholding in respect of dividend equivalents will generally be required when cash payments are made on a Specified Note to a holder on the date of maturity, lapse or other disposition by the holder of the Specified Note. If the underlying or referenced U.S. security or securities are treated as paying dividends during the term of the Specified Note, withholding generally will still be required even if the Specified Note does not provide for payments explicitly linked to such dividends. Additionally, the Issuer may withhold the full 30 per cent. tax on any payment on the Notes in respect of any dividend equivalent arising with respect to such Notes regardless of any exemption from, or reduction in, such withholding otherwise available under applicable law (including, for the avoidance of doubt, where a non-U.S. Noteholder is eligible for a reduced tax rate under an applicable tax treaty with the United States). A holder may be able to claim a refund of any excess withholding provided the required information is timely furnished to the IRS.

While a payment with respect to a Note could be subject to U.S. withholding tax under both FATCA (as discussed below) and as a result of being treated as a dividend equivalent payment, the maximum rate of U.S. withholding tax on such payment would not exceed 30 per cent.

The Section 871(m) Regulations generally apply to Specified Notes issued on or after January 1, 2017. However, the Section 871(m) Regulations will not apply to certain financial instruments issued prior to January 1, 2023 if such financial instruments are not "delta one" transactions. If the terms of a Note are subject to a "significant modification" (as defined for U.S. tax purposes), the Note generally would be treated as retired and reissued on the date of such modification for purposes of determining, based on economic conditions in effect at that time, whether such Note is a Specified Note. Similarly, if additional Notes of the same series are issued (or deemed issued for U.S. tax purposes, such as certain sales of Notes out of inventory) after the original issue date, the IRS could treat the issue date for determining whether the existing Notes are Specified Notes as the date of such subsequent sale or issuance. Consequently, a previously out of scope Note, might be treated as a Specified Note following such modification or further issuance.

In addition, payments on the Specified Notes may be calculated by reference to dividends on underlying U.S. securities that are reinvested at a rate of 70 per cent. In such case, in calculating the relevant payment amount, the holder will be deemed to receive, and the Issuer will be deemed to withhold, 30 per cent. of any dividend equivalent payments (as defined in Section 871(m) of the Code) in respect of the relevant U.S. securities. The Issuer will not pay any additional amounts to the holder on account of the Section 871(m) amount deemed withheld.

The applicable Pricing Supplement will indicate whether the Issuer has determined that Notes are Specified Notes and may specify contact details for obtaining additional information regarding the application of Section 871(m) to Notes. If Notes are Specified Notes, a holder of such Notes should expect to be subject to withholding in respect of any dividend equivalent payments on such Notes. The Issuer's determination generally is binding on holders of the Notes, but it is not binding on the IRS. The Section 871(m) Regulations require complex calculations to be made with respect to Notes linked to U.S. securities and their application to a specific issue of Notes may be uncertain. In the event that any withholding would be required pursuant to Section 871(m) with respect to payments on the Notes, no person will be required to pay any additional amounts with respect to amounts so withheld.

Prospective investors should consult their tax advisers regarding the potential application of Section 871(m) to the Notes.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the Code, commonly known as FATCA, withholding may be required on, among other things, (i) certain payments made by "foreign financial institutions" (**foreign passthru payments**) and (ii) dividend equivalent payments (as described above in "*U.S. Dividend Equivalent Withholding*"), in each case, to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including India) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes.

Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to foreign passthru payments, are uncertain and may be subject to change. If withholding would be required pursuant to FATCA or an IGA with respect to foreign passthru payments, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register. Additionally, Notes characterized as debt (or which are not otherwise characterized as equity and have a fixed term) for U.S. federal tax purposes that are issued on or before the relevant grandfathering date would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. The grandfathering date for (A) Notes that give rise solely to foreign passthru payments, is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, and (B) Notes that give rise to a dividend equivalent pursuant to Section 871(m) of the Code and the U.S. Treasury regulations promulgated thereunder, is six months after the date on which obligations of its type are first treated as giving rise to dividend equivalents. If additional notes (as described under "*Terms and Conditions of the Notes—Further Issues*") that are not distinguishable from such previously issued grandfathered Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

TRANSFER RESTRICTIONS

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.

Each purchaser of Registered Notes (other than a person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note) or person wishing to transfer an interest from one Registered Global Note to another or from global to definitive form or vice versa, will be required to acknowledge, represent and agree, and each person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note will be deemed to have acknowledged, represented and agreed, as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

(a) that either: (i) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A or (ii) it is an Institutional Accredited Investor which has delivered an IAI Investment Letter or (iii) it is outside the United States and, if Category 2 is specified in the applicable Pricing Supplement, is not a U.S. person;

(b) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and may not be offered or sold within the United States or, if Category 2 is specified in the applicable Pricing Supplement, to, or for the account or benefit of, U.S. persons except as set forth below;

(c) that, unless it holds an interest in a Regulation S Global Note and is a person located outside the United States and, if Category 2 is specified in the applicable Pricing Supplement, is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the date which is one year after the later of the last Issue Date for the Series and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Notes, only (i) to the Issuer or any affiliate thereof, (ii) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (iii) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (iv) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (v) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws;

(d) it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (c) above, if then applicable;

(e) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes, that Notes offered to Institutional Accredited Investors will be in the form of Definitive IAI Registered Notes and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;

(f) that the Notes in registered form, other than the Regulation S Global Notes, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS MAY NOT BE OFFERED OR SOLD WITHIN

THE UNITED STATES OR, IF CATEGORY 2 IS SPECIFIED IN THE APPLICABLE PRICING SUPPLEMENT, TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT (1) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS OR (2) IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) (AN **INSTITUTIONAL ACCREDITED INVESTOR**) IN A MINIMUM PRINCIPAL AMOUNT OF U.S.$500,000 (OR THE EQUIVALENT AMOUNT IN A FOREIGN CURRENCY); (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS (i) A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR (ii) AN INSTITUTIONAL ACCREDITED INVESTOR PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF AN INSTITUTIONAL ACCREDITED INVESTOR, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144A FOR RESALES OF THE SECURITY.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON)."; and

(g) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make, and does make, the foregoing acknowledgements, representations and agreements on behalf of each such account.

Institutional Accredited Investors who purchase Registered Notes in definitive form offered and sold in the United States in reliance upon the exemption from registration provided by the Securities Act are required to execute and deliver to the Registrar an IAI Investment Letter. Upon execution and delivery of an IAI Investment Letter by an Institutional Accredited Investor, Notes will be issued in definitive registered form, see "*Form of the Notes*".

The IAI Investment Letter will state, among other things, the following:

(a) that the Institutional Accredited Investor has received a copy of this Offering Circular and such other information as it deems necessary in order to make its investment decision;

(b) that the Institutional Accredited Investor understands that any subsequent transfer of the Notes is subject to certain restrictions and conditions set forth in this Offering Circular and the Notes and it agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes except in compliance with, such restrictions and conditions and the Securities Act;

(c) that the Institutional Accredited Investor understands that the offer and sale of the Notes have not been registered under the Securities Act, and that the Notes may not be offered or sold except as permitted in the following sentence: The Institutional Accredited Investor agrees, on its own behalf and on behalf of any accounts for which it is acting, not to offer, sell or otherwise transfer such Notes except (A) to the Issuer or any affiliate thereof, (B) inside the United States to a person whom it reasonably believes is a qualified institutional buyer within the meaning of Rule 144A under the Securities Act purchasing for its own account or for the account of a qualified institutional buyer in a transaction which meets the requirements of Rule 144A, (C) to another Institutional Accredited Investor that, prior to such transfer, furnishes to the Issuer a signed letter containing certain representations and agreements relating to the transfer of the Notes, (D) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (E) pursuant to an effective registration statement under the Securities Act or (F) pursuant to any other available exemption from the registration requirements of the Securities Act, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction; the Institutional Accredited Investor understand that, on any proposed resale of any Notes, it and each subsequent holder will be required to deliver to the transferee of the Notes or any interest or participation therein a notice substantially to the foregoing effect;

(d) that the Institutional Accredited Investor understands that, on any proposed resale of any Notes, it will be required to furnish to the Issuer such certifications, legal opinions, and other information (including a letter from any purchaser who is an Institutional Accredited Investor) as it may reasonably require to confirm that the proposed sale complies with the foregoing restrictions; the Institutional Accredited Investor further understands that the Notes purchased by it will bear a legend to substantially the foregoing effect;

(e) that, in the normal course of business, the Institutional Accredited Investor invests in or purchase securities similar to the Notes, that it is an "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act and have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Notes, and that it and any accounts for which it is acting is each able to bear the economic risk of its investment;

(f) that the Institutional Accredited Investor is acquiring the Notes purchased by it for its own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which it exercises sole investment discretion and not with a view to any distribution of the Notes in a transaction that would violate the Securities Act or the Securities laws of any State of the United States or any other applicable jurisdiction; and

(g) that the Institutional Accredited Investor is acquiring Notes having a minimum purchase price of at least U.S.$500,000 (or the approximate equivalent in another currency).

No sale of Legended Notes in the United States to any one purchaser will be for less than U.S.$200,000 (or its foreign currency equivalent) principal amount or, in the case of sales to Institutional Accredited Investors, U.S.$500,000 (or its foreign currency equivalent) principal amount and no Legended Note will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.$200,000 (or its foreign currency equivalent) or, in the case of sales to Institutional Accredited Investors, U.S.$500,000 (or its foreign currency equivalent) principal amount of Registered Notes.

SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated programme agreement dated April 20, 2021 (the **Programme Agreement**), agreed with us a basis upon which it may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, we have agreed to reimburse the Dealers for certain of their expenses in connection with the update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith. The Programme Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to us.

In order to facilitate the offering of any Tranche of the Notes, a nominated Dealer participating in the offering of the Tranche may engage in transactions that stabilize, maintain or otherwise affect the price of the relevant Notes, which support the market price of the relevant Notes during and after the offering of the Tranche. Specifically, such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by us. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilize or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilization transactions or otherwise. The effect of these transactions may be to stabilize or maintain the market price of the Notes at a level higher than that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilizing or other transactions. Such transactions, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Under U.K. laws and regulations stabilizing activities may only be carried on by the Stabilization Manager (or any person acting for the Stabilization Manager) named in the applicable Pricing Supplement and only for a period of 30 days following the Issue Date of the relevant Tranche of Notes.

The Dealers and their affiliates may engage in investment or commercial banking and other dealings in the ordinary course of business with the Issuer or its affiliates from time to time and may receive fees and commissions for these transactions. In addition to the transactions noted above, the Dealers and their affiliates may, from time to time after completion of the offering of Notes, engage in other transactions with, and perform services for, the Issuer or its affiliates in the ordinary course of their business. The Dealers or their affiliates may also purchase Notes for asset management and/or proprietary purposes but not with a view to distribution or may hold the Notes on behalf of clients or in the capacity of investment advisers. While the Dealers and their affiliates have policies and procedures to deal with conflicts of interests, any such transactions may cause the Dealers or their affiliates or their clients or counterparties to have economic interests and incentives which may conflict with those of an investor in the Notes. The Dealers may receive returns on such transactions and have no obligation to take, refrain from taking or cease taking any action with respect to any such transactions based on the potential effect on a prospective investor in the Notes. Further, the Dealers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. The Dealers may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer or its subsidiaries, jointly controlled entities or associated companies from time to time. In the ordinary course of their various business activities, the Dealers and their affiliates may make or hold (on their own account, on behalf of clients or in their capacity of investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the Issuer or its subsidiaries, jointly controlled entities or associated companies, including Notes issued under the Programme, may be entered into at the same time or proximate to offers and sales of Notes or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Notes. Notes issued under the Programme may be purchased by or be allocated to any Dealer or an affiliate for asset management and/or proprietary purposes but not with a view to distribution.

United States

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

(a) the Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold within the United States (or, in certain circumstances, to, or for the account or benefit of, U.S. persons) except in certain transactions exempt from or not subject to, the registration requirements of the Securities Act;

(b) the Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Notes will be issued in accordance with the provisions of U.S. Treasury Regulation §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the **Code**)) (**TEFRA D**), unless the relevant Pricing Supplement specifies that Notes will be issued in accordance with the provisions of U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (**TEFRA C**) or in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 (**TEFRA**), which circumstances will be referred to in the applicable Pricing Supplement as a transaction to which TEFRA is not applicable. Terms used in this paragraph have the meanings given to them by the Code and Treasury regulations promulgated thereunder;

(c) in connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Category 2 of Regulation S (**Category 2 Notes**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Category 2 Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Category 2 Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Category 2 Notes during the distribution compliance period (as defined in Regulation S) a confirmation or other notice setting forth the restrictions on offers and sales of the Category 2 Notes within the United States or to, or for the account or benefit of, U.S. persons;

(d) accordingly, if Category 1 is specified in the Pricing Supplement, the Notes are being offered and sold only outside the United States in offshore transaction in reliance on, and in compliance with, Regulation S; and

(e) until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Terms used in paragraphs (a) to (e) above have the meanings given to them by Regulation S.

Notwithstanding anything above to the contrary, it is understood that Registered Notes may be offered and sold pursuant to a private placement in the United States, and in connection therewith each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

(i) offers, sales, resales and other transfers of Notes made in the United States made or approved by a Dealer (including offers, resales or other transfers made or approved by a Dealer in connection with secondary trading) shall be made with respect to Registered Notes only and shall be effected pursuant to an exemption from the registration requirements of the Securities Act;

(ii) offers, sales, resales and other transfers of Notes made in the United States will be made only in private transactions to (1) a limited number of institutional investors that are accredited investors (as defined in Rule 501(a) (1), (2), (3) and (7) under the Securities Act each such institutional investor being hereinafter referred to as an **accredited investor**) that has executed and delivered to a Dealer an IAI Investment Letter, or (2) institutional investors that are reasonably believed to qualify as qualified institutional buyers within the meaning of Rule 144A (each such institutional investor being hereinafter referred to as a **QIB**);

(iii) the Notes will be offered in the United States only by approaching prospective purchasers on an individual basis. No general solicitation or general advertising within the meaning of Rule 502(c) under the Securities Act will be used in connection with the offering of the Notes in the United States;

(iv) no sale of Notes in the United States to (1) any one accredited investor will be for less than U.S.$500,000 principal amount and (2) any one QIB will be for less than U.S.$200,000 principal amount or (in each case) its equivalent rounded upwards and no Note will be issued in connection with such a sale in a smaller principal amount. If such purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.$500,000 (in the case of (1) above) or U.S.$200,000 (in the case of (2) above) principal amount of the Notes; and

(v) each Note sold as a part of a private placement in the United States and each Regulation S Global Note shall contain a legend in substantially the form set out on the face of such Note in the Agency Agreement.

The Issuer has represented and agreed that any resale or other transfer, or attempted resale or other transfer of Notes sold as part of a private placement in the United States made other than in compliance with the restrictions set out in paragraphs (i) to (v) above shall not be recognized by the Issuer or any agent of the Issuer and shall be void.

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

Prohibition of sales to EEA Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression **retail investor** means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) MiFID II; or

  (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (iii) not a qualified investor as defined in the Prospectus Regulation; and

(b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the EEA (each, a **Relevant State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant State except that it may make an offer of such Notes to the public in that Relevant State:

(a) if the Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Relevant State (a **Non-exempt Offer**), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, provided that any such prospectus has subsequently been completed by Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision:

(a) the expression an **offer of Notes to the public** in relation to any Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes; and

(b) the expression **Prospectus Regulation** means Regulation (EU) 2017/1129.

United Kingdom

Prohibition of sales to UK Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression **retail investor** means a person who is one (or more) of the following:

    (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

    (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

    (iii) not a qualified investor as defined in Article 2 of the Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and

(b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

(a) if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to section 86 of the FSMA (a **Public Offer**), following the date of publication of a prospectus in relation to such Notes which has been approved by the FCA, provided that any such prospectus has subsequently been completed by Pricing Supplement contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;

(b) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision:

- the expression **an offer of Notes to the public** in relation to any Notes in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes; and

- the expression **UK Prospectus Regulation** means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

Other regulatory restrictions

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* (**CONSOB**) pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Offering Circular or of any other document relating to any Notes be distributed in Italy, except, in accordance with any Italian securities, tax and other applicable laws and regulations.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered, sold or delivered, and will not offer, sell or deliver any Notes or distribute any copy of the Offering Circular or any other document relating to the Notes in Italy except:

(a) to qualified investors (*investitori qualificati*), pursuant to Article 2 of the Prospectus Regulation, as amended from time to time; or

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 100 of Legislative Decree no. 58 of 24 February 1998 (the **Financial Services Act**) and Article 34-*ter* of CONSOB Regulation 11971/99 of May 14, 1999, all as amended from time to time.

In any event, any offer, sale or delivery of the Notes or distribution of copies of the Offering Circular or any other document relating to the Notes in Italy under paragraphs (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of September 1, 1993 (the **Banking Act**) and CONSOB Regulation No. 20307 of February 15, 2018, all as amended from time to time;

(ii) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time; and

(iii) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority.

Investors should note that, in accordance with Article 5 of the Prospectus Regulation and Article 100-bis of the Prospectus Regulation and the Financial Services Act, where no exemption from the rules on public offerings applies under paragraphs (a) and (b) above, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Prospectus Regulation and the Financial Services Act. Furthermore, where no exemption from the rules on public offerings applies, the Notes which are initially offered and placed in Italy or abroad to professional investors only but in the following year are "systematically" distributed on the secondary market in Italy become subject to the public offer and the prospectus requirement rules provided under the Prospectus Regulation and the Financial Services Act. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the purchasers of Notes who are acting outside of the course of their business or profession.

India

The Dealer has represented and acknowledged that (a) the Offering Circular has not been and will not be registered, produced or published as an offer document (whether a prospectus in respect of either a public offer or information memorandum or other offering material in respect of any private placement under the Companies Act, 2013, as amended from time to time, and the rules framed thereunder or any other applicable Indian laws) with any Registrar of Companies, the Securities and Exchange Board of India, the RBI, any Indian stock exchanges or any other statutory, regulatory body and adjudicatory of like nature in India, save and except for any information from any part of the Offering Circular which is (i) mandatorily required to be disclosed or filed in India under any applicable Indian laws, including but not limited to, the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 2015, as amended from time to time, and under the listing agreements with any Indian stock exchanges pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, as amended from time to time, or (ii) pursuant to the directives of any statutory, regulatory and adjudicatory body in India and (b) the Notes have not been and will not be offered or sold in India by means of the Offering Circular or any document, other than to persons permitted to acquire the Notes under Indian law, whether as a principal or an agent, and (c) the Offering Circular or any other offering document or material relating to the Notes has not been and will not be circulated or distributed, directly or indirectly, to any person or to the public or any member of the public in India or otherwise generally distributed or circulated in India which would constitute an advertisement, invitation, offer, sale or solicitation of an offer to subscribe for or purchase any securities in violation of applicable Indian securities laws, and (d) the Offering Circular or any material relating to the Notes has not been and will not be circulated or distributed to any prospective investor who is not a resident of an FATF or IOSCO compliant jurisdiction and (e) the Notes will not be offered or sold or transferred and have not been offered or sold or transferred to any person who is not a resident of an FATF or IOSCO compliant jurisdiction in accordance with the ECB Guidelines.

For the purposes of this section:

FATF means Financial Action Task Force;

FATF compliant jurisdiction means a country that is a member of a Financial Action Task Force (**FATF**) or a member of a FATF style regional body; and should not be a country identified in the public statement of the FATF as: (a) a jurisdiction having a strategic anti-money laundering or combating the financing of terrorism deficiencies to which counter measures apply; or (b) a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the FATF to address the deficiencies; and

IOSCO compliant jurisdiction means a country whose securities market regulator is a signatory to the International Organization of Securities Commission's (**IOSCO's**) Multilateral Memorandum of Understanding (Appendix A Signatories) or a signatory to bilateral Memorandum of Understanding with the Securities and Exchange Board of India for information sharing arrangements.

Multilateral and regional financial institutions where India is a member country will also be considered as recognized investors. Offshore branches and subsidiaries of Indian banks are permitted as recognized lenders only for foreign currency denominated Notes.

Additional Selling Restrictions Applicable to the Issuance of Rupee denominated Notes

Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree that in relation to any issuance of Notes denominated in Rupees and payable in a currency other than Rupees (**Rupee Denominated Notes**), such Rupee Denominated Notes are not being issued to any offshore branch or subsidiary of an Indian bank. Offshore branches or subsidiaries of Indian banks, subject to applicable prudential norms, may only participate as arrangers, underwriters, market makers or traders for Rupee Denominated Notes issued overseas in accordance with the ECB Guidelines.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA; or

(ii) where no consideration is or will be given for the transfer; or

(iii) where the transfer is by operation of law; or

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Singapore SFA Product Classification: In connection with Section 309B of the SFA and the CMP Regulations 2018, unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that:

(a) it has not offered or sold and will not offer or sell in the Hong Kong Special Administrative Region of the People's Republic of China (**Hong Kong**), by means of any document, any Notes other than, except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**), other than:

  (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or

  (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the **C(WUMP)O**) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued nor had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the **FIEA**). Accordingly each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan.

General

Each Dealer has represented, warranted and undertaken and each further Dealer appointed under the Programme will be required to represent, warrant and undertake that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither we, the Principal Paying Agent nor the Dealers shall have any responsibility therefor.

None of the Issuer, the Principal Paying Agent, the Arrangers and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as we and the relevant Dealer shall agree and as shall be set out in the applicable Pricing Supplement.

Other Relationships

Each Dealer and its affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each Dealer may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer or its subsidiaries, jointly controlled entities or associated companies from time to time. In the ordinary course of their various business activities, each Dealer and its affiliates may make or hold (on their own account, on behalf of clients or in their capacity as investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the Issuer or its subsidiaries, jointly controlled entities or associated companies, including Notes issued under the Programme, may be entered into at the same time or proximate to offers and sales of Notes or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Notes. Notes issued under the Programme may be purchased by or be allocated to any Dealer or an affiliate for asset management and/or proprietary purposes but not with a view to distribution.

Broker-dealer Affiliates

If a jurisdiction requires that such offering be made by a licensed broker or dealer and an Arranger or a Dealer or any affiliate of it is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by it or such affiliate on behalf of us in such jurisdiction.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN IFRS AND IND-AS

The Issuer's annual financial statements included in this Offering Circular have been prepared in accordance with accounting policies followed by the Issuer which conform to Ind-AS as applicable to the Issuer. This Offering Circular also includes unaudited but reviewed non-consolidated financial results of the Company which conform to Ind-AS. Ind-AS differs in certain significant respects from IFRS. Such differences involve methods for measuring amounts in the financial statements as well as in disclosures.

The following table summarizes certain general differences between IFRS, and IND-AS that could have a significant impact on the financial position and operations of the Issuer if its financial statements were prepared under IFRS. The summary below should not be considered exhaustive and no attempt has been made to identify possible future differences among Ind-AS and IFRS as a result of prescribed changes in accounting standards nor to identify future differences that may affect the Issuer's financial statements as a result of transactions or events that may occur in the future. No attempt has been made by the Issuer to quantify the effects of those differences, nor has a reconciliation of Ind-AS to IFRS been undertaken by the Issuer. Had any such quantification or reconciliation been undertaken, other potential significant accounting and disclosure differences may have come to its attention, which are not identified below.

Prospective investors should consult their own professional advisers for an understanding of the principal differences between IFRS and Ind-AS and how these differences might affect the financial statements of the Issuer presented in this Offering Circular.

Summary of Certain Differences

Topic	IFRS	Ind-AS
Presentation of Financial Statements — Components of financial statements	The requirements for the presentation of financial statements, and the guidelines for their structure and content are set out in IAS 1. A complete set of financial statements under IFRS comprises: (a) a statement of financial position; (b) a statement of profit or loss and other comprehensive income (presented as a single statement or by presenting the profit and loss section in a separate statement of profit or loss, immediately followed by a statement presenting comprehensive income beginning with profit or loss); (c) statement of cash flow; (d) statement of changes in equity; and (e) notes comprising a summary of significant accounting policies and explanatory notes.	Similar to IFRS. Further, Schedule III, Division III, to the Companies Act, 2013 sets out the minimum requirements for the presentation of financial statements for a Non-Banking Financial Company which are required to be modified to meet any additional minimum requirements specified in Ind-AS 1. Disclosure requirements specified in Division III to Schedule III and Guidance Note on Division III to Schedule III are in addition to and not in substitution of the disclosure requirements specified in Ind-AS.
Presentation of Financial Statements — Balance sheet/statement of financial position	An entity is required to present current and non-current assets, and current and non-current liabilities, as separate classifications on the cover of the statement of financial position except when a presentation based on liquidity provides information that is more reliable and more relevant. Minimum	Similar to IFRS, except presentation of assets & liabilities as current and non-current. Minimum line item requirements are set out in Division III to Schedule III to the Companies Act, 2013 and Guidance Note on Division III to Schedule III to the Companies Act, 2013.

	line item requirements are set out in IAS 1.	
Presentation of Financial Statements — Presentation of income statement	An analysis of expenses is presented using a classification based on either the nature of those expenses or their function or by whichever method that provides information that is reliable and more relevant. If presented by function, specific disclosures by nature are provided in the notes. Profit or loss attributable to non-controlling interests and equity holders of the parent are disclosed in the statement of comprehensive income/income statement (if presented separately) as allocations of profit or loss for the period.	Similar to IFRS except that entities should present an analysis of expenses recognized in profit or loss using a classification based only on the nature of the expense.
Cash Flow Statement — Interest and dividend	Interest paid and interest and dividends received are usually classified as operating cash flows for a financial institution. However, for other entities may be classified as operating, investing or financing activities in a manner consistent from period to period.	Interest paid and interest and dividends received in the case of a financial institution should be classified as cash flows arising from operating activities. For other entities, cash flows arising from interest paid should be classified as cash flows from financing activities while interest and dividends received should be classified as cash flows from investing activities.
Employee benefits — Discount rate	Market yields at the date of the statement of financial position on high-quality corporate bonds are used as discount rates. In countries where there are no deep markets for such bonds, market yields on government bonds are used.	The rate used to discount shall be determined by reference to market yields at the end of the reporting period on government bonds.
Investments in Associates and Joint Ventures — Capital Reserve/Negative Goodwill	Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.	Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is recognized directly in equity as capital reserve in the period in which the investment is acquired.
Business combinations — scope	IFRS 3 applies to a transaction or other event in which an acquirer obtains control of one or more businesses. IFRS 3 does not apply to: (i) The formation of a joint arrangement in the financial statements of the joint arrangement itself.	Similar to IFRS except that Ind-AS 103 contains guidance on common control transactions.

	(ii) Combinations of entities or business under common control. (iii) Acquisition of an asset or group of assets that do not constitute a business.	
Business combinations — acquisition date	The date on which the acquirer obtains control of the acquired entity is the acquisition date.	Similar to IFRS. **Relevant extract to MCA Circular dated August 21, 2019** Para 5 Section 232(6) of the Act states that the scheme shall be deemed to be effective from the 'appointed date' and not a date subsequent to the 'appointed date'. This is an enabling provision to allow the companies to decide and agree upon an 'appointed date' from which the scheme shall come into force. Para 6 In view of para 5, it is hereby clarified that: 1. The provision of section 232(6) of the Act enables the companies in question to choose and state in the scheme an 'appointed date'. This date may be a specific calendar date or may be tied to the occurrence of an event such as grant of license by a competent authority or fulfilment of any preconditions agreed upon by the parties, or meeting any other requirement as agreed upon between the parties, etc. which are relevant to the scheme. 2. The 'appointed date' identified under the scheme shall also be deemed to be the 'acquisition date' and date of transfer of control for the purpose of conforming to accounting standards (including Ind-AS 103). Assessment: MCA circular mentions that the appointed date as per the scheme shall be the acquisition date under Ind-AS 103.

Business combinations — combination of entities under common control	IFRS 3 does not apply to combination of entities or businesses under common control.	Ind-AS 103 includes accounting for combination of entities or businesses under common control. Common control business combinations will include transactions, such as transfer of subsidiaries or businesses, between entities within a group. Business combinations involving entities or businesses under common control should be accounted for using the pooling of interests method. This involves the following: • The assets and liabilities of the combining entities are reflected at their carrying amounts. • No adjustments are made to reflect fair values, or recognize any new assets or liabilities. The only adjustments that are made are to harmonize accounting policies. • The financial information in the financial statements in respect of prior periods should be restated as if the business combination had occurred from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination. However, if business combination had occurred after that date, the prior period information should be restated only from that date. • The balance of the retained earnings appearing in the financial statements of the transferor is aggregated with the corresponding balance appearing in the financial statements of the transferee. Alternatively, it is transferred to General reserve, if any. • The identity of the reserves should be preserved and should appear in the financial statements of the transferee in

		the same form in which they appeared in the financial statements of the transferor. • Difference, if any, between the amount recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount of share capital of the transferor should be transferred to capital reserve and should be presented separately from other capital reserves with disclosure of its nature and purpose in the notes.
Presentation of Financial Statements — Classification of Financial Liabilities upon breach of covenants	When an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it classifies the liability as current, even if the lender agreed, after the reporting period and before the authorization of the financial statements for issue, not to demand payment as a consequence of the breach. However, the liability can be classified as non-current if the lender has agreed before the end of the reporting period to provide a grace period of minimum 12 months after the reporting period within which the breach can be rectified and the lender cannot demand immediate repayment.	Where there is a breach of a material provision of a long-term arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, if the lender has agreed, after the reporting period and before the approval of the financial statements for issue, not to demand payment as a consequence of the breach, the loan will not be classified as current.
Events after the reporting period — Rectification of any breach of financial liability	According to paragraph 76 of IAS 1, Presentation of Financial Statements, rectification of any breach after the end of the reporting period is a non-adjusting event. Therefore, IAS 10 does not include any clarification in the definition of adjusting event in its paragraph 3.	Ind AS 10 (explanation in paragraph 3) provides, in the definition of 'Events after the reporting period' that in case of breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, if the lender, before the approval of the financial statements for issue, agrees to waive the breach, it shall be considered as an adjusting event.
Property, plant and equipment — Treatment of excess of net sales of items produced over cost of testing	IAS 16 prohibits an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced while bringing an item of property, plant and equipment to the location and	Under Ind AS 16, it has been clarified in paragraph 17(e) that excess of net sale proceeds of items produced over the cost of testing, if any, shall not be recognised in the profit or loss but deducted from the directly attributable

condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity will recognise such sales proceeds and related cost in profit or loss.

costs considered as part of cost of an item of property, plant, and equipment.

GENERAL INFORMATION

Authorization

1. The update of the Programme and the issue of Notes thereunder have been duly authorized by resolutions of our Board dated March 21, 2022. The borrowing limits have been duly authorized by the resolution of our shareholders dated September 25, 2020.

Listing

2. Application has been made to the SGX-ST for permission to deal in and quotation for any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List.

   The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the Official List and quotation of any Notes on the SGX-ST are not to be taken as an indication of the merits of our Company, our subsidiaries, our associated companies, the Programme or such Notes.

   Notes issued under the Programme will be traded on the SGX-ST in a minimum board lot size of SGD 200,000 (or its equivalent in other currencies) for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

   So long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, we shall appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that a Global Note is exchanged for definitive Notes. In addition, in the event that a Global Note is exchanged for definitive Notes, an announcement of such exchange shall be made by the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

3. Application has been made to the London Stock Exchange for the listing and quotation on the ISM of Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be listed on the ISM. Notes so admitted to trading on the ISM are not admitted to the Official List of the FCA. The London Stock Exchange has not approved or verified the contents of this Offering Circular.

4. Application has been made to the India INX for the trading on the India INX of the Notes that may be issued pursuant to the Programme. The listing of the Notes is in compliance with the IFSCA Regulations.

5. Application has been made to the NSE IFSC for the trading on the NSE IFSC of the Notes that may be issued pursuant to the Programme. The listing of the Notes is in compliance with the IFSCA Regulations.

Clearing systems

6. The Notes to be issued under the Programme have been accepted for clearance through Euroclear and Clearstream Luxembourg. The appropriate common code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Pricing Supplement. In addition, the Issuer may make an application for each series of Registered Notes intended to be eligible for sale pursuant to Rule 144A of such Notes to be

accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of Registered Notes, together with the relevant ISIN and common code, will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Pricing Supplement.

No significant change

7. Save as disclosed in this Offering Circular, there has been no significant or material adverse change in the financial or trading position of our Company since June 30, 2022.

Litigation

8. Except as disclosed in "*Business —Material Outstanding Litigations and Defaults*", we are not involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which we are aware) which may have or have had in the 12 months preceding the date of this document a significant effect on our financial position.

Accounts

9. The auditors of our Company in respect of the unaudited but reviewed non-consolidated and consolidated financial statements for the three months ended June 30, 2022, and the audited non-consolidated and consolidated financial statements for the year ended March 31, 2022 and 2021, were as follows:

- S.K. Mittal & Co.
- O.P. Bagla & Co. LLP

Such auditors have audited or reviewed (as the case may be) our financial statements, without qualification, in accordance with generally accepted auditing standards in India.

Documents Available

10. So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available from our corporate office and from the specified office of the Paying Agent in London:

(a) our audited consolidated financial statements in respect of the financial years ended March 31, 2022 and 2021;

(b) our unaudited but reviewed financial statements for the three months ended June 30, 2022;

(c) the Agency Agreement and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;

(d) a copy of this Offering Circular;

(e) any future offering circulars, prospectuses, information memoranda and supplements, including Pricing Supplements (save that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to us and or the Principal Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference; and

(f) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

INDEX TO FINANCIAL STATEMENTS

S.K. Mittal & Co.
Chartered Accountants
E-29 South Extension Part-II
New Delhi-110049.

O P Bagla & Co. LLP
Chartered Accountants
B-225, 5th Floor,
Okhla Industrial Area Phase-I
New Delhi- 110020.

Independent Auditor's Review Report on Quarterly Standalone Unaudited Financial Results for the quarter ended 30th June 2022 of REC Limited Pursuant to the Regulation 33 and Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

The Board of Directors,
REC Limited
Core-IV, SCOPE Complex,
7, Lodi Road,
New Delhi – 110003

We have reviewed the accompanying standalone quarterly results (including annexed Standalone Balance Sheet as on 30th June 2022, Statement of Profit & Loss (including Other Comprehensive Income), Statement of Changes in Equity and Statement of Cash Flows for the period ended as on that date and summarised Notes to Accounts, including Significant Accounting Policies) of **REC Limited** (the company) for the quarter ended 30th June 2022, being submitted by the company pursuant to the requirement of Regulation 33 and Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("Listing Regulations").

This statement, which is the responsibility of the Company's Management and approved by the Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in the Indian Accounting Standard 34 'Interim Financial Reporting', prescribed under section 133 of the Companies Act, 2013, as amended ("the Act") read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This 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.

S.K. MITTAL & CO. CHARTERED ACCOUNTANTS New Delhi

O P BAGLA & CO LLP FRN: 000018N/N500091 New Delhi Chartered Accountants

Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results, prepared in accordance with recognition and measurement principles laid down in the Indian Accounting Standards specified under Section 133 of the Act, as amended, read with relevant rules issued there under and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of Regulation 33 and Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, including the manner in which it is to be disclosed, or that it contains any material misstatement.

Emphasis of matter

Refer Note No. 3 to the financial results regarding, the provision of impairment allowance in respect of its loan assets and Letters of Comfort. In this regard, we have relied upon the basis of determination of impairment allowance, in so far as it relates to technical aspects/parameters considered by independent agency appointed by the company and management judgement for ascertaining impairment allowance as management overlay.

Our opinion on the Statement is not modified in respect of above matter.

M/s S.K. Mittal & Co.
Chartered Accountants,
ICAI Firm Registration: 001135N

S. K. MITTAL & Co. New Delhi CHARTERED ACCOUNTANTS

Name - S. Murthy
Designation: Partner
Membership Number: 072290
UDIN: 22072290AOGMCW4835

M/s O.P. Bagla & Co. LLP.
Chartered Accountants,
ICAI Firm Registration: 000018N/N500091

O.P. BAGLA & CO LLP FRN 000018N/N500091 New Delhi Chartered Accountants

Name – Rakesh Kumar
Designation: Partner
Membership Number: 087537
UDIN: 22087537AOFTPE9271

Place : New Delhi
Date : 04th August 2022

REC Limited

Registered Office - Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi - 110003, CIN: L40101DL1969GOI005095

Balance Sheet as at 30th June 2022

(₹ in Crores)

S. No.	Particulars	Note No.	As at 30-06-2022	As at 31-03-2022
	ASSETS			
(1)	**Financial Assets**			
(a)	Cash and cash equivalents	6	423.23	126.40
(b)	Bank balances other than (a) above	7	902.21	2,295.30
(c)	Derivative financial instruments	8	6,577.44	5,510.17
(d)	Loans	9	3,74,578.23	3,71,930.54
(e)	Investments	10	2,101.71	2,157.97
(f)	Other financial assets	11	24,719.49	24,396.94
	Total - Financial Assets (1)		**4,09,302.31**	**4,06,417.32**
(2)	**Non-Financial Assets**			
(a)	Current tax assets (net)	12	251.99	179.64
(b)	Deferred tax assets (net)	13	3,431.34	3,134.74
(c)	Property, Plant & Equipment	14	618.30	623.67
(d)	Capital Work-in-Progress	14	6.64	6.07
(e)	Other Intangible Assets	14	3.52	4.25
(f)	Other non-financial assets	15	52.49	46.06
	Total - Non-Financial Assets (2)		**4,364.28**	**3,994.43**
(3)	**Assets classified as held for sale**	16	0.86	0.86
	Total ASSETS (1+2+3)		**4,13,667.45**	**4,10,412.61**
	LIABILITIES AND EQUITY			
	LIABILITIES			
(1)	**Financial Liabilities**			
(a)	Derivative financial instruments	8	1,257.66	553.14
(b)	Debt Securities	17	2,16,303.07	2,19,633.57
(c)	Borrowings (other than debt securities)	18	1,11,553.06	1,06,651.59
(d)	Subordinated Liabilities	19	6,396.85	6,816.47
(e)	Other financial liabilities	20	24,973.12	25,575.84
	Total - Financial Liabilities (1)		**3,60,483.76**	**3,59,230.61**
(2)	**Non-Financial Liabilities**			
(a)	Current tax liabilities (net)	21	220.86	10.25
(b)	Provisions	22	270.14	104.51
(c)	Other non-financial liabilities	23	92.43	81.64
	Total - Non-Financial Liabilities (2)		**583.43**	**196.40**
(3)	**EQUITY**			
(a)	Equity Share Capital	24	1,974.92	1,974.92
(b)	Instruments Entirely Equity In Nature	25	558.40	558.40
(c)	Other equity	26	50,066.94	48,452.28
	Total - Equity (3)		**52,600.26**	**50,985.60**
	Total - LIABILITIES AND EQUITY (1+2+3)		**4,13,667.45**	**4,10,412.61**
	Company Overview and Significant Accounting Policies	**1 to 5**		

REC Limited

Registered Office - Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi - 110003, CIN: L40101DL1969GOI005095

Statement of Profit and Loss for the period ended 30th June 2022

(₹ in Crores)

S. No.	Particulars	Note No.	Priod ended 30-06-2022	Priod ended 30-06-2021
	Revenue from Operations			
(i)	Interest Income	27	9,373.78	9,437.23
(ii)	Fees and Commission Income	28	55.67	150.12
(iii)	Net gain/ (loss) on fair value changes	33	30.45	(80.99)
I.	**Total Revenue from Operations (i to iii)**		9,459.90	9,506.36
II.	Other Income	29	8.61	4.76
III.	**Total Income (I+II)**		9,468.51	9,511.12
	Expenses			
(i)	Finance Costs	30	5,376.69	5,588.56
(ii)	Net translation/ transaction exchange loss	31	479.55	291.28
(iii)	Fees and commission Expense	32	5.49	8.09
(iv)	Impairment on financial instruments	34	504.50	781.44
(v)	Employee Benefits Expenses	35	75.41	39.36
(vi)	Depreciation and amortization	36	5.89	2.81
(vii)	Corporate Social Responsibility Expenses	37	56.90	20.93
(viii)	Other Expenses	38	24.53	20.59
IV.	**Total Expenses (i to viii)**		6,528.96	6,753.06
V.	**Profit before Tax (III-IV)**		2,939.55	2,758.06
VI.	**Tax Expense**	39		
(i)	Current tax		574.19	760.76
(ii)	Deferred Tax		(81.90)	(249.30)
	Total Tax Expense (i+ii)		492.29	511.46
VII.	**Profit for the period**		2,447.26	2,246.60
	Other comprehensive Income/(Loss)			
(i)	**Items that will not be reclassified to profit or loss**			
(a)	Re-measurement gains/(losses) on defined benefit plans		-	(0.06)
(b)	Changes in Fair Value of FVOCI Equity Instruments		(33.33)	36.32
(c)	Income tax relating to these items			
	- Re-measurement gains/(losses) on defined benefit plans		-	0.01
	- Changes in Fair Value of FVOCI Equity Instruments		(0.07)	0.03
	Sub-Total (i)		(33.40)	36.30
(ii)	**Items that will be reclassified to profit or loss**			
(a)	Effective Portion of Cash Flow Hedges		207.46	(2.10)
(b)	Cost of hedging reserve		(1,060.78)	32.82
(c)	Income tax relating to these items			
	-Effective Portion of Cash Flow Hedges		(52.21)	0.53
	- Cost of hedging reserve		266.98	(8.26)
	Sub-Total (ii)		(638.55)	22.99
VIII.	**Other comprehensive Income/(Loss) for the period (i+ii)**		(671.95)	59.29
IX.	**Total comprehensive Income for the period (VII+VIII)**		1,775.31	2,305.89
X.	**Basic & Diluted Earnings per Equity Share of ₹ 10 each (in ₹)**	40		
(1)	For continuing operations		12.39	11.38
(2)	For continuing and discontinued operations		12.39	11.38
	Company Overview and Significant Accounting Policies	1 to 5		

O P BAGLA & CO LLP * FRN: 000018N/N500091 * New Delhi * Chartered Accountants

S. K. MITTAL & Co. * New Delhi * CHARTERED ACCOUNTANTS

REC LIMITED * Formerly Rural Electrification Corporation Limited * New Delhi

REC Limited

Registered Office - Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi - 110003, CIN: L40101DL1969GOI005095

Statement of Changes in Equity for the period ended 30th June 2022

A Equity share capital

(₹ in Crores)

Particulars	As at 30-06-2022	As at 31-03-2022
Balance at the beginning of the period	1,974.92	1,974.92
Changes in equity share capital during the period	-	-
Balance at the end of the period	1,974.92	1,974.92

B Instruments entirely equity in nature

(₹ in Crores)

Particulars	As at 30-06-2022	As at 31-03-2022
Balance at the beginning of the period	558.40	558.40
Changes in instruments entirely equity in nature during the period	-	-
Balance at the end of the period	558.40	558.40

C Other Equity

(₹ in Crores)

Particulars	Reserves & Surplus							FVOCI-Equity Instruments	Effective Portion of Cash Flow Hedges	Costs of Hedging reserve	Total
	Special Reserve created u/s 36(1) (viii) of the Income Tax Act, 1961	Reserve for Bad and doubtful debts u/s 36(1)(viia) of the Income Tax Act, 1961	Reserve Fund u/s 45-IC of Reserve Bank of India Act, 1934	Securities Premium Account	Foreign Currency Monetary Item Translation Difference Account	General Reserve	Retained Earnings				
Balance as at 31st March 2021	19,222.23	2,128.41	3,804.00	2,236.54	(573.16)	9,850.03	4,325.09	24.07	(165.61)	41.45	40,893.05
Profit for the period							2,246.60				2,246.60
Remeasurement of Defined Benefit Plans (net of taxes)							(0.05)				(0.05)
Recognition through Other Comprehensive Income (net of taxes)							-	36.35	(1.57)	24.56	59.34
Total Comprehensive Income	-	-	-	-	-	-	2,246.55	36.35	(1.57)	24.56	2,305.89
Other adjustments											
Transferred to/ (from) Retained Earnings	745.94	-	449.32			-	(1,195.26)				-
Transferred to General Reserve		(39.45)				39.45	-				-
Reclassification of gain/ (loss) on sale/ extinguishment of FVOCI equity instrument (net of taxes)							33.28	(33.28)			-
Foreign Currency Translation gain/ (loss) on long term monetary items during the period					(107.53)						(107.53)
Amortisation during the period					65.65						65.65
Total- Other adjustments	745.94	(39.45)	449.32	-	(41.88)	39.45	(1,161.98)	(33.28)	-	-	(41.88)
Dividends							-				-
Total- Transaction with owners	-	-	-	-	-	-	-	-	-	-	-
Balance as at 30th June 2021	19,968.17	2,088.96	4,253.32	2,236.54	(615.04)	9,889.48	5,409.66	27.14	(167.18)	66.01	43,157.06

O P BAGLA & CO LLP FRN: 000018N/N500091 New Delhi Chartered Accountants

S. K. MITTAL & Co. New Delhi Page 8 of 79 CHARTERED ACCOUNTANTS

REC LIMITED Formerly Rural Electrification Corporation Limited New Delhi

REC Limited

Registered Office - Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi - 110003, CIN: L40101DL1969GOI005095

Statement of Cash Flows for the period ended 30th June 2022

(₹ in Crores)

Particulars	Period ended 30-06-2022		Period ended 30-06-2021	
A. Cash Flow from Operating Activities :				
Net Profit before Tax	2,939.55		2,758.06	
Adjustments for:				
1. Loss/ (Gain) on derecognition of Property, Plant and Equipment (net)	1.08		0.16	
2. Depreciation & Amortization	5.89		2.81	
3. Impairment losses on Financial Instruments	504.50		781.44	
4. Loss/ (Gain) on Fair Value Changes (net)	(30.16)		80.99	
5. Effective Interest Rate in respect of Loan Assets and Borrowings	(21.25)		33.20	
6. Unrealised Foreign Exchange Translation Loss/ (Gain)	797.03		673.15	
7. Interest on Investments	(3.86)		(12.96)	
Operating Profit/ (Loss) before Changes in Operating Assets & Liabilities	4,192.78		4,316.85	
Inflow / (Outflow) on account of :				
1. Loan Assets	(2,516.55)		(2,011.14)	
2. Derivatives	421.79		(177.99)	
3. Other Financial and Non- Financial Assets	531.55		5.51	
4. Other Financial and Non- Financial Liabilities & Provisions	(1,917.43)		(1,087.07)	
Cash flow from Operations	712.14		1,046.16	
1. Income Tax Paid (including TDS)	(435.93)		(401.21)	
Net Cash Flow from Operating Activities		276.22		644.95
B. Cash Flow from Investing Activities				
1. Sale of Property, Plant & Equipment	-		0.01	
2. Investment in Property, Plant & Equipment (incl. CWIP & Capital Advances)	(0.94)		(31.08)	
3. Investment in Intangible Assets (including intangible assets under development) development & Capital Advances)	-		(0.03)	
4. Finance Costs Capitalised	-		(4.32)	
5. Sale/ (Investment) in Equity Shares and Venture Capital Fund	3.24		170.84	
6. Redemption/ (Investment) in High Quality Liquid Assets (HQLAs) (net)	-		(305.61)	
7. Redemption/ (Investment) in Debt Securities other than HQLAs (net)	4.72		4.72	
Net Cash Flow from Investing Activities		7.02		(165.47)
C. Cash Flow from Financing Activities				
1. Issue/ (Redemption) of Rupee Debt Securities (Net)	(3,208.62)		106.79	
2. Raising/ (Repayments) of Rupee Term Loans/ WCDL from Govt./ Banks/ FIs (net)	2,516.27		(2,070.39)	
3. Raising/ (Repayments) of Foreign Currency Debt Securities and Borrowings (net)	705.95		5,103.71	
4. Repayment towards Lease Liability	-		(0.01)	
Net Cash flow from Financing Activities		13.60		3,140.10
Net Increase/ (Decrease) in Cash & Cash Equivalents		296.83		3,619.58
Cash & Cash Equivalents as at the beginning of the period		126.40		1,140.49
Cash & Cash Equivalents as at the end of the period		423.23		4,760.07

REC Limited
Registered Office - Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi – 110003
CIN: L40101DL1969GOI005095

Notes to Accounts

1. Company Overview

REC Limited ("REC" or the "Company") was incorporated in the year 1969. The Company is domiciled in India and is limited by shares, having its registered office and principal place of business at Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi-110003, India. The books of accounts and financial statements are maintained at the Corporate Office situated at Plot no. I-4, Sector-29, Gurugram, Haryana, in addition to the registered office of the Company. The Company has offices spread across the country, mainly in the State Capitals and one training center at Hyderabad.

The Company is a Government Company engaged in extending financial assistance across the power sector value chain and is a Systemically Important (Non-Deposit Accepting or Holding) Non-Banking Finance Company (NBFC) registered with Reserve Bank of India (RBI).

REC is a leading Infrastructure Finance Company in India and the principal products of REC are interest-bearing loans to State Electricity Boards, State Power utilities/State Power Departments and Private sector for all segments of Power infrastructure.

The shares of the Company are listed on National Stock Exchange of India Limited and BSE Limited. Further, various debt securities of the Company are also listed on the Stock Exchanges

2. Statement of Compliance and Basis of Preparation

These Standalone Financial Statements comply with Ind AS notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended), applicable provisions of the Companies Act, 2013 and other applicable regulatory norms / guidelines.

The financial statements for the period ended 30th June 2022 were authorized and approved for issue by the Board of Directors on 4th August 2022.

3. Significant Accounting Policies

The significant accounting policies applied in preparation of the financial statements are as given below:

3.1 Basis of Preparation and Measurement

The financial statements have been prepared on going concern basis following accrual system of accounting on historical cost basis except for certain financial assets and financial liabilities which are measured at fair values as explained in relevant accounting policies. These policies have been applied consistently for all the periods presented in the financial statements.

Functional and presentation currency

The financial statements are presented in Indian Rupee ('INR') which is also the functional currency of the Company.

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3.2 Income recognition

Interest income

Interest income is recognized on time proportion basis taking into account the amount outstanding and rate applicable.

Unless otherwise specified, the recoveries from the borrowers are appropriated in the order of (i) costs and expenses of REC (ii) delayed and 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, except for credit impaired loans and recalled loans, where principal amount is appropriated only after the complete recovery of other costs, expenses, delayed and penal interest and overdue interest including interest tax, if any. The recoveries under One Time Settlement (OTS)/ Insolvency and Bankruptcy Code (IBC) proceedings are appropriated first towards the principal outstanding and remaining recovery thereafter, towards interest and other charges, if any.

For financial assets measured at amortized cost, interest income is recorded using the effective interest rate (EIR), i.e. the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial assets.

Interest on financial assets subsequently measured at fair value through profit and loss is recognized on an accrual basis in accordance with the terms of the respective contract and is disclosed separately under the head interest income.

Interest income on credit-impaired loan assets is not being recognised as a matter of prudence, pending the outcome of resolutions of stressed assets.

Rebate on account of timely payment of interest by borrowers is recognized on receipt of entire interest amount due in time, in accordance with the terms of the respective contract and is netted against the corresponding interest income.

Income from Government schemes

Income of agency fee on Government schemes is recognized on accrual basis based on the services rendered.

Dividend income

Income from dividend on shares of corporate bodies and units of mutual funds is taken into account on accrual basis when right to receive payment is established.

Provided that in case of final dividend, the right to receive payment shall be considered as established only upon approval of the dividend by the shareholders in the Annual General Meeting.

Dividend on financial assets subsequently measured at fair value through profit and loss is recognised separately under the head 'Dividend Income'.

Other services

Fees/ charges on loan assets, other than those considered an adjustment to EIR, are accounted for on accrual basis. Pre-payment premium is accounted for by the Company in the year of receipt.

3.3 Borrowing costs

Borrowing costs consist of interest and other costs that the Company incurred in connection with the borrowing of funds. Borrowing costs that are directly attributable to the acquisition and/ or construction of a qualifying asset, till the time such qualifying asset becomes ready for its intended use, are capitalized. A qualifying asset is one that necessarily takes a substantial period to get ready for its intended use.

All other borrowing costs are charged to the Statement of Profit and Loss on an accrual basis as per the effective interest rate method.

3.4 Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period.

To calculate diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

3.5 Foreign Currency Translation

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing on the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of such transactions and the re-measurement of monetary items denominated in foreign currency at period-end exchange rates are recognized in the Statement of Profit or Loss. However, for the long-term monetary items recognized in the financial statements before 1 April 2018, such gains and losses are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" and amortized over the balance period of such long term monetary item, by recognition as income or expense in each of such periods.

Non-monetary items are not retranslated at period-end and are measured at historical cost (translated using the exchange rates at the transaction date).

3.6 Property, Plant and Equipment (PPE)

Recognition and initial measurement

<u>Land</u>

Land held for use is initially recognized at cost. For land, as no finite useful life can be determined, related carrying amounts are not depreciated.

Land also includes land treated as a Right of Use asset under lease agreement earlier classified as finance lease and is amortised over the lease term.

<u>Other Tangible assets</u>

PPE other than land is initially recognized at acquisition cost or construction cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Company's management.

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Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company beyond one year. Maintenance or servicing costs of PPE are recognized in the Statement of Profit and Loss as incurred.

Subsequent measurement (depreciation method, useful lives, residual value, and impairment)

PPE are subsequently measured at cost less accumulated depreciation and impairment losses. Depreciation on PPE is provided on the straight-line method over the useful life of the assets as prescribed under Part 'C' of Schedule II of the Companies Act, 2013.

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. Depreciation on assets purchased during the year up to Rs. 5,000/- is provided @ 100%.

The residual values, useful lives, and method of depreciation are reviewed at the end of each financial year. PPE other than land is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

De-recognition

An item of PPE and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of an item of PPE is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in the Statement of Profit and Loss.

Capital Work-in-Progress

The cost of PPE under construction at the reporting date is disclosed as 'Capital work-in-progress.' The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price. Advances paid for the acquisition/ construction of PPE which are outstanding at the balance sheet date are classified under 'Capital Advances.'

3.7 Intangible assets

Recognition and initial measurement

Intangible assets mainly comprise of computer software which is initially measured at cost. Such assets are recognized where it is probable that the future economic benefits attributable to the assets will flow to the company.

Subsequent measurement (amortization method, useful lives and residual value)

All intangible assets with finite useful life are amortized on a straight line basis over the estimated useful lives, and a possible impairment is assessed if there is an indication that the intangible asset may be impaired. Residual values and useful lives for all intangible assets are reviewed at each reporting date. Changes, if any, are accounted for as changes in accounting estimates. Management estimates the useful life of intangible assets to be five years.

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Intangible Assets under Development

Expenditure incurred which are eligible for capitalization under intangible assets is carried as 'Intangible assets under development' till they are ready for their intended use. Advances paid for the acquisition/ development of intangible assets which are outstanding at the balance sheet date are classified under 'Capital Advances'.

Derecognition of Intangible Assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognized in the Statement of Profit and Loss when the asset is derecognized.

3.8 Assets held for sale

Assets are classified as Held for Sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and the sale is highly probable. A sale is considered as highly probable when such assets have been decided to be sold by the Company; are available for immediate sale in their present condition; are being actively marketed for sale at a price and the sale has been agreed or is expected to be concluded within one year of the date of classification. Such assets are measured at lower of carrying amount or fair value less selling costs.

Assets held for sale are presented separately from other assets in the Balance Sheet and are not depreciated or amortised while they are classified as held for sale.

3.9 Investment property

Investment properties are the assets which have undetermined future use. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, the investment properties are stated at cost less accumulated depreciation. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company beyond one year. All other repair and maintenance costs are recognized in the Statement of Profit and Loss as incurred.

Subsequent measurement (depreciation and useful lives)

The Company only has land as an investment property, which is not depreciated.

De-recognition

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

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3.10 Financial Instruments

A Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition and measurement

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- Amortized cost
- Financial assets at fair value through profit or loss (FVTPL)
- Financial assets at fair value through other comprehensive income (FVOCI)
- Investments in equity shares of subsidiaries and joint ventures (carried at cost in accordance with Ind AS 27)

All financial assets except for those at FVTPL or equity instruments at FVOCI are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied to each category of financial assets, which are described below.

Amortized cost

A financial asset is measured at amortized cost using Effective Interest Rate (EIR) if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A loss allowance for expected credit losses is recognized on financial assets carried at amortized cost.

Modification of cash flows

When the contractual cash flows of a financial asset are renegotiated or otherwise modified, and the renegotiation or modification does not result in derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset and recognizes a modification gain or loss in profit or loss. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets that are either do not meet the criteria for amortized cost classification or are equity instruments held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments also fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements may apply. Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Embedded derivatives

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, foreign exchange rate, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract.

Derivatives embedded in all host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts or if the embedded derivative feature leverages the exposure and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss, unless designated as effective hedging instruments.

Financial assets at FVOCI

FVOCI financial assets comprise of equity instruments measured at fair value. An equity investment classified as FVOCI is initially measured at fair value plus transaction costs. Gains and losses are recognized in Other Comprehensive Income (OCI) and reported within the FVOCI reserve within equity, except for dividend income, which is recognized in profit or loss. There is no recycling of such gains and losses from OCI to Statement of Profit & Loss, even on the derecognition of the investment. However, the Company may transfer the same within equity.

De-recognition of financial assets

De-recognition of financial assets due to a substantial modification of terms and conditions

The Company derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded.

De-recognition of financial assets other than due to substantial modification

Financial assets (or where applicable, a part of financial asset or part of a group of similar financial assets) are derecognized (i.e. removed from the Company's balance sheet) when the contractual rights to receive the cash flows from the financial asset have expired, or when the financial asset and substantially all the risks and rewards are transferred. The Company also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

Classification and subsequent measurement of financial liabilities

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognized in profit or loss. All host contracts which are in nature of a financial liability and separated from embedded derivative are measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Hedge accounting

To qualify for hedge accounting, the hedging relationship must meet all of the following requirements:

- there is an economic relationship between the hedged item and the hedging instrument
- the effect of credit risk does not dominate the value changes that result from that economic relationship
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

All derivative financial instruments designated under hedge accounting are recognised initially at fair value and reported subsequently at fair value at each reporting date. To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income.

At the inception of each hedging relationship, the Company formally designates and documents the hedge relationship, in accordance with the Company's risk management objective and strategies. The documentation includes identification of the hedged item, hedging instrument, the nature of risk(s) being hedged, the hedge ratio and how the hedging relationship meets the hedging effectiveness requirements.

Fair Value Hedges

In line with the recognition of change in the fair value of the hedging instruments in the Statement of Profit & Loss, the change in the fair value of the hedged item attributable to the risk hedged is recognised in the Statement of Profit and Loss. Such changes are made to the carrying amount of the hedged item and are adjusted in Effective Interest Rate in the period when the hedging instrument ceases to exit. If the hedged item is derecognised, the unamortised fair value is recognised immediately in Statement of Profit and Loss.

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3.11 Impairment of financial assets

Loan assets

The Company follows a 'three-stage' model for impairment in the form of Expected Credit Loss (ECL) based on changes in credit quality since initial recognition as summarised below:

- Stage 1 includes loan assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date.
- Stage 2 includes loan assets that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment.
- Stage 3 includes loan assets that have objective evidence of impairment at the reporting date.

The Expected Credit Loss (ECL) is measured at 12-month ECL for Stage 1 loan assets and lifetime ECL for Stage 2 and Stage 3 loan assets. ECL is the product of the Probability of Default, Exposure at Default and Loss Given Default, defined as follows:

Probability of Default (PD) - The PD represents the likelihood of the borrower defaulting on its obligation either over next 12 months or over the remaining lifetime of the instrument.

Loss Given Default (LGD) – LGD represents the Company's expectation of loss given that a default occurs. LGD is expressed in percentage and it shows the proportion of the amount that will actually be lost post recoveries in case of a default.

Exposure at Default (EAD) – EAD represents the amounts, including the principal outstanding, interest accrued and outstanding Letters of Comfort that the Company expects to be owed at the time of default.

Forward-looking economic information is included in determining the 12-month and lifetime PD, EAD and LGD. The assumptions underlying the expected credit loss are monitored and reviewed on an ongoing basis.

Financial assets other than Loans

In respect of its other financial assets, the Company assesses if the credit risk on those financial assets has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the Company measures the loss allowance at an amount equal to 12-month expected credit losses, else at an amount equal to the lifetime expected credit losses.

To make that assessment, the Company compares the risk of a default occurring on the financial asset as at the balance sheet date with the risk of a default occurring on the financial asset as at the date of initial recognition. The Company also considers reasonable and supportable information, that is available without undue cost or effort that is indicative of significant increases in credit risk since initial recognition. The Company assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the balance sheet date.

Write-offs

Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery or as directed by the order of the Judicial Authority.

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3.12 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments (original maturity less than three months) that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.13 Dividend and Other Payments to holders of Instruments classified as Equity

Proposed dividends and interim dividends payable to the shareholders are recognized as changes in equity in the period in which they are approved by the shareholders and the Board of Directors respectively. Liability for the payments to the holders of instruments classified as equity are recognized in the period when such payments are authorized for payment by the Company.

3.14 Material prior period errors

Material prior period errors are corrected retrospectively by restating the comparative amounts for the prior periods presented in which the error occurred. If the error occurred before the earliest period presented, the opening balances of assets, liabilities and equity for the earliest period presented, are restated.

3.15 Prepaid Expenses

A prepaid expense up to Rs. 1,00,000/- is recognized as expense upon initial recognition.

3.16 Taxation

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax. It is recognized in Statement of Profit and Loss, except when it relates to an item that is recognised in OCI or directly in equity, in which case, the tax is also recognised in OCI or directly in equity.

Current tax is determined as the tax payable in respect of taxable income for the year, using tax rates enacted or substantively enacted and as applicable at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided those rates are enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

Deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deductible temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

3.17 Employee benefits

Short-term employee benefits

Short-term employee benefits including salaries, short term compensated absences (such as a paid annual leave) where the absences are expected to occur within twelve months after the end of the period in which the employees render the related service, profit sharing and bonuses payable within twelve months after the end of the period in which the employees render the related services and non-monetary benefits for current employees are estimated and measured on an undiscounted basis.

Post-employment benefit plans are classified into defined benefits plans and defined contribution plans as under:

Defined contribution plan

A defined contribution plan is a plan under which the Company pays fixed contributions in respect of the employees into a separate fund. The Company has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution. The contributions made by the Company towards defined contribution plans are charged to the profit or loss in the period to which the contributions relate.

Defined benefit plan

The Company has an obligation towards gratuity, Post Retirement Medical Facility (PRMF) and Other Defined Retirement Benefit (ODRB) which are being considered as defined benefit plans covering eligible employees. Under the defined benefit plans, the amount that an employee will receive on retirement is defined by reference to the employee's length of service, final salary, and other defined parameters. The legal obligation for any benefits remains with the Company, even if plan assets for funding the defined benefit plan have been set aside.

The Company's obligation towards defined benefit plans is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. The liability recognized in the statement of financial position for defined benefit plans is the present value of the Defined Benefit Obligation (DBO) at the reporting date less the fair value of plan assets. Management estimates the DBO annually with the assistance of independent actuaries.

Actuarial gains/losses resulting from re-measurements of the liability/asset are included in Other Comprehensive Income.

Other long-term employee benefits:

Liability in respect of compensated absences becoming due or expected to be availed more than one-year after the balance sheet date is estimated on the basis of actuarial valuation performed by an independent actuary using the projected unit credit method.

Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged to statement of profit and loss in the period in which such gains or losses are determined.

Loan to employees at concessional rate

Loans given to employees at concessional rate are initially recognized at fair value and subsequently measured at amortised cost. The difference between the initial fair value of such loans and transaction value is recognised as deferred employee benefits, which is amortised on a straight-line basis over the expected remaining period of the Loan. In case of change in expected remaining period of the Loan, the unamortised deferred employee benefits on the date of change is amortised over the updated expected remaining period of the loan on a prospective basis.

3.18 Provisions, Contingent Liabilities, and Contingent Assets

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values, where the time value of money is material.

A contingent liability is disclosed for:

- Possible obligations which will be confirmed only by future events not wholly within the control of the Company or
- Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

In those cases, where the outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized or disclosure is made.

Any reimbursement that the Company can be virtually certain to collect from a third party concerning the obligation (such as from insurance) is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

Contingent assets are not recognized. However, when the inflow of economic benefits is probable, the related asset is disclosed.

3.19 Fair value measurement

The Company measures financial instruments, such as derivatives at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements regularly, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3.20 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3.21 Business Combination under Common Control

A business combination, if any, involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination and that control is not transitory.

Business combinations involving entities or businesses under common control are accounted for using the pooling of interest method as follows:

- The assets and liabilities of the combining entities are reflected at their carrying amounts.
- No adjustments are made to reflect fair values, or recognize new assets or liabilities. Adjustments are made only to harmonise significant accounting policies.
- The financial information in the financial statements in respect of prior periods is restated as if the business combination has occurred from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination

The balance of the retained earnings appearing in the financial statements of the transferor is aggregated with the corresponding balance appearing in the financial statements of the transferee. The identity of the reserves is preserved and the reserves of the transferor become the reserves of the transferee.

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The difference, if any, between the amounts recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount of share capital of the transferor is transferred to capital reserve and is presented separately from other capital reserves.

3.22 Expenditure on issue of shares

Expenditure on issue of shares, if any, is charged to the securities premium account

4. Implementation of New/ Modified Standards

During the year, the Ministry of Corporate Affairs (MCA) has issued amendments to certain Ind AS. The Company has analysed the impact of these amendments which is not material to the Company.

5. Significant management judgment in applying accounting policies and estimation of uncertainty

The preparation of the Company's financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the related disclosures. Actual results may differ from these estimates.

Significant management judgments

Recognition of deferred tax assets/ liability – The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the future taxable income against which the deferred tax assets can be utilized. Further, the Company Management has no intention to make withdrawal from the Special Reserve created and maintained under section 36(1)(viii) of the Income tax Act, 1961 and thus, the special reserve created and maintained is not capable of being reversed. Hence, the company does not create any deferred tax liability on the said reserve.

Evaluation of indicators for impairment of assets – The evaluation of the applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets.

Non recognition of Interest Income on Credit Impaired Loans - Interest income on credit-impaired loan assets is not being recognised as a matter of prudence, pending the outcome of resolutions of stressed assets.

Significant estimates

Impact of Covid-19 Outbreak - The Company has considered the possible impacts of COVID-19 in preparation of these financial statements, including but not limited to its assessment of, liquidity and going concern assumption, recoverable values of its financial and non-financial assets, impact on revenue recognition and impact on effectiveness of its hedges. The Company has carried out this assessment based on available internal and external sources of information upto the date of approval of these standalone financial statements and believes that the impact of COVID-19 is not material to these financial statements and expects to recover the carrying amount of its assets. The impact of COVID-19 on the standalone financial statements may differ from that estimated as at the date of approval of these standalone financial statements owing to the nature and duration of COVID-19. The extent to which the Covid-19 pandemic will impact the Company will depend on future developments, which are uncertain, including, among other things, any new information concerning the severity of the Covid-19 pandemic and any further action by the Govt. or the Company to contain its spread or mitigate its impact.

Useful lives of depreciable/amortizable assets – Management reviews its estimate of the useful lives of depreciable/amortizable assets at each reporting date, based on the expected utility of the assets.

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Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of assets.

Defined benefit obligation (DBO) – Management's estimate of the DBO is based on a number of underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

Fair value measurements – Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. In case of non-availability of market-observable data, Level 2 & Level 3 hierarchy is used for fair valuation.

Income Taxes – Significant estimates are involved in determining the provision for income taxes, including amount expected to be paid/recovered for uncertain tax positions and also in respect of expected future profitability to assess deferred tax asset.

Expected Credit Loss ('ECL') – The measurement of an expected credit loss allowance for financial assets measured at amortized cost requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g., likelihood of customers defaulting and resulting losses). The Company makes significant judgments about the following while assessing expected credit loss to estimate ECL:

- Determining criteria for a significant increase in credit risk;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/ market and the associated ECL; and
- Establishing groups of similar financial assets to measure ECL.
- Estimating the probability of default and loss given default (estimates of recoverable amounts in case of default)

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6 **Cash and Cash Equivalents**

(₹ in Crores)

Particulars	As at 30-06-2022	As at 31-03-2022
- Cash in Hand (including postage & imprest)	0.08	0.02
- Balances with Banks		
- in current accounts	420.77	124.01
- deposits with original maturity less than 3 months	2.38	2.37
Total (Cash & Cash Equivalents)	**423.23**	**126.40**

7 **Bank Balances (other than Cash and Cash Equivalents)**

(₹ in Crores)

Particulars	As at 30-06-2022	As at 31-03-2022
- Earmarked Balances with Banks		
- For unpaid dividends	6.53	6.39
- For govt. funds for onward disbursement as grant	116.10	771.18
- Earmarked Term Deposits		
- Deposits in Compliance of Court Order	0.59	0.59
- Term Deposit held as Margin Money against Bank Guarantee	-	0.27
- Term Deposit- Debenture Redemption Reserves	228.73	225.33
- Balances with banks not available for use pending allotment of 54EC Capital Gain Tax Exemption Bonds	550.26	1,291.54
Total (Other Bank Balances)	**902.21**	**2,295.30**

- Term Deposits held as margin money against Bank Guarantee for more than 12 months	-	0.27

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8 Derivative Financial Instruments

The Company enters into derivatives for hedging foreign exchange risks and interest rate risks. Derivatives held for risk management purposes include hedges that are either designated as effective hedges under the hedge accounting requirements or hedges that are economic hedges. The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts.

Part I

(₹ in Crores)

	Particulars	As at 30-06-2022			As at 31-03-2022		
		Notional Amounts	Fair Value - Assets	Fair Value - Liabilities	Notional Amounts	Fair Value - Assets	Fair Value - Liabilities
(i)	**Currency Derivatives**						
	- Currency swaps	2,960.33	2.57	4.67	2,850.13	1.39	48.37
	- Others						
	- Call Spread	1,973.55	123.29	-	1,895.18	76.73	-
	- Seagull Options	59,542.88	5,805.22	-	54,727.54	4,868.28	-
	Sub-total (i)	**64,476.76**	**5,931.08**	**4.67**	**59,472.85**	**4,946.40**	**48.37**
(ii)	**Interest Rate Derivatives**						
	- Forward Rate Agreements and Interest Rate Swaps	34,918.77	646.36	602.23	33,239.41	563.77	173.52
	Sub-total (ii)	**34,918.77**	**646.36**	**602.23**	**33,239.41**	**563.77**	**173.52**
(iii)	**Other derivatives**						
	- Reverse cross currency swaps	4,747.00	-	650.76	4,747.00	-	331.25
	Total - Derivative Financial Instruments (i+ii+iii)	**1,04,142.53**	**6,577.44**	**1,257.66**	**97,459.26**	**5,510.17**	**553.14**

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Part II

Included in Part I are derivatives held for hedging and risk management purposes as below:

(₹ in Crores)

	Particulars	As at 30-06-2022			As at 31-03-2022		
		Notional Amounts	Fair Value - Assets	Fair Value - Liabilities	Notional Amounts	Fair Value - Assets	Fair Value - Liabilities
(i)	**Fair Value Hedging**						
	- Interest Rate Derivatives						
	- Forward Rate Agreements and Interest Rate Swaps	15,950.70	-	581.98	11,850.70	19.76	112.00
	Sub-total (i)	**15,950.70**	**-**	**581.98**	**11,850.70**	**19.76**	**112.00**
(ii)	**Cash Flow Hedging**						
	- Currency Derivatives						
	- Currency Swaps	2,960.33	2.57	4.67	2,842.77	-	48.37
	- Others						
	- Call Spread	1,973.55	123.29	-	1,895.18	76.73	-
	- Seagull Options	59,542.88	5,805.22	-	54,727.54	4,868.28	-
	- Interest Rate Derivatives						
	- Forward Rate Agreements and Interest Rate Swaps	10,892.57	182.41	14.41	13,313.21	115.10	45.27
	Sub-total (ii)	**75,369.33**	**6,113.49**	**19.08**	**72,778.70**	**5,060.11**	**93.64**
(iii)	Undesignated Derivatives	12,822.50	463.95	656.60	12,829.86	430.30	347.50
	Total - Derivative Financial Instruments (i+ii+iii)	**1,04,142.53**	**6,577.44**	**1,257.66**	**97,459.26**	**5,510.17**	**553.14**

Derivative financial instruments are measured at fair value at each reporting date. The changes in the fair value of derivatives designated as hedging instruments in effective cash flow hedges are recognised in Other Comprehensive Income. In case of fair value hedges, the changes in fair value of the derivatives designated as hedging instruments along with the fair value changes in the carrying amount of the hedged items are recognised in the Statment of Profit & Loss. For undesignated derivatives, the changes in the fair value are recognised in the Statement of Profit & Loss.

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9 **Loans**

The Company has categorised all loans at Amortised Cost in accordance with the requirements of Ind AS 109.

(₹ in Crores)

	Particulars	As at 30-06-2022		As at 31-03-2022	
		Principal O/s	Amortised Cost	Principal O/s	Amortised Cost
(A)	**Loans**				
(i)	Term Loans	3,85,689.15	3,87,457.46	3,83,310.40	3,84,566.08
(ii)	Working Capital Term Loans	2,198.67	2,203.77	2,060.86	2,069.12
	Total (A) - Gross Loans	**3,87,887.82**	**3,89,661.23**	**3,85,371.26**	**3,86,635.20**
	Less: Impairment loss allowance	(15,083.00)	(15,083.00)	(14,704.66)	(14,704.66)
	Total (A) - Net Loans	**3,72,804.82**	**3,74,578.23**	**3,70,666.60**	**3,71,930.54**
(B)	**Security Details**				
(i)	Secured by tangible assets	2,35,006.29	2,35,759.81	2,23,793.64	2,24,420.98
(ii)	Covered by Bank/ Govt. Guarantees	1,35,851.24	1,36,818.23	1,30,973.50	1,31,510.35
(iii)	Unsecured	17,030.29	17,083.19	30,604.12	30,703.87
	Total (B) - Gross Loans	**3,87,887.82**	**3,89,661.23**	**3,85,371.26**	**3,86,635.20**
	Less: Impairment loss allowance	(15,083.00)	(15,083.00)	(14,704.66)	(14,704.66)
	Total (B) - Net Loans	**3,72,804.82**	**3,74,578.23**	**3,70,666.60**	**3,71,930.54**
(C)(I)	**Loans in India**				
(i)	Public Sector	3,47,336.07	3,49,118.87	3,50,455.72	3,51,732.04
(ii)	Private Sector	40,551.75	40,542.36	34,915.54	34,903.16
	Total (C)(I) - Gross Loans	**3,87,887.82**	**3,89,661.23**	**3,85,371.26**	**3,86,635.20**
	Less: Impairment loss allowance	(15,083.00)	(15,083.00)	(14,704.66)	(14,704.66)
	Total (C)(I) - Net Loans	**3,72,804.82**	**3,74,578.23**	**3,70,666.60**	**3,71,930.54**
(C)(II)	**Loans outside India**	-	-	-	-
	Less: Impairment loss allowance	-	-	-	-
	Total (C)(II) - Net Loans	-	-	-	-
	Total (C)(I) and (C)(II)	**3,72,804.82**	**3,74,578.23**	**3,70,666.60**	**3,71,930.54**

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10 **Investments**

(₹ in Crores)

Particulars	Amortised Cost	At fair value			Sub-total	Others (At Cost)	Total
		Through Other Comprehensive Income	Through profit or loss	Designated at fair value through profit or loss			
	(1)	(2)	(3)	(4)	(5= 1+2+3+4)	(6)	(7)
As at 30th June, 2022							
Govt. Securities	1,372.12	-	-	-	1,372.12	-	1,372.12
Debt Securities	335.60	-	130.72	-	466.32	-	466.32
Equity Instruments	-	231.70	31.47		263.17	0.10	263.27
Preference Shares	28.72	-	-	-	28.72	-	28.72
Others	-	-	-		-	-	-
Total - Gross (A)	1,736.44	231.70	162.19	-	2,130.33	0.10	2,130.43
Investments outside India	-	-	-	-	-	-	-
Investments in India	1,736.44	231.70	162.19	-	2,130.33	0.10	2,130.43
Total - Gross (B)	1,736.44	231.70	162.19	-	2,130.33	0.10	2,130.43
Total Investments	1,736.44	231.70	162.19	-	2,130.33	0.10	2,130.43
Less: impairment loss allowance (C)	(28.72)	-	-	-	(28.72)	-	(28.72)
Total - Net (D=A-C)	1,707.72	231.70	162.19	-	2,101.61	0.10	2,101.71
As at 31st March, 2022							
Govt. Securities	1,374.51	-	-	-	1,374.51	-	1,374.51
Debt Securities	333.03	-	132.55	-	465.58	-	465.58
Equity Instruments	-	268.26	49.52		317.78	0.10	317.88
Preference Shares	28.72	-	-	-	28.72	-	28.72
Others	-	-	-	-	-	-	-
Total - Gross (A)	1,736.26	268.26	182.07	-	2,186.59	0.10	2,186.69
Investments outside India	-	-	-	-	-	-	-
Investments in India	1,736.26	268.26	182.07	-	2,186.59	0.10	2,186.69
Total - Gross (B)	1,736.26	268.26	182.07	-	2,186.59	0.10	2,186.69
Total Investments	1,736.26	268.26	182.07	-	2,186.59	0.10	2,186.69
Less: impairment loss allowance (C)	(28.72)	-	-	-	(28.72)	-	(28.72)
Total - Net (D=A-C)	1,707.54	268.26	182.07	-	2,157.87	0.10	2,157.97

11 **Other financial assets**

The Company has categorised all the components under 'Other Financial Assets' at Amortised Cost in accordance with the requirements of Ind AS 109.

(₹ in Crores)

	Particulars	As at 30-06-2022	As at 31-03-2022
(A)	**Loans to Employees**	43.12	41.95
(B)	**Advances to Employees**	0.28	0.24
(C)	**Loans & Advances to Subsidiaries**	5.40	5.26
(D)	**Security Deposits**	1.65	1.64
(E)	**Recoverable from Govt. of India**		
	- Towards GoI Fully Serviced Bonds	24,650.64	24,318.29
(F)	**Other amounts recoverable**	108.93	120.24
	Less: Impairment Loss allowance	(90.53)	(90.68)
	Other Amounts Recoverable (Net)	**18.40**	**29.56**
	Total (A to F)	**24,719.49**	**24,396.94**

12 **Current tax assets (net)**

(₹ in Crores)

Particulars	As at 30-06-2022	As at 31-03-2022
Advance Income-tax & TDS	3,284.79	3,284.80
Provision for Income Tax	(3,037.75)	(3,110.11)
Sub-Total	**247.04**	**174.69**
Tax Deposited on income tax demands under contest	5.20	5.20
Provision for income tax for demand under contest	(0.25)	(0.25)
Sub-Total	**4.95**	**4.95**
Current tax assets (Net)	**251.99**	**179.64**

13 **Deferred tax assets (net)**

(₹ in Crores)

Particulars	As at 30-06-2022	As at 31-03-2022
Deferred Tax Assets (Net)	**3,431.34**	**3,134.74**

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14 Property, Plant & Equipment and Intangible Assets

(₹ in Crores)

Particulars	Property, Plant & Equipment									Capital Work-in-Progress	Intangible Assets under Development	Other Intangible Assets
	Freehold Land	Right-of-Use Land	Buildings	Plant & equipment	Furniture & Fixtures	EDP Equipments	Office Equipments	Vehicles	Total	Immovable Property	Computer Software	Computer Software
Gross carrying value												
As at 31.03.2021	110.39	1.59	130.40	-	20.55	21.68	17.10	0.40	302.11	335.67	0.77	13.64
Additions	-	-	-	-	0.30	0.28	0.50	-	1.08	117.13	0.82	0.03
Borrowings Cost Capitalised										4.32		
Disposals	-	-	0.22	-	0.06	0.11	0.22	-	0.61	105.69	0.82	-
As at 30.06.2021	110.39	1.59	130.18	-	20.79	21.85	17.38	0.40	302.58	351.43	0.77	13.67
As at 31.03.2022	110.39	1.59	430.83	19.90	67.41	24.06	23.38	0.40	677.96	6.07	-	14.66
Additions	-	-	-	0.09	0.21	0.29	0.27	-	0.86	0.57	-	-
Borrowings Cost Capitalised									-	-		
Disposals/ Adjustments	-	-	-	-	0.70	0.42	0.91	-	2.03	-	-	0.01
As at 30.06.2022	110.39	1.59	430.83	19.99	66.92	23.93	22.74	0.40	676.79	6.64	-	14.65
Accumulated depreciation/ amortisation												
As at 31.03.2021	-	0.35	9.81	-	7.40	14.47	9.62	0.34	41.99	-	-	7.54
Charge for the period	-	0.01	0.52	-	0.39	0.68	0.52	0.01	2.13	-	-	0.68
Adjustment for disposals	-	-	0.13	-	0.03	0.06	0.12	-	0.34	-	-	-
As at 30.06.2021	-	0.36	10.20	-	7.76	15.09	10.02	0.35	43.78	-	-	8.22
As at 31.03.2022	-	0.37	13.51	0.95	10.64	16.81	11.64	0.37	54.29	-	-	10.41
Charge for the period	-	0.01	1.76	0.33	1.52	0.79	0.75	-	5.16	-	-	0.73
Adjustment for disposals	-	-	-	-	0.25	0.24	0.47	-	0.96	-	-	0.01
As at 30.06.2022	-	0.38	15.27	1.28	11.91	17.36	11.92	0.37	58.49	-	-	11.13
Net block as at 31.03.2022	110.39	1.22	417.32	18.95	56.77	7.25	11.74	0.03	623.67	6.07	-	4.25
Net block as at 30.06.2022	110.39	1.21	415.56	18.71	55.01	6.57	10.82	0.03	618.30	6.64	-	3.52

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15 Other non-financial assets

(₹ in Crores)

	Particulars	As at 30-06-2022	As at 31-03-2022
	Unsecured, considered good		
(A)	Capital Advances	8.26	8.19
(B)	Other Advances	9.32	2.88
(C)	Balances with Govt. Authorities	21.48	20.35
(D)	Pre-Spent Corporate Social Responsibility (CSR) Expenses	-	0.40
(E)	Prepaid Expenses	2.12	3.11
(F)	Deferred Employee Benefits	11.29	11.11
(G)	Other Assets	0.02	0.02
	Total (A to G)	**52.49**	**46.06**

16 Assets Classified as Held for Sale

(₹ in Crores)

Particulars	As at 30-06-2022	As at 31-03-2022
Assets Classified as Held for Sale-Building	0.86	0.86
Total	**0.86**	**0.86**

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17 Debt Securities

The Company has categorised all debt securities at amortised cost in accordance with the requirements of Ind AS 109.

(₹ in Crores)

	Particulars	As at 30.06.2022		As at 31.03.2022	
		Face Value	Amortised Cost	Face Value	Amortised Cost
(A)	**Secured Long-Term Debt Securities**				
(i)	Institutional Bonds	1,955.00	2,053.90	1,955.00	2,065.31
(ii)	54EC Capital Gain Tax Exemption Bonds	27,557.00	27,527.68	24,146.13	25,025.49
(iii)	Tax Free Bonds	11,808.74	12,444.03	11,808.74	12,205.52
(iv)	Bond Application Money	550.26	549.82	1,291.54	1,291.13
	Sub-total (A)	**41,871.00**	**42,575.43**	**39,201.41**	**40,587.45**
(B)	**Unsecured Long-Term Debt Securities**				
(i)	Institutional Bonds	1,38,208.40	1,42,426.96	1,44,086.60	1,49,010.97
(ii)	Infrastructure Bonds	3.96	8.18	3.96	8.00
(iii)	Foreign Currency Bonds	31,576.85	31,292.50	30,322.85	30,027.15
	Sub-total (B)	**1,69,789.21**	**1,73,727.64**	**1,74,413.41**	**1,79,046.12**
	Total - Debt Securities (A+B)	**2,11,660.21**	**2,16,303.07**	**2,13,614.82**	**2,19,633.57**
	Debt Securities issued in/ outside India				
(i)	Debt Securities in India	1,80,083.36	1,85,010.57	1,83,291.97	1,89,606.42
(ii)	Debt Securities outside India	31,576.85	31,292.50	30,322.85	30,027.15
	Total - Debt Securities	**2,11,660.21**	**2,16,303.07**	**2,13,614.82**	**2,19,633.57**

18 Borrowings (Other than Debt Securities)

The Company has categorised all borrowings (other than debt securities) at Amortised Cost in accordance with the requirements of Ind AS 109.

(₹ in Crores)

	Particulars	As at 30.06.2022		As at 31.03.2022	
		Principal O/s	Amortised Cost	Principal O/s	Amortised Cost
(A)	**Unsecured Long-Term Borrowings**				
(i)	Term Loans from Banks	45,027.53	45,106.98	42,878.32	42,919.86
(ii)	Term Loans from Financial Institutions	5,800.00	5,800.00	6,800.00	6,800.00
(iii)	Term Loan in Foreign Currency	37,332.06	37,085.12	35,634.60	35,329.87
(iv)	Term Loans from Govt. of India (NSSF)	10,000.00	10,121.18	10,000.00	10,325.12
(v)	Lease Liability	0.03	0.03	0.03	0.03
	Sub-total (A)	**98,159.62**	**98,113.31**	**95,312.95**	**95,374.88**
(B)	**Unsecured Short-Term Borrowings**				
(i)	FCNR (B) Loans	10,657.18	10,659.91	9,854.92	9,861.13
(ii)	Short Term Loans/ Loans repayable on demand from Banks	2,778.00	2,779.84	1,410.93	1,415.58
	Sub-total (B)	**13,435.18**	**13,439.75**	**11,265.85**	**11,276.71**
	Total - Borrowings (other than Debt Securities) (A to B)	**1,11,594.80**	**1,11,553.06**	**1,06,578.80**	**1,06,651.59**
	Borrowings (other than Debt Securities) in/ outside India				
(i)	Borrowings in India	74,262.74	74,467.94	70,944.20	71,321.72
(ii)	Borrowings outside India	37,332.06	37,085.12	35,634.60	35,329.87
	Total - Borrowings (other than Debt Securities)	**1,11,594.80**	**1,11,553.06**	**1,06,578.80**	**1,06,651.59**

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19 Subordinated Liabilities

The Company has categorised all debt securities at amortised cost in accordance with the requirements of Ind AS 109.

(₹ in Crores)

	Particulars	As at 30.06.2022		As at 31.03.2022	
		Face Value	Amortised Cost	Face Value	Amortised Cost
(i)	**115th Series - Subordinate Tier-II Bonds -** 8.06% Redeemable at par on 31.05.2023	2,500.00	2,516.90	2,500.00	2,668.11
(ii)	**175th Series - Subordinate Tier-II Bonds -** 8.97% Redeemable at par on 28.03.2029	2,151.20	2,050.11	2,151.20	2,100.70
(iii)	**199th Series - Subordinate Tier-II Bonds -** 7.96% Redeemable at par on 15.06.2030	1,999.50	1,829.84	1,999.50	2,047.66
	Total - Subordinated Liabilities	**6,650.70**	**6,396.85**	**6,650.70**	**6,816.47**
	Subordinated Liabilities in/ outside India				
(i)	Borrowings in India	6,650.70	6,396.85	6,650.70	6,816.47
(ii)	Borrowings outside India	-	-	-	-
	Total - Subordinated Liabilities	**6,650.70**	**6,396.85**	**6,650.70**	**6,816.47**

20 **Other Financial Liabilities**

(₹ in Crores)

	Particulars	As at 30-06-2022	As at 31-03-2022
(A)	**Unpaid Dividends**	6.53	6.39
(B)	**Unpaid Principal & Interest on Bonds.**		
	- Matured Bonds & Interest Accrued thereon	30.29	22.01
	- Interest on Bonds	11.58	6.72
	Sub-total (B)	**41.87**	**28.73**
(C)	**Funds Received from Govt. of India for Disbursement as Subsidy/ Grant (cumulative)**	95,352.09	95,578.81
	Add: Interest on such funds (net of refund)	5.19	3.95
	Less: Disbursed to Beneficiaries (cumulative)	(95,237.69)	(94,808.08)
	Undisbursed Funds to be disbursed as Subsidy/ Grant	119.59	774.68
(D)	**Payables towards Bonds Fully serviced by Govt. of India**	24,650.64	24,318.29
(E)	Other Liabilities	154.49	447.75
	Total (A to E)	24,973.12	25,575.84

21 **Current tax liabilities (net)**

(₹ in Crores)

Particulars	As at 30-06-2022	As at 31-03-2022
Provision for Income Tax	664.54	18.01
Less: Advance Income-tax & TDS	(443.68)	(7.76)
Current tax liabilities (Net)	220.86	10.25

22 **Provisions**

(₹ in Crores)

	Particulars	As at 30-06-2022	As at 31-03-2022
	Provisions for		
(A)	**Employee Benefits**		
	Gratuity	0.46	0.34
	Earned Leave Liability	26.71	25.17
	Post Retirement Medical Benefits	-	0.71
	Medical Leave Liability	21.38	21.49
	Settlement Allowance	1.77	1.79
	Economic Rehabilitation Scheme	4.03	4.15
	Long Service Award	2.38	2.25
	Incentive	35.36	27.71
	Pay Revision	30.99	-
	Sub-total (A)	123.08	83.61
(B)	**Others**		
	Expected Credit Loss on Letters of Comfort	147.06	20.90
	Sub-total (B)	147.06	20.90
	Total (A+B)	270.14	104.51

23 **Other Non-financial Liabilities**

(₹ in Crores)

	Particulars	As at 30-06-2022	As at 31-03-2022
(A)	Income Received in Advance	0.96	-
(B)	Sundry Liabilities Account (Interest Capitalisation)	3.77	4.10
(C)	Unbilled Liability towards Capital Account	27.53	26.96
(D)	Unamortised Fee on Undisbursed Loans	29.68	28.72
(E)	Advance received from Govt. towards Govt. Schemes	0.75	0.75
(F)	Statutory Dues	29.74	21.11
	Total (A to F)	92.43	81.64

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24 Equity Share Capital

(₹ in Crores)

Particulars	As at 30.06.2022		As at 31.03.2022	
	No. of Shares	Amount	No. of Shares	Amount
Authorised : Equity shares of ₹ 10 each	5,00,00,00,000	5,000.00	5,00,00,00,000	5,000.00
Issued, Subscribed and Paid up : Fully paid up Equity shares of ₹ 10 each	1,97,49,18,000	1,974.92	1,97,49,18,000	1,974.92
Total	1,97,49,18,000	1,974.92	1,97,49,18,000	1,974.92

25 Instruments entirely equity in nature

(₹ in Crores)

Particulars	As at 30.06.2022		As at 31.03.2022	
	Number	Amount	Number	Amount
Fully paid up Perpetual Debts Instrument entirely equity in nature of ₹ 10 lakhs each	5,584	558.40	5,584	558.40
Total	5,584	558.40	5,584	558.40

26 Other Equity

(₹ in Crores)

	Particulars	As at 30.06.2022	As at 31.03.2022
(A)	**Other Reserves**		
(i)	Special Reserve created u/s 36(1) (viii) of the Income Tax Act, 1961	22,983.25	22,302.93
	Reserve for Bad and doubtful debts u/s 36(1)(viia) of the Income Tax Act, 1961	196.77	196.82
(iii)	Reserve Fund u/s 45-IC of Reserve Bank of India Act, 1934	6,303.50	5,814.00
(iv)	Securities Premium	2,236.54	2,236.54
(v)	Foreign Currency Monetary Item Translation Difference Account	(715.94)	(555.29)
(vi)	General Reserve	11,781.67	11,781.62
(B)	**Retained Earnings**	8,194.06	6,915.38
(C)	**Other Comprehensive Income (OCI)**		
	- Equity Instruments through Other Comprehensive Income	(72.62)	(37.98)
	- Effective Portion of Cash Flow Hedges	349.46	194.21
	- Cost of Hedging reserve	(1,189.75)	(395.95)
	Total - Other Equity	50,066.94	48,452.28

Additions and deductions to the components of 'Other Equity' has been disclosed in 'Statement of Changes in Equity'.

27 Interest Income

(₹ in Crores)

	Particulars	Period ended 30-06-2022			Period ended 30-06-2021		
		On Financial Assets measured at Fair Value through OCI	On Financial Assets measured at Amortised Cost	On Financial Assets measured at Fair Value through Profit or Loss	On Financial Assets measured at Fair Value through OCI	On Financial Assets measured at Amortised Cost	On Financial Assets measured at Fair Value through Profit or Loss
(A)	**Interest on Loan Assets**						
(i)	Long term financing	-	9,236.40	-	-	9,348.63	-
	Less: Rebate for timely payments/completion etc	-	(0.01)	-	-	(0.01)	-
	Long term financing (net)	-	9,236.39	-	-	9,348.62	-
(ii)	Short term financing	-	25.97	-	-	25.64	-
	Sub-total (A)	-	**9,262.36**	-	-	**9,374.26**	-
(B)	**Interest Income from Investments**						
(i)	Interest from Long Term Investments	-	40.89	5.59	-	20.27	6.90
	Sub-total (B)	-	**40.89**	5.59	-	**20.27**	6.90
(C)	**Interest on Deposits with Banks**						
(i)	Interest from Deposits	-	26.57	-	-	17.08	-
	Sub-total (C)	-	**26.57**	-	-	**17.08**	-
(D)	**Other Interest Income**						
(i)	Interest on Delayed Payments by Borrowers	-	37.25	-	-	17.70	-
(ii)	Interest from Staff Advances	-	1.05	-	-	1.02	-
(iii)	Interest on Mobilisation Advance	-	0.07	-	-	-	-
	Sub-total (D)	-	**38.37**	-	-	**18.72**	-
	Total - Interest Income (A to D)	-	**9,368.19**	**5.59**	-	**9,430.33**	**6.90**

28 Fees and Commission Income

(₹ in Crores)

Particulars	Period ended 30-06-2022	Period ended 30-06-2021
Fees based Income	28.20	14.35
Prepayment Premium	1.95	120.54
Fee for Implementation of Govt. Schemes	25.52	15.23
Total - Fees and Commission Income	**55.67**	**150.12**

29 Other Income

(₹ in Crores)

Particulars	Period ended 30-06-2022	Period ended 30-06-2021
Rental Income	4.19	2.22
Fees from Training Courses	0.92	2.37
Miscellaneous Income	3.50	0.17
Total - Other Income	**8.61**	**4.76**

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30 Finance Costs

Finance Costs have been incurred on financial liabilities measured at amortised cost.

(₹ in Crores)

	Particulars	Period ended 30-06-2022	Period ended 30-06-2021
(i)	**Interest on Borrowings**		
	- Loans from Govt. of India	207.32	201.68
	- Loans from Banks/ Financial Institutions	763.18	695.34
	- External Commercial Borrowings	225.07	113.74
	Sub-Total (i)	1,195.57	1,010.76
(ii)	**Interest on Debt Securities**		
	- Domestic Debt Securities	3,265.62	3,877.62
	- Foreign Currency Debt Securities	350.01	307.63
	Sub-Total (ii)	3,615.63	4,185.25
(iii)	**Interest on Subordinated Liabilities**		
	- Subordinate Bonds	123.26	138.13
	Sub-Total (iii)	123.26	138.13
(iv)	**Other Interest Expense**		
	- Swap Premium	441.36	257.89
	- Interest on liability towards employee benefits	0.87	0.85
	Sub-Total (iv)	442.23	258.74
	Total - Finance Costs	5,376.69	5,592.88
	Less: Finance Costs Capitalised	-	(4.32)
	Total - Finance Costs (Net)	5,376.69	5,588.56

31 **Net translation/ transaction exchange loss/ (gain)**

(₹ in Crores)

Particulars	Period ended 30-06-2022	Period ended 30-06-2021
Net translation/ transaction exchange loss/ (gain)	479.55	291.28
Total	479.55	291.28

32 **Fees and commission expense**

(₹ in Crores)

	Particulars	Period ended 30-06-2022	Period ended 30-06-2021
(i)	Guarantee Fee	0.73	1.07
(ii)	Listing and Trusteeship Fee	0.04	0.81
(iii)	Credit Rating Expenses	2.87	3.72
(iv)	Other Finance Charges	1.85	2.49
	Total (i to iv)	5.49	8.09

33 **Net Gain/ (loss) on Fair Value Changes**

(₹ in Crores)

	Particulars	Period ended 30-06-2022	Period ended 30-06-2021
(A)	**Net gain/ (loss) on financial instruments at Fair Value through profit or loss**		
(i)	**On trading Portfolio**	-	-
(ii)	**Others**		
	- Changes in fair value of Derivatives	48.98	(108.51)
	- Changes in fair value of Long Term Investments	(18.82)	27.52
	- Changes in fair value of Short-term MF investments	0.29	-
	Sub-total (ii)	30.45	(80.99)
	Total Net Gain/ (loss) on Fair Value Changes	30.45	(80.99)

34 **Impairment on financial instruments**

(₹ in Crores)

	Particulars	Period ended 30-06-2022		Period ended 30-06-2021	
		On financial instruments measured at FVOCI	On financial instruments measured at Amortised Cost	On financial instruments measured at FVOCI	On financial instruments measured at Amortised Cost
(i)	- Loans *	-	504.50	-	777.71
(ii)	- Others	-	-	-	3.73
	Total (i+ii)	-	504.50	-	781.44

** includes ₹ 126.16 crores (Previous period ₹ 3.72 crores) towards impairment allowance on Letter of Comfort.*

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35 **Employee Benefits Expense**

(₹ in Crores)

Particulars	Period ended 30-06-2022	Period ended 30-06-2021
- Salaries and Allowances	60.78	27.81
- Contribution to Provident Fund and Other Funds	3.35	2.29
- Expenses towards Post Employment Benefits	1.94	3.57
- Rent towards Residential Accomodation for Employees	1.29	0.66
- Staff Welfare Expenses	8.05	5.03
Total	75.41	39.36

36 **Depreciation and amortization**

(₹ in Crores)

Particulars	Period ended 30-06-2022	Period ended 30-06-2021
- Depreciation on Property, Plant & Equipment	5.16	2.13
- Amortization on Intangible Assets	0.73	0.68
Total	5.89	2.81

37 **Corporate Social Responsibility Expenses**

(₹ in Crores)

Particulars	Period ended 30-06-2022	Period ended 30-06-2021
- Direct Expenditure	55.46	19.73
- Overheads	1.44	1.20
Total	56.90	20.93

38 **Other Expenses**

(₹ in Crores)

Particulars	Period ended 30-06-2022	Period ended 30-06-2021
- Travelling and Conveyance	2.81	1.84
- Publicity & Promotion Expenses	1.04	0.17
- Repairs and Maintenance	4.44	3.88
- Rent, taxes and energy costs	1.13	2.47
- Insurance Charges	0.01	0.01
- Communication costs	0.73	0.68
- Printing & stationery	0.20	0.09
- Director's sitting fees	0.10	0.01
- Auditors' fees and expenses	0.24	0.28
- Legal & Professional Charges	3.53	3.25
- Net Loss on Disposal of Property, Plant & Equipment	1.08	0.16
- Training And Conference Expense	0.73	1.48
- Govt. Scheme Monitoring Expenses	4.10	3.47
- Other Expenditure	4.39	2.80
Total	24.53	20.59

39 **Tax Expense**

(₹ in Crores)

Particulars	Period ended 30-06-2022	Period ended 30-06-2021
- Current tax expense	664.55	760.76
- Current tax expense/ (benefit) pertaining to earlier years	(90.36)	-
Sub-total - Current Tax	574.19	760.76
- Deferred tax expense/ (credit)	(81.90)	(249.30)
Total	492.29	511.46

40 **Earnings per Share**

Particulars	Period ended 30-06-2022	Period ended 30-06-2021
Numerator		
Profit for the period from continuing operations as per Statement of Profit and Loss (₹ in Crores)	2,447.26	2,246.60
Profit for the peirod from continuing and discontinued operations as per Statement of Profit and Loss (₹ in Crores)	2,447.26	2,246.60
Denominator		
Weighted average Number of equity shares	1,97,49,18,000	1,97,49,18,000
Basic & Diluted Earnings per Share (in ₹ for an equity share of ₹ 10 each) (for continuing operations)	12.39	11.38
Basic & Diluted Earnings per Share (in ₹ for an equity share of ₹ 10 each) (for continuing and discontinued operations)	12.39	11.38

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S. K. MITTAL & Co. New Delhi CHARTERED ACCOUNTANTS

REC LIMITED Formerly Rural Electrification Corporation Limited New Delhi

Consolidated Balance Sheet as at 31st March, 2022

(₹ in Crores)

Sl. No.	Particulars	Note No.	As at 31.03.2022	As at 31.03.2021
	ASSETS			
(1)	**Financial Assets**			
(a)	Cash and cash equivalents	**6**	140.99	1,179.24
(b)	Bank balances other than (a) above	**7**	2,518.96	2,223.58
(c)	Trade receivables	**8**	94.55	140.07
(d)	Derivative financial instruments	**9**	5,510.17	2,311.22
(e)	Loans	**10**	3,71,930.54	3,65,261.49
(f)	Investments	**11**	2,190.44	1,723.68
(g)	Other financial assets	**12**	24,415.31	24,419.88
	Total - Financial Assets (1)		**4,06,800.96**	**3,97,259.16**
(2)	**Non-Financial Assets**			
(a)	Current tax assets (net)	**13**	191.56	168.92
(b)	Deferred tax assets (net)	**14**	3,160.12	2,461.03
(c)	Investment Property	**15**	-	0.01
(d)	Property, Plant & Equipment	**16**	624.04	260.70
(e)	Capital Work-in-Progress	**16**	6.07	335.67
(f)	Intangible Assets Under Development	**16**	-	0.77
(g)	Other Intangible Assets	**16**	4.28	6.15
(h)	Other non-financial assets	**17**	68.68	102.67
(i)	Investments accounted for using equity method	**11**	-	257.74
	Total - Non-Financial Assets (2)		**4,054.75**	**3,593.66**
(3)	**Assets classified as held for sale**	**18**	4.38	14.05
	Total ASSETS (1+2+3)		***4,10,860.09***	***4,00,866.87***
	LIABILITIES AND EQUITY			
	LIABILITIES			
(1)	**Financial Liabilities**			
(a)	Derivative financial instruments	**9**	553.14	846.31
(b)	Trade Payables			
	(i) total outstanding dues of MSMEs	**19**	-	0.01
	(ii) total outstanding dues of creditors other than MSMEs	**19**	36.48	61.84
(c)	Debt Securities	**20**	2,19,574.61	2,37,269.11
(d)	Borrowings (other than debt securities)	**21**	1,06,651.59	85,507.36
(e)	Subordinated Liabilities	**22**	6,816.47	6,946.89
(f)	Other financial liabilities	**23**	25,708.64	26,213.00
	Total - Financial Liabilities (1)		***3,59,340.93***	***3,56,844.52***
(2)	**Non-Financial Liabilities**			
(a)	Current tax liabilities (net)	**24**	10.25	14.40
(b)	Provisions	**25**	105.67	113.69
(c)	Other non-financial liabilities	**26**	89.13	130.25
	Total - Non-Financial Liabilities (2)		**205.05**	**258.34**
(3)	**Liabilities directly associated with assets classified as held for sale**	**18**	**0.01**	**0.08**
(4)	**EQUITY**			
(a)	Equity Share Capital	**27**	1,974.92	1,974.92
(b)	Instruments Entirely Equity In Nature	**28**	558.40	558.40
(c)	Other equity	**29**	48,780.78	41,230.61
	Total - Equity (4)		**51,314.10**	**43,763.93**
	Total - LIABILITIES AND EQUITY (1+2+3+4)		**4,10,860.09**	**4,00,866.87**
	Company Overview and Significant Accounting Policies	**1 to 5**		

Accompanying Notes to Financial Statements **1 to 73**

For and on behalf of the Board

J.S. Amitabh
ED & Company Secretary

Ajoy Choudhury
Director (Finance)
DIN - 06629871

R.S. Dhillon
Chairman & Managing Director
DIN - 00278074

In terms of our Audit Report of even date

For S.K. Mittal & Co.
Chartered Accountants
Firm Reg. No.: 001135N

S. Murthy
Partner
M.No. : 072290

For O.P. Bagla & Co. LLP.
Chartered Accountants
Firm Reg. No.: 000018N/N500091

Atul Aggarwal
Partner
M.No. : 092656

Place : Gurugram
Date : 13th May 2022

Consolidated Statement of Profit and Loss for the year ended 31st March, 2022

(₹ in Crores)

S. No.	Particulars	Note No.	Year ended 31.03.2022	Year ended 31.03.2021
	Revenue from Operations			
(i)	Interest Income	30	38,194.49	34,693.51
(ii)	Dividend Income	31	4.21	27.97
(iii)	Fees and Commission Income	32	572.82	95.38
(iv)	Net gain/ (loss) on fair value changes	38	346.57	572.33
(v)	Sale of services	33	150.96	163.65
I.	**Total Revenue from Operations (i to v)**		**39,269.05**	**35,552.84**
II.	**Other Income**	34	70.15	22.72
III.	**Total Income (I+II)**		**39,339.20**	**35,575.56**
	Expenses			
(i)	Finance Costs	35	22,050.96	21,489.05
(ii)	Net translation/ transaction exchange loss	36	799.05	330.26
(iii)	Fees and commission Expense	37	16.73	9.95
(iv)	Impairment on financial instruments	39	3470.02	2445.94
(v)	Cost of services rendered	40	65.11	88.67
(vi)	Employee Benefits Expenses	41	180.09	163.62
(vii)	Depreciation and amortization	42	18.24	10.86
(viii)	Corporate Social Responsibility Expenses	43	172.35	146.27
(ix)	Other Expenses	44	124.31	109.38
IV.	**Total Expenses (i to ix)**		**26,896.86**	**24,794.00**
V.	**Profit before Tax (III-IV)**		**12,442.34**	**10,781.56**
VI.	**Share of Profit/Loss of Joint Venture accounted for using equity method**		(11.81)	(1.97)
VII.	**Profit before Tax (III-IV+V)**		**12,430.53**	**10,779.59**
VIII.	**Tax Expense**	45		
(i)	Current tax		3,065.27	2,920.97
(ii)	Deferred Tax		(670.44)	(519.62)
	Total Tax Expense (i+ii)		**2,394.83**	**2,401.35**
IX.	**Profit for the period**		**10,035.70**	**8,378.24**
X.	**Other comprehensive Income/(Loss)**			
(i)	**Items that will not be reclassified to profit or loss**			
(a)	Re-measurement gains/(losses) on defined benefit plans		(8.33)	(14.26)
(b)	Changes in Fair Value of FVOCI Equity Instruments		22.19	166.53
(c)	Share of Other Comprehensive Income/ (loss) of Joint Venture accounted for using equity method		(0.02)	(0.05)
(d)	Income tax relating to these items			
	- Re-measurement gains/(losses) on defined benefit plans		2.10	3.59
	- Changes in Fair Value of FVOCI Equity Instruments		2.55	(6.01)
	Sub-Total (i)		***18.49***	***149.80***
(ii)	**Items that will be reclassified to profit or loss**			
(a)	Effective Portion of Cash Flow Hedges		480.84	80.81
(b)	Cost of hedging reserve		(584.51)	329.00
(c)	Share of Other Comprehensive Income/ (loss) of Joint Venture accounted for using equity method		1.19	1.29
(d)	Income tax relating to these items			
	-Effective Portion of Cash Flow Hedges		(121.02)	(20.34)
	- Cost of hedging reserve		147.11	(82.80)
	Sub-Total (ii)		***(76.39)***	***307.96***
	Other comprehensive Income/(Loss) for the period (i+ii)		**(57.90)**	**457.76**
XI.	**Total comprehensive Income for the period (IX+X)**		**9,977.80**	**8,836.00**
XII.	**Basic & Diluted Earnings per Equity Share of ₹ 10 each (in ₹)**	46		
(1)	For continuing operations		50.82	42.42
(2)	For continuing and discontinued operations		50.82	42.42
	Company Overview and Significant Accounting Policies	1 to 5		

Accompanying Notes to Financial Statements **1 to 73**

For and on behalf of the Board

J.S. Amitabh
ED & Company Secretary

Ajoy Choudhury
Director (Finance)
DIN - 06629871

R.S. Dhillon
Chairman & Managing Director
DIN - 00278074

In terms of our Audit Report of even date

For S.K. Mittal & Co.
Chartered Accountants
Firm Reg. No.: 001135N

S. Murthy
Partner
M.No. : 072290

For O.P. Bagla & Co. LLP.
Chartered Accountants
Firm Reg. No.: 000018N/N500091

Atul Aggarwal
Partner
M.No. : 092656

Place : Gurugram
Date : 13th May 2022

Consolidated Statement of Changes in Equity for the year ended 31st March 2022

A Equity share capital

Particulars
Balance at the beginning of the year
Changes in equity share capital during the year
Balance at the end of the year

Refer note 27 for detail

B Instruments entirely equity in nature

Particulars
Balance at the beginning of the year
Changes in instruments entirely equity in nature during the year
Balance at the end of the year

Refer note 28 for detail

C. Other Equity

(₹ in Crores)

Particulars	Reserves & Surplus				
	Special Reserve created u/s 36(1) (viii) of the Income Tax Act, 1961	Reserve for Bad and doubtful debts u/s 36(1)(viia) of the Income Tax Act, 1961	Reserve Fund u/s 45-IC of Reserve Bank of India Act, 1934	Securities Premium Account	Capital Reserve
Balance as at 31st March 2020	**16,659.10**	**2,992.83**	**2,131.00**	**2,236.54**	**4.70**
Profit for the period	-	-	-	-	-
Remeasurement of Defined Benefit Plans	-	-	-	-	-
Recognition through Other Comprehensive Income (net of taxes)	-	-	-	-	-
Total Comprehensive Income	**-**	**-**	**-**	**-**	**-**
Other adjustments					
Transferred to/ (from) Retained Earnings	2,563.13	288.13	1,673.00	-	-
Transferred to General Reserve	-	(1,152.55)	-	-	-
Reclassification of gain/ (loss) on sale/ extinguishment of FVOCI equity instrument (net of taxes)	-	-	-	-	-
Foreign Currency Translation Loss on long term monetary items during the period	-	-	-	-	-
Gain on increase in share in EESL	-	-	-	-	-
Amortisation during the period	-	-	-	-	-
Issue expenses on Instrument Entirely Equity in Nature (Perpetual Debt Instruments) (Net of Taxes)	-	-	-	-	-
Total- Other adjustments	**2,563.13**	**(864.42)**	**1,673.00**	**-**	**-**
Dividends	-	-	-	-	-
Total- Transaction with owners	**-**	**-**	**-**	**-**	**-**
Balance as at 31st March 2021	**19,222.23**	**2,128.41**	**3,804.00**	**2,236.54**	**4.70**

(₹ in Crores)

	As at 31.03.2022	As at 31.03.2021
	1,974.92	**1,974.92**
	-	-
	1,974.92	**1,974.92**

(₹ in Crores)

	As at 31.03.2022	As at 31.03.2021
	558.40	**558.40**
	-	-
	558.40	**558.40**

(₹ in Crores)

Foreign Currency Monetary Item Translation Difference Account	General Reserve	Impairment Reserve	Retained Earnings	Share of Other Comprehensive Income/ (loss) of Joint Venture accounted for using equity method	FVOCI- Equity Instruments	Effective Portion of Cash Flow Hedges	Costs of Hedging reserve	Total
(1,719.38)	**6,976.22**	**793.29**	**3,674.25**	**(2.48)**	**106.26**	**(226.08)**	**(204.75)**	**33,421.50**
-	-	-	8,378.24	-	-	-	-	8,378.24
-	-	-	(10.67)	-	-	-	-	(10.67)
-	-	-	(0.05)	1.29	160.52	60.47	246.20	468.43
-	**-**	**-**	**8,367.52**	**1.29**	**160.52**	**60.47**	**246.20**	**8,836.00**
-	981.10	-	(5,505.36)	-	-	-	-	-
-	1,945.84	(793.29)	-	-	-	-	-	-
-	-	-	242.71		(242.71)	-	-	-
437.65	-	-	-	-	-	-	-	437.65
-	-	-	-	-	-	-	-	-
708.57	-	-	-	-	-	-	-	708.57
-	-	-	(0.70)	-	-	-	-	(0.70)
1,146.22	**2,926.94**	**(793.29)**	**(5,263.35)**	**-**	**(242.71)**	**-**	**-**	**1,145.52**
-	-	-	(2,172.41)	-	-	-	-	(2,172.41)
-	**-**	**-**	**(2,172.41)**	**-**	**-**	**-**	**-**	**(2,172.41)**
(573.16)	**9,903.16**	**-**	**4,606.01**	**(1.19)**	**24.07**	**(165.61)**	**41.45**	**41,230.61**

C. **Other Equity (Contd.)** (₹ in Crores)

Particulars	Reserves & Surplus				
	Special Reserve created u/s 36(1) (viii) of the Income Tax Act, 1961	Reserve for Bad and doubtful debts u/s 36(1)(viia) of the Income Tax Act, 1961	Reserve Fund u/s 45-IC of Reserve Bank of India Act, 1934	Securities Premium Account	Capital Reserve
Balance as at 31st March 2021	**19,222.23**	**2,128.41**	**3,804.00**	**2,236.54**	**4.70**
Profit for the period	-	-	-	-	-
Remeasurement of Defined Benefit Plans	-	-	-	-	-
Recognition through Other Comprehensive Income (net of taxes)	-	-	-	-	-
Reclassification of (gain)/ loss on ceasation of significant influence	-	-	-	-	-
Total Comprehensive Income	**-**	**-**	**-**	**-**	**-**
Transferred to/ (from) Retained Earnings	3,080.70	-	2,010.00	-	-
Transferred to/ (from) General Reserve	-	(1,931.59)	-	-	(4.70)
Reclassification of gain/ (loss) on sale/ extinguishment of FVOCI equity instrument (net of taxes)	-	-	-	-	-
Foreign Currency Translation Loss on long term monetary items during the period	-	-	-	-	-
Amortisation during the period	-	-	-	-	-
Coupon payment on Instrument Entirely Equity in Nature (Perpetual Debt Instruments) (Net of Taxes)	-	-	-	-	-
Total- Other adjustments	**3,080.70**	**(1,931.59)**	**2,010.00**	**-**	**(4.70)**
Dividends	**-**	**-**	**-**	**-**	**-**
Total- Transaction with owners	**-**	**-**	**-**	**-**	**-**
Balance as at 31st March 2022	**22,302.93**	**196.82**	**5,814.00**	**2,236.54**	**-**

Refer Note No. 29.1 for details regarding drawdown/ transfers from Reserves

Accompanying Notes to Financial Statements **1 to 73**

In terms of our Report of even date

For S.K. Mittal & Co.
Chartered Accountants
Firm Reg. No.: 001135N

S. Murthy
Partner
M.No. : 072290

For O.P. Bagla & Co. LLP.
Chartered Accountants
Firm Reg. No.: 000018N/N500091

Atul Aggarwal
Partner
M.No. : 092656

Place: Gurugram
Date: 13th May 2022

(₹ in Crores)

Foreign Currency Monetary Item Translation Difference Account	General Reserve	Impairment Reserve	Retained Earnings	Share of Other Comprehensive Income/ (loss) of Joint Venture accounted for using equity method	FVOCI- Equity Instruments	Effective Portion of Cash Flow Hedges	Costs of Hedging reserve	Total
(573.16)	**9,903.16**	**-**	**4,606.01**	**(1.19)**	**24.07**	**(165.61)**	**41.45**	**41,230.61**
-	-	-	10,035.69	-	-	-	-	10,035.69
-	-	-	(6.23)	-	-	-	-	(6.23)
-	-	-	(0.02)	-	24.74	359.82	(437.40)	(52.86)
-	-	-	-	1.19	-	-	-	1.19
-	**-**	**-**	**10,029.44**	**1.19**	**24.74**	**359.82**	**(437.40)**	**9,977.79**
-	-	-	(5,090.70)	-	-	-	-	-
-	1,936.29	-	-	-	-	-	-	-
-	-	-	86.79	-	(86.79)	-	-	-
(216.94)	-	-	-	-	-	-	-	(216.94)
234.81	-	-	-	-	-	-	-	234.81
-	-	-	(34.12)	-	-	-	-	(34.12)
17.87	**1,936.29**	**-**	**(5,038.03)**	**-**	**(86.79)**	**-**	**-**	**(16.25)**
-	-	-	(2,411.37)	**-**	**-**	**-**	**-**	(2,411.37)
-	**-**	**-**	**(2,411.37)**	**-**	**-**	**-**	**-**	**(2,411.37)**
(555.29)	**11,839.45**	**-**	**7,186.05**	**-**	**(37.98)**	**194.21**	**(395.95)**	**48,780.78**

For and on behalf of the Board

J.S. Amitabh
ED & Company Secretary

Ajoy Choudhury
Director (Finance)
DIN - 06629871

R.S. Dhillon
Chairman & Managing Director
DIN - 00278074

Consolidated Statement of Cash Flows for the year ended 31st March 2022

(₹ in Crores)

PARTICULARS	Year ended 31.03.2022		Year ended 31.03.2021	
A. Cash Flow from Operating Activities :				
Net Profit before Tax	12,430.53		10,779.59	
Adjustments for:				
1. Loss/ (Gain) on derecognition of Property, Plant and Equipment (net)	0.97		4.69	
2. Loss/ (Gain) on derecognition of Assets held for sale (net)	(30.19)		-	
3. Depreciation & Amortization	18.24		10.86	
4. Impairment allowance on Assets Classified as Held for Sale	9.71		-	
5. Impairment losses on Financial Instruments	3,470.02		2,445.94	
6. Adjustments towards Effective Interest Rate in respect of Loans	(11.95)		32.61	
7. Adjustments towards Effective Interest Rate in respect of Borrowings	(111.31)		152.19	
8. Fair Value Changes in Derivatives	(351.36)		(545.92)	
9. Fair Value Changes in Investments	12.78		(2.43)	
10. Interest on Commercial Paper	14.76		35.32	
11. Interest Accrued on Zero Coupon Bonds	-		81.78	
12. Loss/ (Gain) on Exchange Rate fluctuation	(2,164.42)		526.71	
13. Provision made for Interest on Advance Income Tax	-		22.71	
14. Share of Profit/Loss of Joint Venture accounted for using equity method	11.81		1.97	
Operating profit before Changes in Operating Assets & Liabilities	**13,299.59**		**13,546.02**	
Inflow / (Outflow) on account of :				
1. Loan Assets	(9,877.12)		(56,522.42)	
2. Derivatives	(2,460.52)		711.20	
3. Other Operating Assets	(433.09)		(1,827.24)	
4. Operating Liabilities	(1,360.41)		3,264.58	
Cash flow from Operations	**(831.55)**		**(40,827.86)**	
1. Income Tax Paid (including TDS)	(3,101.39)		(2,696.20)	
2. Income Tax refund	23.26		11.73	
Net Cash Flow from Operating Activities		**(3,909.68)**		**(43,512.33)**
B. Cash Flow from Investing Activities				
1. Sale of Property, Plant & Equipment	0.10		0.35	
2. Sale of assets held for sale	31.24		-	
3. Investment in Property, Plant & Equipment (incl. CWIP & Capital Advances)	(47.90)		(73.30)	
4. Investment in Intangible Assets (including intangible assets under development & Capital Advances)	(0.25)		(0.95)	
5. Finance Costs Capitalised	(5.10)		(22.04)	
6. Sale/ (Investment) in Equity Shares and Venture Capital Fund	431.17		249.92	
7. Redemption/ (Investment) in High Quality Liquid Assets (HQLAs) (net)	(716.17)		(872.28)	
8. Redemption/ (Investment) in Debt Securities other than HQLAs (net)	96.07		1,582.15	
9. Sale/(Investment) of/in shares of associate companies (Net)	0.82		(0.40)	
10. Maturity/(Investment) of/in Corporate and Term deposits	(77.44)		(2.93)	
Net Cash Flow from Investing Activities		**(287.46)**		**860.52**
C. Cash Flow from Financing Activities				
1. Issue/ (Redemption) of Rupee Debt Securities (Net)	(20,844.10)		15,499.66	
2. Issue/ (Redemption) of Commercial Paper (net)	(14.76)		(2,925.00)	
3. Raising/ (Repayments) of Rupee Term Loans/ WCDL from Govt./Banks/ FIs (net)	2,164.16		26,270.47	
4. Raising/ (Repayments) of Foreign Currency Debt Securities and Borrowings (net)	24,310.58		2,884.39	
5. Raising/ (Redemption) of Subordinated Liabilities (net)	-		1,999.50	
6. Issue of Perpetual Debt Instruments entirely equity in nature	-		558.40	
7. Issue Expenses on Perpetual Debt Instruments entirely equity in nature	-		(0.94)	
8. Coupon Expenses on Perpetual Debt Instruments entirely equity in nature	(45.60)		-	

Consolidated Statement of Cash Flows for the year ended 31st March 2022 (Contd.)

(₹ in Crores)

PARTICULARS	Year ended 31.03.2022		Year ended 31.03.2021	
9. Payment of Dividend on Equity Shares	(2,411.37)		(2,172.41)	
10. Payment of Corporate Dividend Tax	-		-	
11. Repayment towards Lease Liability	(0.02)		(0.73)	
Net Cash flow from Financing Activities		**3,158.89**		**42,113.34**
Net Increase/Decrease in Cash & Cash Equivalents		**(1,038.25)**		**(538.47)**
Cash & Cash Equivalents as at the beginning of the year		1,179.24		1,717.71
Cash & Cash Equivalents as at the end of the year		140.99		1,179.24

During the year, the Group has received Dividend of ₹ 4.21 crores (previous year ₹ 27.97 crores). Further, during the year, the Group has paid an amount of ₹ 168.80 crores (previous year ₹ 150.30 crores) towards Corporate Social Responsibility.

Components of Cash & Cash Equivalents as at end of the year are:

(₹ in Crores)

PARTICULARS	Year ended 31.03.2022	Year ended 31.03.2021
- Cash in Hand (including postage & imprest)	0.02	0.12
- Balances with Banks	130.61	247.82
- Short-term Deposits with Scheduled Banks	10.36	931.30
Total Cash & Cash Equivalents	**140.99**	**1,179.24**

Reconciliation of liabilities arising from financing activities

(₹ in Crores)

Particulars	Opening Balance	Cash Flows during the period (net)	Movements in Interest Accrued *	Other Adjustments		Closing Balance
				Exchange Differences	IndAS Adjustments	
Year ended 31.03.2022						
Rupee Debt Securities	**2,11,208.71**	(20,844.11)	(859.83)	-	42.69	**1,89,547.46**
Commercial Paper	**-**	(14.76)	-	-	14.76	**-**
Rupee Term Loans/ WCDL	**59,281.36**	2,164.16	15.04	-	-	**61,460.56**
Foreign Currency Debt Securities & other Borrowings	**52,286.35**	24,310.60	44.66	(1,336.85)	(86.61)	**75,218.15**
Subordinated Liabilities	**6,946.89**	-	(2.54)	-	(127.88)	**6,816.47**
Total	**3,29,723.31**	**5,615.89**	**(802.67)**	**(1,336.85)**	**(157.04)**	**3,33,042.64**
Year ended 31.03.2021						
Rupee Debt Securities	**1,94,964.01**	15,499.66	657.70	-	87.34	**2,11,208.71**
Commercial Paper	**2,889.68**	(2,925.00)	-	-	35.32	**-**
Rupee Term Loans/ WCDL	**32,983.45**	26,270.47	27.44	-	-	**59,281.36**
Foreign Currency Debt Securities & Bonds	**50,629.65**	2,884.39	16.81	(1,392.24)	147.74	**52,286.35**
Subordinated Liabilities	**4,819.65**	1,999.50	128.90	-	(1.16)	**6,946.89**
Total	**2,86,286.44**	**43,729.02**	**830.85**	**(1,392.24)**	**269.24**	**3,29,723.31**

** Movement in Interest Accrued has been considered in 'Operating Liabilities' as Cash Flow from Operating Activities.*

Note : Previous year figures have been rearranged and regrouped wherever necessary.

For and on behalf of the Board

J.S. Amitabh
ED & Company Secretary

Ajoy Choudhury
Director (Finance)
DIN - 06629871

R.S. Dhillon
Chairman & Managing Director
DIN - 00278074

In terms of our Audit Report of even date

For S.K. Mittal & Co.
Chartered Accountants
Firm Reg. No.: 001135N

S. Murthy
Partner
M.No. : 072290

For O.P. Bagla & Co. LLP.
Chartered Accountants
Firm Reg. No.: 000018N/N500091

Atul Aggarwal
Partner
M.No. : 092656

Place : Gurugram
Date : 13th May 2022

Consolidated Notes to Accounts

1. Company Overview

REC Limited ("REC" or the "Company" or the "holding company") was incorporated in the year 1969. The Company is domiciled in India and is limited by shares, having its registered office and principal place of business at Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi-110003, India. The books of accounts and financial statements are maintained at the Corporate Office situated at Plot no. I-4, Sector-29, Gurugram, Haryana, in addition to the registered office of the Company. The Company has offices spread across the country, mainly in the State Capitals and one training centre at Hyderabad.

The Company is a Government Company engaged in extending financial assistance across the power sector value chain and is a Systemically Important (Non-Deposit Accepting or Holding) Non-Banking Finance Company (NBFC) registered with Reserve Bank of India (RBI).

REC is a leading Infrastructure Finance Company in India and the principal products of REC are interest-bearing loans to State Electricity Boards, State Power utilities/State Power Departments and Private sector for all segments of Power infrastructure.

The shares of the Company are listed on National Stock Exchange of India Limited and BSE Limited. Further, various debt securities of the Company are also listed on the Stock Exchanges.

The Company together with its subsidiaries is hereinafter referred to as 'the Group'.

2. Statement of Compliance and Basis of Preparation

These Consolidated Financial Statements comply with Ind AS notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended), applicable provisions of the Companies Act, 2013 and other applicable regulatory norms / guidelines.

The consolidated financial statements for the period ended 31st March, 2022 were authorized and approved for issue by the Board of Directors on 13th May, 2022.

3. Significant Accounting Policies

The significant accounting policies applied in preparation of the consolidated financial statements are as given below:

3.1 Basis of Preparation and Measurement

Subsidiary

Subsidiary is the entity controlled by the Group. The Group controls an entity when it has power over the investee, is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiary are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The Group combines the financial statements of the holding company and its subsidiary line by line adding together like items of assets, liabilities, equity, income and expenses.

Equity accounted investees

The Group's interests in equity accounted investees comprise of the interests in associates and joint venture.

An associate is an entity, including an unincorporated entity, over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Interests in associates are accounted for using the equity method. These interests are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of Profit and Loss and Other Comprehensive Income (OCI) of equity-accounted investees until the date on which significant influence ceases. However, in case where it is assessed that the investment/ interest in associates is held for sale, the interest in associates is accounted for under Ind AS 105.

A joint venture is an arrangement in which the Group has joint control and has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in joint venture are accounted for using the equity method. They are initially recognised at cost which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of Profit and Loss and Other Comprehensive Income (OCI) of equity-accounted investees until the date on which significant influence or joint control ceases.

3.2 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that here is no evidence of impairment.

3.3 Basis of Preparation and Measurement

The consolidated financial statements have been prepared on going concern basis following accrual system of accounting on historical cost basis except for certain financial assets and financial liabilities which are measured at fair values as explained in relevant accounting policies. These policies have been applied consistently for all the periods presented in the consolidated financial statements.

Functional and presentation currency

The consolidated financial statements are presented in Indian Rupee ('INR') which is also the functional currency of the Group.

3.4 Income recognition

Interest income

Interest income is recognized on time proportion basis taking into account the amount outstanding and rate applicable.

Unless otherwise specified, the recoveries from the borrowers are appropriated in the order of (i) costs and expenses of REC

(ii) delayed and 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, except for credit impaired loans and recalled loans, where principal amount is appropriated only after the complete recovery of other costs, expenses, delayed and penal interest and overdue interest including interest tax, if any. The recoveries under One Time Settlement (OTS)/ Insolvency and Bankruptcy Code (IBC) proceedings are appropriated first towards the principal outstanding and remaining recovery thereafter, towards interest and other charges, if any.

For financial assets measured at amortized cost, interest income is recorded using the effective interest rate (EIR), i.e. the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial assets.

Interest on financial assets subsequently measured at fair value through profit and loss is recognized on an accrual basis in accordance with the terms of the respective contract and is disclosed separately under the head interest income.

Interest income on credit-impaired loan assets is not being recognised as a matter of prudence, pending the outcome of resolutions of stressed assets.

Rebate on account of timely payment of interest by borrowers is recognized on receipt of entire interest amount due in time, in accordance with the terms of the respective contract and is netted against the corresponding interest income.

Income from Government schemes

Income of agency fee on Government schemes is recognized on accrual basis based on the services rendered.

Dividend income

Income from dividend on shares of corporate bodies and units of mutual funds is taken into account on accrual basis when right to receive payment is established.

Provided that in case of final dividend, the right to receive payment shall be considered as established only upon approval of the dividend by the shareholders in the Annual General Meeting.

Dividend on financial assets subsequently measured at fair value through profit and loss is recognised separately under the head 'Dividend Income'.

Other services

Fees/ charges on loan assets, other than those considered an adjustment to EIR, are accounted for on accrual basis. Pre-payment premium is accounted for by the Group in the year of receipt.

Revenue from sale of services

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

The Group uses the principles laid down by the Ind AS 115 to determine that how much and when revenue is recognized, what is the nature, amount, timing and uncertainty of revenues etc. In accordance with the same, revenue is recognised through a five-step approach:

(i) Identify the contract(s) with customer;

(ii) Identify separate performance obligations in the contract;

(iii) Determine the transaction price;

(iv) Allocate the transaction price to the performance obligations; and

(v) Recognise revenue when a performance obligation is satisfied.

Revenues are measured at the fair value of the consideration received or receivable, net of discounts and other indirect taxes.

In Cost Plus Contracts - Revenue is recognised by including eligible contractual items of expenditures plus proportionate margin as per contract;

In Fixed Price Contracts – Revenue is recognised on the basis of stage of completion of the contract. The Group has assessed that the stage of completion is determined as the proportion of the total time expected to complete the performance obligation to that has lapsed at the end of the reporting period, which is an appropriate measure of progress towards complete satisfaction of these performance obligations under Ind AS 115.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Professional charges to be charged from the selected bidders/ developers for transmission projects put on tariff based bidding is accounted for in the year in which it is reasonably certain that the ultimate collection of the professional charges will be made.

Sale proceeds of Request for Proposal (RFP) documents is credited to the respective SPV and sale proceeds of Request for Qualification (RFQ) documents is retained by the Group and accounted as income of the Group.

3.5 Borrowing costs

Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds. Borrowing costs that are directly attributable to the acquisition and/ or construction of a qualifying asset, till the time such qualifying asset becomes ready for its intended use, are capitalized. A qualifying asset is one that necessarily takes a substantial period to get ready for its intended use.

All other borrowing costs are charged to the Statement of Profit and Loss on an accrual basis as per the effective interest rate method.

3.6 Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders

Consolidated Notes to Accounts

(after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period.

To calculate diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

3.7 Foreign Currency Translation

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the Group using the exchange rates prevailing on the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of such transactions and the re-measurement of monetary items denominated in foreign currency at period-end exchange rates are recognized in the Statement of Profit or Loss. However, for the long-term monetary items recognized in the consolidated financial statements before 01st April 2018, such gains and losses are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" and amortized over the balance period of such long term monetary item, by recognition as income or expense in each of such periods.

Non-monetary items are not retranslated at period-end and are measured at historical cost (translated using the exchange rates at the transaction date).

3.8 Property, Plant and Equipment (PPE)

Recognition and initial measurement

Land

Land held for use is initially recognized at cost. For land, as no finite useful life can be determined, related carrying amounts are not depreciated.

Land also includes land treated as a Right of Use asset under lease agreement earlier classified as finance lease and is amortised over the lease term.

Other Tangible assets

PPE other than land is initially recognized at acquisition cost or construction cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group beyond one year. Maintenance or servicing costs of PPE are recognized in the Statement of Profit and Loss as incurred.

Subsequent measurement (depreciation method, useful lives, residual value, and impairment)

PPE are subsequently measured at cost less accumulated depreciation and impairment losses. Depreciation on PPE is provided on the straight-line method over the useful life of the assets as prescribed under Part 'C' of Schedule II of the Companies Act, 2013.

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. Depreciation on assets purchased during the year up to ₹5,000/- is provided @ 100%.

The residual values, useful lives, and method of depreciation are reviewed at the end of each financial year. PPE other than land is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

De-recognition

An item of PPE and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of an item of PPE is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in the Statement of Profit and Loss.

Capital Work-in-Progress

The cost of PPE under construction at the reporting date is disclosed as 'Capital work-in-progress.' The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price. Advances paid for the acquisition/ construction of PPE which are outstanding at the balance sheet date are classified under 'Capital Advances.'

3.9 Intangible assets

Recognition and initial measurement

Intangible assets mainly comprise of computer software which is initially measured at cost. Such assets are recognized where it is probable that the future economic benefits attributable to the assets will flow to the Group.

Subsequent measurement (amortization method, useful lives and residual value)

All intangible assets with finite useful life are amortized on a straight line basis over the estimated useful lives, and a possible impairment is assessed if there is an indication that the intangible asset may be impaired. Residual values and useful lives for all intangible assets are reviewed at each reporting date. Changes, if any, are accounted for as changes in accounting estimates. Management estimates the useful life of intangible assets to be five years.

Intangible Assets under Development

Expenditure incurred which are eligible for capitalization under intangible assets is carried as 'Intangible assets under development' till they are ready for their intended use. Advances paid for the acquisition/ development of intangible assets which are outstanding at the balance sheet date are classified under 'Capital Advances'.

Derecognition of Intangible Assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognized in the Statement of Profit and Loss when the asset is derecognized.

3.10 Lease accounting:

The Group recognises a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as short-term or low-value lease.

The Group assesses at contract inception whether a contract is, or contains, a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

3.11 Assets/ Disposal Groups held for sale

Assets are classified as Held for Sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and the sale is highly probable. A sale is considered as highly probable when such assets have been decided to be sold by the Group; are available for immediate sale in their present condition; are being actively marketed for sale at a price and the sale has been agreed or is expected to be concluded within one year of the date of classification. Such assets are measured at lower of carrying amount or fair value less selling costs.

Assets held for sale are presented separately from other assets in the Balance Sheet and are not depreciated or amortised while they are classified as held for sale.

Where the Group is committed to a sale plan involving loss of control of an entity, it classifies investment in the entity (i.e. all the assets and liabilities of that entity) as held for sale.

3.12 Investment property

Investment properties are the assets which have undetermined future use. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, the investment properties are stated at cost less accumulated depreciation. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group beyond one year. All other repair and maintenance costs are recognized in the Statement of Profit and Loss as incurred.

Subsequent measurement (depreciation and useful lives)

The Group only has land as an investment property, which is not depreciated.

De-recognition

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

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3.13 Financial Instruments

A Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition and measurement

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- Amortized cost
- Financial assets at fair value through profit or loss (FVTPL)
- Financial assets at fair value through other comprehensive income (FVOCI)

All financial assets except for those at FVTPL or equity instruments at FVOCI are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied to each category of financial assets, which are described below.

Amortized cost

A financial asset is measured at amortized cost using Effective Interest Rate (EIR) if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A loss allowance for expected credit losses is recognized on financial assets carried at amortized cost.

Modification of cash flows

When the contractual cash flows of a financial asset are renegotiated or otherwise modified, and the renegotiation or modification does not result in derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset and recognizes a modification gain or loss in profit or loss. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets that are either do not meet the criteria for amortized cost classification or are equity instruments held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments also fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements may apply. Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Embedded derivatives

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, foreign exchange rate, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract.

Derivatives embedded in all host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts or if the embedded derivative feature leverages the exposure and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss, unless designated as effective hedging instruments.

Financial assets at FVOCI

FVOCI financial assets comprise of equity instruments measured at fair value. An equity investment classified as FVOCI is initially measured at fair value plus transaction costs. Gains and losses are recognized in other comprehensive income and reported within the FVOCI reserve within equity, except for dividend income, which is recognized in profit or loss. There is no recycling of such gains and losses from OCI to Statement of Profit & Loss, even on the derecognition of the investment. However, the Group may transfer the same within equity.

De-recognition of financial assets

De-recognition of financial assets due to a substantial modification of terms and conditions

The Group derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded.

De-recognition of financial assets other than due to substantial modification

Financial assets (or where applicable, a part of financial asset or part of a group of similar financial assets) are derecognized (i.e. removed from the Group's balance sheet) when the contractual rights to receive the cash flows from the financial asset have expired, or when the financial asset and substantially all the risks and rewards are transferred. The Group also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

Classification and subsequent measurement of financial liabilities

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognized in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Hedge accounting

To qualify for hedge accounting, the hedging relationship must meet all of the following requirements:

- there is an economic relationship between the hedged item and the hedging instrument
- the effect of credit risk does not dominate the value changes that result from that economic relationship
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

All derivative financial instruments designated under hedge accounting are recognised initially at fair value and reported subsequently at fair value at each reporting date. To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income.

At the inception of each hedging relationship, the Group formally designates and documents the hedge relationship, in accordance with the Group's risk management objective and strategies. The documentation includes identification of the hedged item, hedging instrument, the nature of risk(s) being hedged, the hedge ratio and how the hedging relationship meets the hedging effectiveness requirements.

Fair Value Hedges

In line with the recognition of change in the fair value of the hedging instruments in the Statement of Profit & Loss, the change in the fair value of the hedged item attributable to the risk hedged is recognised in the Statement of Profit and Loss. Such changes are made to the carrying amount of the hedged item and are adjusted in Effective Interest Rate in the period when the hedging instrument ceases to exit. If the hedged item is derecognised, the unamortised fair value is recognised immediately in Statement of Profit and Loss.

3.14 Impairment of financial assets

Loan assets

The Group follows a 'three-stage' model for impairment in the form of Expected Credit Loss (ECL) based on changes in credit quality since initial recognition as summarised below:

- Stage 1 includes loan assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date.
- Stage 2 includes loan assets that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment.
- Stage 3 includes loan assets that have objective evidence of impairment at the reporting date.

The Expected Credit Loss (ECL) is measured at 12-month ECL for Stage 1 loan assets and lifetime ECL for Stage 2 and Stage 3 loan assets. ECL is the product of the Probability of Default, Exposure at Default and Loss Given Default, defined as follows:

Probability of Default (PD) - The PD represents the likelihood of the borrower defaulting on its obligation either over next 12 months or over the remaining lifetime of the instrument.

Loss Given Default (LGD) – LGD represents the Company's expectation of loss given that a default occurs. LGD is expressed in percentage and it shows the proportion of the amount that will actually be lost post recoveries in case of a default.

Exposure at Default (EAD) – EAD represents the amounts, including the principal outstanding, interest accrued and outstanding Letters of Comfort that the Company expects to be owed at the time of default.

Forward-looking economic information is included in determining the 12-month and lifetime PD, EAD and LGD. The assumptions underlying the expected credit loss are monitored and reviewed on an ongoing basis.

Financial assets other than Loans

In respect of its other financial assets, the Group assesses if the

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credit risk on those financial assets has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the Group measures the loss allowance at an amount equal to 12-month expected credit losses, else at an amount equal to the lifetime expected credit losses.

To make that assessment, the Group compares the risk of a default occurring on the financial asset as at the balance sheet date with the risk of a default occurring on the financial asset as at the date of initial recognition. The Group also considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. The Group assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the balance sheet date.

Write-offs

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery or as directed by the order of the Judicial Authority.

3.15 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments (original maturity less than three months) that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.16 Dividend and Other Payments to holders of Instruments classified as Equity

Proposed dividends and interim dividends payable to the shareholders are recognized as changes in equity in the period in which they are approved by the shareholders' meeting and the Board of Directors respectively. Liability for the payments to the holders of instruments classified as equity are recognized in the period when such payments are authorized for payment by the Group.

3.17 Material prior period errors

Material prior period errors are corrected retrospectively by restating the comparative amounts for the prior periods presented in which the error occurred. If the error occurred before the earliest period presented, the opening balances of assets, liabilities and equity for the earliest period presented, are restated.

3.18 Prepaid Expenses

A prepaid expense up to ₹ 1,00,000/- is recognized as expense upon initial recognition.

3.19 Taxation

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax. It is recognized in Statement of Profit and Loss, except when it relates to an item that is recognised in OCI or directly in equity, in which case, the tax is also recognised in OCI or directly in equity.

Current tax is determined as the tax payable in respect of taxable income for the year, using tax rates enacted or substantively enacted and as applicable at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable income.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided those rates are enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

Deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deductible temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

3.20 Employee benefits

Short-term employee benefits

Short-term employee benefits including salaries, short term compensated absences (such as a paid annual leave) where the absences are expected to occur within twelve months after the end of the period in which the employees render the related service, profit sharing and bonuses payable within twelve months after the end of the period in which the employees render the related services and non-monetary benefits for current employees are estimated and measured on an undiscounted basis.

Post-employment benefit plans are classified into defined benefits plans and defined contribution plans as under:

Defined contribution plan

A defined contribution plan is a plan under which the Group pays fixed contributions in respect of the employees into a separate fund. The Group has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution. The contributions made by the Group towards defined contribution plans are charged to the profit or loss in the period to which the contributions relate.

Defined benefit plan

The Group has an obligation towards gratuity, Post-Retirement Medical Facility (PRMF) and Other Defined Retirement Benefit

(ODRB) which are being considered as defined benefit plans covering eligible employees. Under the defined benefit plans, the amount that an employee will receive on retirement is defined by reference to the employee's length of service, final salary, and other defined parameters. The legal obligation for any benefits remains with the Group, even if plan assets for funding the defined benefit plan have been set aside.

The Group's obligation towards defined benefit plans is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. The liability recognized in the statement of financial position for defined benefit plans is the present value of the Defined Benefit Obligation (DBO) at the reporting date less the fair value of plan assets. Management estimates the DBO annually with the assistance of independent actuaries.

Actuarial gains/losses resulting from re-measurements of the liability/asset are included in Other Comprehensive Income.

Other long-term employee benefits:

Liability in respect of compensated absences becoming due or expected to be availed more than one-year after the balance sheet date is estimated on the basis of actuarial valuation performed by an independent actuary using the projected unit credit method.

Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged to statement of profit and loss in the period in which such gains or losses are determined.

Loan to employees at concessional rate

Loans given to employees at concessional rate are initially recognized at fair value and subsequently measured at amortised cost. The difference between the initial fair value of such loans and transaction value is recognised as deferred employee benefits, which is amortised on a straight-line basis over the expected remaining period of the Loan. In case of change in expected remaining period of the Loan, the unamortised deferred employee benefits on the date of change is amortised over the updated expected remaining period of the loan on a prospective basis.

3.21 Provisions, Contingent Liabilities, and Contingent Assets

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values, where the time value of money is material.

A contingent liability is disclosed for:

- Possible obligations which will be confirmed only by future events not wholly within the control of the Group or
- Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

In those cases, where the outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized or disclosure is made.

Any reimbursement that the Group can be virtually certain to collect from a third party concerning the obligation (such as from insurance) is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

Contingent assets are not recognized. However, when the inflow of economic benefits is probable, the related asset is disclosed.

3.22 Fair value measurement

The Group measures financial instruments, such as derivatives at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1 -** Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- **Level 2 -** Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- **Level 3 -** Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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For assets and liabilities that are recognized in the consolidated financial statements regularly, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3.23 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3.24 Business Combination under Common Control

A business combination, if any, involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination and that control is not transitory.

Business combinations involving entities or businesses under common control are accounted for using the pooling of interest method as follows:

- The assets and liabilities of the combining entities are reflected at their carrying amounts.
- No adjustments are made to reflect fair values, or recognize new assets or liabilities. Adjustments are made only to harmonise significant accounting policies.
- The financial information in the financial statements in respect of prior periods is restated as if the business combination has occurred from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination

The balance of the retained earnings appearing in the financial statements of the transferor is aggregated with the corresponding balance appearing in the financial statements of the transferee. The identity of the reserves is preserved and the reserves of the transferor become the reserves of the transferee

The difference, if any, between the amounts recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount of share capital of the transferor is transferred to capital reserve and is presented separately from other capital reserves.

3.25 Expenditure on issue of shares

Expenditure on issue of shares, if any, is charged to the securities premium account

4. Implementation of New/ Modified Standards

During the year, the Ministry of Corporate Affairs (MCA) has issued amendments to certain Ind AS. The Group has analysed the impact of these amendments, which is not material to the Group.

5. Significant management judgment in applying accounting policies and estimation of uncertainty

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the related disclosures. Actual results may differ from these estimates.

Significant management judgments

Recognition of deferred tax assets/ liability – The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the future taxable income against which the deferred tax assets can be utilized. Further, the Management has no intention to make withdrawal from the Special Reserve created and maintained under section 36(1)(viii) of the Income tax Act, 1961 and thus, the special reserve created and maintained is not capable of being reversed. Hence, the Group does not create any deferred tax liability on the said reserve.

Recognition of Deferred Tax Liability on Undistributed Reserves of Group Companies – The applicable tax laws provide for tax deduction in respect of dividend income from equity investments, to the extent of dividend declared by the Company to its shareholders during the year. Considering the historical information and dividend distribution policy of the Company, the Company does not expect any tax liability on the undistributed reserves of the Group Companies, as and when such reserves are distributed. Hence, the Company does not create any deferred tax liability on undistributed reserves of Group Companies.

Evaluation of indicators for impairment of assets – The evaluation of the applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets.

Investment in SPVs – Transmission projects are managed as per the mandate from Government of India and the Group does not have the practical ability to direct the relevant activities of these projects unilaterally. The Group therefore considers its investment in respective SPVs as associates having significant influence despite the Company holding 100% of their paid-up equity share capital.

Non recognition of Interest Income on Credit Impaired Loans - Interest income on credit-impaired loan assets is not being recognised as a matter of prudence, pending the outcome of resolutions of stressed assets.

Significant estimates

Impact of Covid-19 Outbreak - The Group has considered the possible impacts of COVID-19 in preparation of these financial statements, including but not limited to its assessment of, liquidity and going concern assumption, recoverable values of its financial and non-financial assets, impact on revenue recognition and impact on effectiveness of its hedges. The Group has carried out this assessment based on available internal and external sources of information upto the date of approval of these consolidated financial statements and believes that the impact of COVID-19 is not material to these financial statements and expects to recover the carrying amount of its assets. The impact of COVID-19 on the consolidated financial statements may differ from that estimated as at the date of approval of these consolidated financial statements owing to the nature and duration of COVID-19. The extent to which the Covid-19 pandemic will impact the Group will depend on future developments, which are uncertain, including, among other things, any new information concerning the severity of the Covid-19 pandemic and any further action by the Government or the Group to contain its spread or mitigate its impact.

Useful lives of depreciable/amortizable assets – Management reviews its estimate of the useful lives of depreciable/amortizable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of assets.

Defined benefit obligation (DBO) – Management's estimate of the DBO is based on a number of underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

Fair value measurements – Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. In case of non-availability of market-observable data, Level 2 & Level 3 hierarchy is used for fair valuation.

Income Taxes – Significant estimates are involved in determining the provision for income taxes, including amount expected to be paid/recovered for uncertain tax positions and also in respect of expected future profitability to assess deferred tax asset.

Expected Credit Loss ('ECL') – The measurement of an expected credit loss allowance for financial assets measured at amortized cost requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g., likelihood of customers defaulting and resulting losses). The Group makes significant judgments about the following while assessing expected credit loss to estimate ECL:

- Determining criteria for a significant increase in credit risk;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/ market and the associated ECL; and
- Establishing groups of similar financial assets to measure ECL.
- Estimating the probability of default and loss given default (estimates of recoverable amounts in case of default)

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6 Cash and Cash Equivalents

(₹ in Crores)

Particulars	As at 31.03.2022	As at 31.03.2021
Cash in Hand (including postage & imprest)	0.02	0.12
Balances with Banks		
in current accounts	130.61	247.82
Deposits with original maturity less than 3 months	10.36	931.30
Short term Investment in Debt Mutual Funds	-	-
Total (Cash & Cash Equivalents)	**140.99**	**1,179.24**

7 Bank Balances (other than Cash and Cash Equivalents)

(₹ in Crores)

Particulars	As at 31.03.2022	As at 31.03.2021
Earmarked Balances with Banks		
For unpaid dividends	6.39	5.79
For govt. funds for onward disbursement as grant	880.59	1,323.55
Earmarked Term Deposits		
Deposits in Compliance of Court Order	0.59	0.56
Term Deposit held as Margin Money against Bank Guarantee	0.27	0.25
Term Deposit- Debenture Redemption Reserves	225.33	-
Balances with banks not available for use pending allotment of 54EC Capital Gain Tax Exemption Bonds	1,291.54	856.62
Other Term deposits	114.25	36.81
Total (Other Bank Balances)	**2,518.96**	**2,223.58**
Term Deposits with remaining maturity more than 3 months but less than 12 months	97.25	70.02
Term Deposits with original maturity more than 12 months	65.28	1.22

7.1 There are no repatriation restrictions with respect to Cash & Cash Equivalents and Bank balances (other than Cash & Cash Equivalents) as at 31st March 2022 (Previous year Nil).

8 Trade Receivables

(₹ in Crores)

Particulars		As at 31.03.2022	As at 31.03.2021
(A)	Unsecured, Considered good	91.94	124.45
	Less: Allowance for Expected Credit Loss	(12.48)	(19.12)
		79.46	**105.33**
(B)	Trade receivables which have significant increse in credit risk	30.97	55.32
	Less: Allowance for Expected Credit Loss	(15.88)	(20.58)
		15.09	**34.74**
(C)	Credit impaired receivables	54.36	46.80
	Less: Allowance for Expected Credit Loss	(54.36)	(46.80)
	Total Trade Receivables (A+B+C)	**94.55**	**140.07**

Consolidated Notes to Accounts

8.1 Trade Receivables ageing schedule

(₹ in Crores)

Particulars	Outstanding as at 31st March 2022					
	Less than 6 months	6 months- 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) - Undisputed Trade receivables						
- considered good	65.44	23.49	-	-	-	88.93
- which have significant increase in credit risk	-	-	19.35	14.56	-	33.91
- credit impaired	-	-	-	-	54.43	54.43
Sub- total (i)	**65.44**	**23.49**	**19.35**	**14.56**	**54.43**	**177.27**
(ii) - Disputed Trade receivables						
- considered good	-	-	-	-	-	-
- which have significant increase in credit risk	-	-	-	-	-	-
- credit impaired	-	-	-	-	-	-
Sub- total (ii)	**-**	**-**	**-**	**-**	**-**	**-**
Total (i+ii)	**65.44**	**23.49**	**19.35**	**14.56**	**54.43**	**177.27**

(₹ in Crores)

Particulars	Outstanding as at 31st March 2021					
	Less than 6 months	6 months- 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) - Undisputed Trade receivables						
- considered good	98.84	25.61	-	-	-	124.45
- which have significant increase in credit risk	-	-	22.85	32.47	-	55.32
- credit impaired	-	-	-	-	46.80	46.80
Sub- total (i)	**98.84**	**25.61**	**22.85**	**32.47**	**46.80**	**226.57**
(ii) - Disputed Trade receivables						
- considered good	-	-	-	-	-	-
- which have significant increase in credit risk	-	-	-	-	-	-
- credit impaired	-	-	-	-	-	-
Sub- total (ii)	**-**	**-**	**-**	**-**	**-**	**-**
Total (i+ii)	**98.84**	**25.61**	**22.85**	**32.47**	**46.80**	**226.57**

9 Derivative Financial Instruments

The Company enters into derivatives for hedging foreign exchange risks and interest rate risks. Derivatives held for risk management purposes include hedges that are either designated as effective hedges under the hedge accounting requirements or hedges that are economic hedges. The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts.

Refer Note 52 for Risk Management Disclosures in respect of the derivatives.

Consolidated Notes to Accounts

Part I

(₹ in Crores)

Particulars		As at 31.03.2022			As at 31.03.2021		
		Notional Amounts	Fair Value - Assets	Fair Value - Liabilities	Notional Amounts	Fair Value - Assets	Fair Value - Liabilities
(i)	**Currency Derivatives**						
	- Currency swaps	2,850.13	1.39	48.37	2,854.54	43.07	121.08
	- Others						
	- Call Spread	1,895.18	76.73	-	4,263.27	271.36	-
	- Seagull Options	54,727.54	4,868.28	-	20,482.08	1,657.19	43.25
	Sub-total (i)	**59,472.85**	**4,946.40**	**48.37**	**27,599.89**	**1,971.62**	**164.33**
(ii)	**Interest Rate Derivatives**						
	- Forward Rate Agreements and Interest Rate Swaps	33,239.41	563.77	173.52	25,035.68	339.60	403.65
	Sub-total (ii)	**33,239.41**	**563.77**	**173.52**	**25,035.68**	**339.60**	**403.65**
(iii)	**Other derivatives**						
	- Reverse cross currency swaps	4,747.00	-	331.25	4,547.00	-	278.33
	Total - Derivative Financial Instruments (i + ii+iii)	**97,459.26**	**5,510.17**	**553.14**	**57,182.57**	**2,311.22**	**846.31**

Part II

Included in Part I are derivatives held for hedging and risk management purposes as below:

(₹ in Crores)

Particulars		As at 31.03.2022			As at 31.03.2021		
		Notional Amounts	Fair Value - Assets	Fair Value - Liabilities	Notional Amounts	Fair Value - Assets	Fair Value - Liabilities
(i)	**Fair Value Hedging**						
	- Interest Rate Derivatives						
	- Forward Rate Agreements and Interest Rate Swaps	11,850.70	19.76	112.00	-	-	-
(ii)	**Cash Flow Hedging**						
	- Currency Derivatives						
	- Currency Swaps	2,842.77	-	48.37	2,756.43	23.86	121.08
	- Others						
	- Call Spread	1,895.18	76.73	-	1,837.62	77.74	-
	- Seagull Options	54,727.54	4,868.28	-	20,482.08	1,657.19	43.25
	- Interest Rate Derivatives						
	- Forward Rate Agreements and Interest Rate Swaps	13,313.21	115.10	45.27	13,055.84	-	318.18
	Sub-total (i)	**72,778.70**	**5,060.11**	**93.64**	**38,131.97**	**1,758.79**	**482.51**
(iii)	Undesignated Derivatives	12,829.86	430.30	347.50	19,050.60	552.43	363.80
	Total - Derivative Financial Instruments (i+ii+iii)	**97,459.26**	**5,510.17**	**553.14**	**57,182.57**	**2,311.22**	**846.31**

Derivative financial instruments are measured at fair value at each reporting date. The changes in the fair value of derivatives designated as hedging instruments in effective cash flow hedges are recognised in Other Comprehensive Income. In case of fair value hedges, the changes in fair value of the derivatives designated as hedging instruments along with the fair value changes in the carrying amount of the hedged items are recognised in the Statment of Profit & Loss. For undesignated derivatives, the changes in the fair value are recognised in the Statement of Profit & Loss.

Consolidated Notes to Accounts

10 Loans

The Company has categorised all loans at Amortised Cost in accordance with the requirements of Ind AS 109.

(₹ in Crores)

Particulars		As at 31.03.2022		As at 31.03.2021	
		Principal O/s	Amortised Cost	Principal O/s	Amortised Cost
(A)	**Loans**				
(i)	Term Loans	3,83,310.40	3,84,566.08	3,77,041.98	3,78,090.36
(ii)	Working Capital Term Loans	2,060.86	2,069.12	376.17	377.24
	Total (A) - Gross Loans	**3,85,371.26**	**3,86,635.20**	**3,77,418.15**	**3,78,467.60**
	Less: Impairment loss allowance	(14,704.66)	(14,704.66)	(13,206.11)	(13,206.11)
	Total (A) - Net Loans	**3,70,666.60**	**3,71,930.54**	**3,64,212.04**	**3,65,261.49**
(B)	**Security Details**				
(i)	Secured by tangible assets	2,23,793.64	2,24,420.98	2,56,744.52	2,57,329.46
(ii)	Covered by Bank/ Govt. Guarantees	1,30,973.50	1,31,510.35	1,01,071.53	1,01,456.48
(iii)	Unsecured	30,604.12	30,703.87	19,602.10	19,681.67
	Total (B) - Gross Loans	**3,85,371.26**	**3,86,635.20**	**3,77,418.15**	**3,78,467.60**
	Less: Impairment loss allowance	(14,704.66)	(14,704.66)	(13,206.11)	(13,206.11)
	Total (B) - Net Loans	**3,70,666.60**	**3,71,930.54**	**3,64,212.04**	**3,65,261.49**
(C)(I)	**Loans in India**				
(i)	Public Sector	3,50,455.72	3,51,732.04	3,38,810.31	3,39,877.44
(ii)	Private Sector	34,915.54	34,903.16	38,607.84	38,590.16
	Total (C)(I) - Gross Loans	**3,85,371.26**	**3,86,635.20**	**3,77,418.15**	**3,78,467.60**
	Less: Impairment loss allowance	(14,704.66)	(14,704.66)	(13,206.11)	(13,206.11)
	Total (C)(I) - Net Loans	**3,70,666.60**	**3,71,930.54**	**3,64,212.04**	**3,65,261.49**
(C)(II)	**Loans outside India**	-	-	-	-
	Less: Impairment loss allowance	-	-	-	-
	Total (C)(II) - Net Loans	-	-	-	-
	Total (C)(I) and (C)(II)	**3,70,666.60**	**3,71,930.54**	**3,64,212.04**	**3,65,261.49**

10.1 Reconciliation between the figures reported under Ind-AS and contractual amounts outstanding in respect of Loans:

₹ in Crores)

Particulars	As at 31.03.2022	As at 31.03.2021
Net Loans	**3,71,930.54**	**3,65,261.49**
Less: Interest accrued and due on Loans classified under the same head as per Ind-AS	(423.59)	(504.10)
Less: Interest accrued and not due on Loans classified under the same head as per Ind-AS	(957.96)	(635.00)
Add: Allowance for Expected Credit Loss netted off as per Ind-AS	14,704.66	13,206.11
Add: Ind-AS Adjustments in respect of fees based income at Effective Interest Rate (EIR)	117.61	89.65
Gross Loans	**3,85,371.26**	**3,77,418.15**

10.2 Movement of Impairment Loss Allowance in respect of Loans:

(₹ in Crores)

Particulars	Year ended 31.03.2022	Year ended 31.03.2021
Opening Balance	**13,206.11**	**11,996.04**
Add: Impairment loss allowance provided during the year (Refer Note 39)*	3,422.56	2,362.62
Less: Allowance utilised towards write-off of loans	(1,924.01)	(1,152.55)
Closing Balance	**14,704.66**	**13,206.11**

** Includes impairment loss allowance created on Stage 1 & 2 loan assets which has been enhanced to a minimum level of 0.40% from FY 2021-22*

10.3 In terms of the settlement under Insolvency and Bankruptcy Code (IBC) proceedings/ One Time Settlement (OTS)/ Restructuring, the Company has written off loans amounting to ₹ 1,924.01 crores (Previous year ₹ 1,152.55 crores). The details of write-offs for the current year are as below:

(i) During the current year

(a) Pursuant to the Resolution Plan approved under IBC proceedings executed on 13th May 2021 in respect of VS Lignite Power Private Limited, the Company has written off an amount of ₹ 39.45 crores after appropriating the recoveries of ₹ 14.79 crores (Cash ₹ 1.30 crores and Term Loan of ₹ 13.49 crores).

Consolidated Notes to Accounts

(b) Pursuant to the liquidation order under IBC proceedings executed on 30th December 2021 in respect of Lanco Babandh Power Limited, the Company has written off an amount of ₹ 1160.16 crores after appropriating cash recoveries of ₹ 40.39 crores.

(c) Pursuant to the Resolution Plan approved under IBC proceedings executed on 16th March 2022 in respect of Essar Power (MP) Limited (EPMPL), the Company has written off an amount of ₹ 724.40 crores after appropriating the recoveries of ₹ 620.60 crores (Cash ₹ 148.94 crores and Term Loan of ₹ 471.66 crores).

(d) Pursuant to the Resolution Plan approved under IBC proceedings executed on 23rd March 2022 in respect of Amrit Jal Ventures Private Limited, the company has recovered the entire outstanding loan of ₹ 4.35 crores and ₹ 0.28 crores overdue interest after appropriating cash recoveries of ₹ 4.63 crores.

(ii) During the previous year

(a) Pursuant to the restructuring executed on 4th June, 2020, in respect of Essar Power Transmission Corporation Ltd, the Company has written off an amount of ₹ 65.25 crores after appropriating the recoveries of ₹ 979.56 crores (Term Loan of ₹ 830.00 crores and Optionally convertible debentures of ₹ 149.56 crores).

(b) Pursuant to the Resolution Plan approved under IBC proceedings executed on 21st September, 2020 in respect of Facor Power Ltd, the Company has wriiten-off an amount of ₹181.86 crores after appropriating the recoveries of ₹ 329.12 crores (Cash ₹ 102.27 crores, Non-convertible debentures of ₹ 199.72 crores and amount recoverable of ₹ 27.13 crores).

(c) Pursuant to the restructuring executed on 4th December, 2020 in respect of R.K.M PowerGen Private Ltd, the Company has wriiten-off an amount of ₹905.44 crores after appropriating the recoveries of ₹ 1,396.55 crores (Term Loan of ₹ 1,396.55 crores and Optionally convertible debentures Nil).

10.4 The Company obtains balance confirmation from the borrowers for the balances standing as on the Balance Sheet date. The summary of the balance confirmations received from the borrowers is as under:

(₹ in Crores)

Particulars	**As at 31.03.2022**		**As at 31.03.2021**	
	%	**Amount**	**%**	**Amount**
Gross Loan Book of the Company		3,85,371.26		3,77,418.15
Loan Assets for which balance confirmations have been received from borrowers	93%	3,56,923.45	92%	3,48,293.80
Loan Assets for which balance confirmations is yet to be received from borrowers *of which,*	7%	28,447.81	8%	29,124.35
Loans secured by tangible assets	45%	12,813.68	71%	20,597.00
Loans covered by Government Guarantee/ Loans to Government	33%	9,295.96	10%	2,848.13
Unsecured loans	22%	6,338.17	19%	5,679.22

10.5 No funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in party identified by or on behalf of the Company (Ultimate Beneficiaries). The Company has not received any fund from any party(s) (Funding Party) with the understanding that the Company shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

11 Investments

(A) Investments

(₹ in Crores)

Particulars	**Amortised Cost**	**At fair value**			**Sub-total**	**Others (At Cost)**	**Total**
		Through Other Comprehensive Income	**Through profit or loss**	**Designated at fair value through profit or loss**			
	(1)	**(2)**	**(3)**	**(4)**	**(5= 1+2+3+4)**	**(6)**	**(7)**
As at 31st March, 2022							
Govt. Securities	1,374.51	-	-	-	**1,374.51**	-	**1,374.51**
Debt Securities	365.60	-	132.55	-	**498.15**	-	**498.15**
Equity Instruments	-	268.26	49.52	-	**317.78**	-	**317.78**
Preference Shares	28.72	-	-	-	**28.72**	-	**28.72**
Others	-	-		-	**-**	-	**-**
Total - Gross (A)	**1,768.83**	**268.26**	**182.07**	**-**	**2,219.16**	**-**	**2,219.16**

Consolidated Notes to Accounts

(₹ in Crores)

Particulars	Amortised Cost	At fair value			Sub-total	Others (At Cost)	Total
		Through Other Comprehensive Income	Through profit or loss	Designated at fair value through profit or loss			
	(1)	(2)	(3)	(4)	(5= 1+2+3+4)	(6)	(7)
Investments outside India	-	-	-	-	-	-	-
Investments in India	1,768.83	268.26	182.07	-	**2,219.16**	-	**2,219.16**
Total - Gross (B)	**1,768.83**	**268.26**	**182.07**	**-**	**2,219.16**	**-**	**2,219.16**
Total Investments	1,768.83	268.26	182.07	-	**2,219.16**	-	**2,219.16**
Less: impairment loss allowance (C)	(28.72)	-	-	-	**(28.72)**	-	**(28.72)**
Total - Net (D=A-C)	**1,740.11**	**268.26**	**182.07**	**-**	**2,190.44**	**-**	**2,190.44**
As at 31st March, 2021							
Govt. Securities	649.08	-	-	-	**649.08**	-	**649.08**
Debt Securities	408.73	-	143.06	-	**551.79**	-	**551.79**
Equity Instruments	-	430.13	23.60	-	**453.73**	-	**453.73**
Preference Shares	26.09	-	42.99	-	**69.08**	-	**69.08**
Others	-	-		-	-	-	-
Total - Gross (A)	**1,083.90**	**430.13**	**209.65**	**-**	**1,723.68**	**-**	**1,723.68**
Investments outside India	-	-	-	-	-	-	-
Investments in India	1,083.90	430.13	209.65	-	**1,723.68**	-	**1,723.68**
Total - Gross (B)	**1,083.90**	**430.13**	**209.65**	**-**	**1,723.68**	**-**	**1,723.68**
Total Investments	1,083.90	430.13	209.65	-	**1,723.68**	-	**1,723.68**
Less: impairment loss allowance (C)	-	-	-	-	-	-	-
Total - Net (D=A-C)	**1,083.90**	**430.13**	**209.65**	**-**	**1,723.68**	**-**	**1,723.68**

(B) Investments accounted for using equity method

(₹ in Crores)

Particulars	As at 31.03.2022	As at 31.03.2021
Investment in Joint Ventures		
- Energy Efficiency Services Ltd.	-	257.74
(21,81,00,000 Equity shares of ₹ 10 each)		
Total	**-**	**257.74**

11.1 Details of investments

(₹ in Crores)

Particulars	Investment measured at	As at 31.03.2022		As at 31.03.2021	
		Number	Amount	Number	Amount
(A) Government Securities (HQLAs)*	Amortised Cost	13,39,32,800	1,374.51	6,25,00,000	649.08
Debt Securities					
(i) Debt Securities (HQLAs)*	Amortised Cost	3,14,940	259.39	3,14,940	259.63
(ii) Debt Securities (other than HQLAs)					
- 3% Optionally convertible debentures- Series A of Essar Power Transmission Co. Ltd.	Fair value through profit or loss	17,85,43,530	92.03	22,85,25,079	99.33
- 3% Optionally convertible debentures- Series B of Essar Power Transmission Co. Ltd.	Fair value through profit or loss	7,86,06,161	40.52	10,06,12,911	43.73
- Optionally convertible debentures- Series C of Essar Power Transmission Co. Ltd. **	Fair value through profit or loss	1,86,35,162	-	1,86,35,162	-

Consolidated Notes to Accounts

(₹ in Crores)

Particulars		Investment measured at	As at 31.03.2022		As at 31.03.2021	
			Number	Amount	Number	Amount
	- 0% Non- Convertible Debentures (NCDs) of Ferro Alloys Corporation Limited	Amortised Cost	2,54,95,144	106.21	2,52,91,783	149.10
	- 0.01% Optionally convertible Debentures (OCD) Series A of R.K.M PowerGen Private Ltd. **	Fair value through profit or loss	21,38,03,170	-	21,38,03,170	-
	- 0.01% Optionally convertible Debentures (OCD) Series B of R.K.M PowerGen Private Ltd. **	Fair value through profit or loss	63,03,032	-	63,03,032	-
	- 0.01% Optionally convertible Debentures (OCD) Series Ai of R.K.M PowerGen Private Ltd. **	Fair value through profit or loss	1,04,74,150	-	1,04,74,150	-
(B)	**Sub-total - Debt Securities (i+ii)**			**498.15**		**551.79**
	Equity Instruments					
	- NHPC Ltd.	Fair value through other comprehensive income	1,88,43,184	52.38	17,53,02,206	428.61
	- HUDCO Ltd.	Fair value through other comprehensive income	3,47,429	1.14	3,47,429	1.52
	- Energy Efficiency Services Ltd.	Fair value through other comprehensive income	21,81,00,000	214.74	-	-
	- Universal Commodity Exchange Ltd.	Fair value through other comprehensive income	1,60,00,000	-	1,60,00,000	-
	- Rattan India Power Ltd.	Fair value through profit or loss	9,25,68,105	49.52	9,25,68,105	23.60
	- R.K.M Power Gen Private Ltd.	Fair value through profit or loss	18,17,90,667	-	18,17,90,667	-
(C)	**Sub-total - Equity Instruments**			**317.78**		**453.73**
(D)	**Sub-total - Subsidiary**			**-**		**-**
	Preference Shares (PS)					
	- Redeemable PS of Rattan India Power Ltd.	Amortised cost	2,87,20,978	28.72	2,87,20,978	26.09
	- Optionally Convertible PS of Rattan India Power Ltd.	Fair value through profit or loss	4,33,03,616	-	4,33,03,616	42.99
(D)	**Sub-total - Preference Shares**			**28.72**		**69.08**
	Others					
	- Units of 'Small is Beautiful' Venture Capital Fund	Fair value through other comprehensive income	-	-	61,52,200	-
(E)	**Sub-total - Others**			**-**		**-**
	Total Investments (F= A to E)			**2,219.16**		**1,723.68**
	Less: impairment loss allowance (G)			(28.72)		-
	Total - Net (H=F-G)			**2,190.44**		**1,723.68**

Refer note 56.1 for valuation technique of the investments shown at fair value

** High Quality Liquid Assets (HQLAs) maintained as per RBI Circular dated Novemeber 4, 2019*

*** Received against unsustainable portion of debt in terms of the settlement under Insolvency and Bankruptcy Code (IBC) proceedings/ One Time Settlement (OTS)/ Restructuring*

11.2 Details of Investment in Joint Venture:

(₹ in Crores)

Name of the company	Principal place of business / Country of Incorporation	Proportion of ownership interest as at	
		31.03.2022	31.03.2021
Joint Venture* :			
Energy Efficiency Services Limited (EESL)	India	-	22.18%

The investments in joint venture is measured at cost in accordance with the provisions of Ind AS 27 'Separate Financial Statements'.

** During the year, pursuant to agreement executed amongst the Joint Venture partners i.e. NTPC Limited, Power Finance Corporation Limited, REC Limited and Power Grid Corporation of India Limited, EESL ceased to be a jointly controlled entity of the Company with effect from September 01, 2021, under Ind-AS framework.*

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11.3 Movement of Impairment Loss Allowance in respect of Investments:

(₹ in Crores)

Particulars	Year ended 31.03.2022	Year ended 31.03.2021
Opening Balance	-	-
Add: Impairment loss allowance provided in respect to Redeemable PS of Rattan India Power Limited due for redemption during the year (Refer Note 39)	28.72	-
Less: Allowance utilised towards write-off of loans	-	-
Closing Balance	**28.72**	**-**

11.4 In terms of the settlement under Insolvency and Bankruptcy Code (IBC) proceedings/ One Time Settlement (OTS)/ Restructuring, the Company has received the following Investments:

(i) **During the current year:**

Company has not received any instruments in terms of the settlement under Insolvency and Bankruptcy Code (IBC) proceedings/ One Time Settlement (OTS)/ Restructuring.

(ii) **During the previous year:**

(a) Pursuant to the restructuring in respect of Essar Power Transmission Corporation Ltd, the company has been allotted 22,85,25,079 no. of optionally convertible debentures (3%) Series- A, 10,06,12,911 no. of optionally convertible debentures (3%) Series- B and 1,86,35,162 no. of optionally convertible debentures (0%) Series- C.

(b) Pursuant to the One Time Settlement arrangement executed on 21st September 2020 in respect of Facor Power Ltd, the Company has been allotted 2,52,91,783 no. of zero coupon non-convertible debentures of Ferro Alloys Corporation Limited.

(c) Pursuant to the restructuring in respect of R.K.M PowerGen Private Ltd, the company has been allotted 21,38,03,170 no. of optionally convertible debentures (0.01%) Series- A, 63,03,032 no. of optionally convertible debentures (0.01%) Series- B and 1,04,74,150 no. of optionally convertible debentures (0.01%) Series- Ai.

Refer note 10.3 for further details.

11.5 The Company has elected an irrevocable option to designate some of the equity instruments at FVOCI (Fair Value through Other Comprehensive Income). The Company's main operation is to provide financial assistance to power sector. Thus, in order to isolate Standalone Statement of Profit & Loss from price fluctuations of these instruments, management believes that this provides a more meaningful presentation, rather than classifying them at FVTPL (Fair Value through Profit & Loss).

Details of FVOCI investments derecognised during the year

(₹ in Crores)

Name of the company	FY 2021-22			FY 2020-21		
	No. of shares derecognised	Fair Value as on de-recognition	Cumulative Gain/ (loss) on de-recognition	No. of shares derecognised	Fair Value as on de-recognition	Cumulative Gain/ (loss) on de-recognition
NHPC Limited*	15,64,59,022	430.62	89.86			
Small is Beautiful**	61,52,200	0.55	(5.60)	-	-	-
India Energy Exchange Limited	-	-	-	1,22,71,211	249.92	248.69

* During the year, the Company has sold 15,64,59,022 equity shares of NHPC Limited considering the market scenerio for a consideration of ₹ 430.62 crores through stock exchange. The shares have thus been derecognised and the cumulative gain (net of tax) on such sale has been transferred from other comprehensive income to retained earnings.

** During the year, the Company has derecogniesd 61,52,200 units of 'Small is Beautiful' Venure Capital Fund, consequent to full and final settlement upon liquidation of the fund. As a result, the Company has written off an amount of ₹ 5.60 crores after appropriating cash recoveries of ₹ 0.55 crores

12 Other financial assets

The Company has categorised all the components under 'Other Financial Assets' at Amortised Cost in accordance with the requirements of Ind AS 109.

(₹ in Crores)

Particulars		As at 31.03.2022	As at 31.03.2021
(A)	Loans to Employees (Refer Note No. 12.1)	41.95	39.94
(B)	Advances to Employees	0.27	0.41
(C)	Loans & Advances to Subsidiaries	(0.72)	-
(D)	Security Deposits	1.67	1.45
(E)	Recoverable from Govt. of India	-	
	Towards GoI Fully Serviced Bonds (Refer Note No. 23.5)	24,318.29	24,314.48

Consolidated Notes to Accounts

(₹ in Crores)

Particulars		As at 31.03.2022	As at 31.03.2021
(F)	**Other amounts recoverable**	145.02	152.13
	Less: Impairment Loss allowance (Refer Note No. 12.2)	(91.17)	(88.53)
	Other Amounts Recoverable (Net)	**53.85**	**63.60**
	Total (A to F)	**24,415.31**	**24,419.88**

12.1 Details of Loans to Employees

The Company has extended loans to employees with specified terms and repayment schedule, categorised at Amortised Cost in accordance with the requirements of Ind AS 109.

(₹ in Crores)

Particulars		As at 31.03.2022	As at 31.03.2021
(A)	**Secured Loans**		
	- To employees Other than Key Managerial Personnel	12.64	7.39
	Sub-total (A)	**12.64**	**7.39**
(B)	**Unsecured Loans**		
	- To Key Managerial Personnel	0.18	0.28
	- To Others	29.13	32.27
	Sub-total (B)	**29.31**	**32.55**
	Total (A+B)	**41.95**	**39.94**

The figures above include interest accrued on such loans amounting to ₹ 8.45 crores (Previous year ₹ 8.16 crores).

12.2 Movement of impairment loss allowance on other financial assets

(₹ in Crores)

Particulars	Year ended 31.03.2022	Year ended 31.03.2021
Opening balance	**88.53**	**30.85**
Add: Created during the year	10.23	64.35
Less: Reversed/ Adjusted during the year	(7.59)	(6.67)
Closing balance	**91.17**	**88.53**

13 Current tax assets (net)

(₹ in Crores)

Particulars	As at 31.03.2022	As at 31.03.2021
Advance Income-tax & TDS	3,296.66	236.26
Less: Provision for Income Tax	(3,110.11)	(72.35)
Sub-Total (1)	**186.55**	**163.91**
Tax Deposited on income tax demands under contest	5.26	5.26
Provision for income tax for demand under contest	(0.25)	(0.25)
Sub-Total (2)	**5.01**	**5.01**
Current tax assets (Net)	**191.56**	**168.92**

14 Deferred tax assets (net)

(₹ in Crores)

Particulars	As at 31.03.2022	As at 31.03.2021
Deferred Tax Assets (Net)	3,160.12	2,461.03

14.1 Significant components of net deferred tax assets and liabilities for the year ended 31st March 2022 are as follows

(₹ in Crores)

Particulars	Opening balance	Recognised in Profit or Loss	Recognised in OCI	Others	Closing balance
Deferred Tax Assets					
Expected Credit Loss	2,765.16	716.14	-	-	3,481.30
Provision for Earned Leave	4.71	1.92	-	-	6.63
Provision for Medical Leave	5.26	0.15	-	-	5.41
Provision for Other Expenses	0.72	0.50	-	-	1.22
Fair Valuation of Invetments	3.57	2.29	2.55	-	8.41
Fair Valuation of Derivatives	27.81	11.16	26.09	-	65.07
Right of Use asset (Net of lease liability)	-	-	-	-	-

Consolidated Notes to Accounts

Particulars	Opening balance	Recognised in Profit or Loss	Recognised in OCI	Others	Closing balance
Total Deferred Tax Assets	**2,807.23**	**732.16**	**28.64**	**-**	**3,568.04**
Deferred Tax Liabilities					
Due to different tax base of Property, Plant & Equipment	1.61	10.85	-	-	12.46
Unamortised Foreign Currency Exchange Fluctuations	153.26	(2.21)	-	-	151.05
Financial assets and liabilities measured at amortised cost	191.33	24.90	-	-	216.24
Fair valuation of Debt Securities	-	28.17	-	-	28.17
Total Deferred Tax Liabilities	**346.20**	**61.71**	**-**	**-**	**407.92**
Total Deferred Tax Assets (Net)	**2,461.03**	**670.45**	**28.64**	**-**	**3,160.12**

Significant components of net deferred tax assets and liabilities for the year ended 31st March 2021 are as follows

(₹ in Crores)

Particulars	Opening balance	Recognised in Profit or Loss	Recognised in OCI	Others	Closing balance
Deferred Tax Assets					
Expected Credit Loss	2,291.73	473.43	-	-	2,765.16
Provision for Earned Leave	4.13	0.58	-	-	4.71
Provision for Medical Leave	5.51	(0.25)	-	-	5.26
Fair Valuation of Investments	10.00	(0.42)	(6.01)	-	3.57
Provision for Other Expenses	-	0.72	-	-	0.72
Fair Valuation of Derivatives	439.65	(308.70)	(103.14)	-	27.81
Right of Use asset (Net of lease liability)	0.04	(0.04)	-	-	-
Total Deferred Tax Assets	**2,751.06**	**165.32**	**(109.15)**	**-**	**2,807.23**
Deferred Tax Liabilities					
Due to different tax base of Property, Plant & Equipment	1.52	0.09	-	-	1.61
Unamortised Foreign Currency Exchange Fluctuations	448.95	(295.69)	-	-	153.26
Financial assets and liabilities measured at amortised cost	237.45	(46.13)	-	-	191.33
Others	12.57	(12.57)	-	-	-
Total Deferred Tax Liabilities	**700.49**	**(354.30)**	**-**	**-**	**346.20**
Total Deferred Tax Assets (Net)	**2,050.57**	**519.61**	**(109.15)**	**-**	**2,461.03**

15 Investment Property

Particulars	Opening Balance	Additions during the year	Sales/ adjustment during the year	Closing Balance
As at 31.03.2022	0.01	-	0.01	-
As at 31.03.2021	0.01	-	-	0.01

15.1 The company had classified the land held for undeterminable future use as investment property and didn't earn any rental income on it. The same has been sold during the year.

15.2 Fair value of investment property:

(₹ in Crores)

Particulars	As at 31.03.2022	As at 31.03.2021
Carrying Value	-	0.01
Fair Value	-	0.90

The Company obtains independent valuations for its investment properties at least annually. The fair values of investment property is determined by an independent registered valuer and the main inputs used are circle rates and current prices of similar properties. All resulting fair value estimates for investment property are included in Level 3.

Consolidated Notes to Accounts

16 Property, Plant & Equipment and Intangible Assets

(₹ in Crores)

Particulars	Property, Plant & Equipment				
	Freehold Land	Right-of-Use Land	Buildings	Plant & equipment	Furniture & Fixtures
Gross carrying value					
As at 31.03.2020	**110.39**	**1.59**	**31.74**	**-**	**11.99**
Additions	-	-	98.66	-	9.65
Borrowings Cost Capitalised	-	-	-	-	-
Disposals	-	-	-	-	0.75
As at 31.03.2021	**110.39**	**1.59**	**130.40**	**-**	**20.89**
Additions	-	-	303.73	19.90	47.55
Borrowings Cost Capitalised	-	-	-	-	-
Disposals/ Adjustments	-	-	3.30	-	0.69
As at 31.03.2022	**110.39**	**1.59**	**430.83**	**19.90**	**67.75**
Accumulated depreciation/ amortisation					
As at 31.03.2020	**-**	**0.32**	**9.06**	**-**	**6.91**
Charge for the year	-	0.03	0.75	-	0.99
Adjustment for disposals	-	-	-	-	0.22
As at 31.03.2021	**-**	**0.35**	**9.81**	**-**	**7.68**
Charge for the year	-	0.02	4.96	0.95	3.67
Adjustment for disposals	-	-	1.26	-	0.41
As at 31.03.2022	**-**	**0.37**	**13.51**	**0.95**	**10.94**
Net block as at 31.03.2021	**110.39**	**1.24**	**120.59**	**-**	**13.21**
Net block as at 31.03.2022	**110.39**	**1.22**	**417.32**	**18.95**	**56.81**

16.1 The formalities regarding registration of title deed in respect of an immovable property acquired by the Company is yet to be executed. The details are as below:

(a) As at 31st March 2022

(₹ in Crores)

Description of Property, Plant & Equipment	Gross Carrying Value	Net Carrying Value	Title deed held in the name of
Building - Office at Core 4, SCOPE Complex, New Delhi - 110003	4.59	2.01	Land & Development officer under Ministry of Urban Development, New Delhi

(b) As at 31st March 2021

(₹ in Crores)

Description of Property, Plant & Equipment	Gross Carrying Value	Net Carrying Value	Title deed held in the name of
Building - Office at Core 4, SCOPE Complex, New Delhi - 110003	4.59	2.07	Land & Development officer under Ministry of Urban Development, New Delhi

Consolidated Notes to Accounts

(₹ in Crores)

				Capital Work-in-Progress	Intangible Assets under Development	Other Intangible Assets
EDP Equipments	**Office Equipments**	**Vehicles**	**Total**	**Immovable Property**	**Computer Software**	**Computer Software**
22.94	**20.98**	**0.40**	**200.03**	**287.62**	**0.77**	**13.74**
4.80	5.12	-	118.23	131.70	-	0.07
-	-	-	-	22.04	-	-
3.41	8.24	-	12.40	105.69	-	0.01
24.33	**17.86**	**0.40**	**305.86**	**335.67**	**0.77**	**13.80**
3.34	7.16	-	381.68	32.35	-	1.02
-	-	-	-	5.10	-	-
0.96	0.87	-	5.82	367.05	0.77	0.01
26.71	**24.15**	**0.40**	**681.72**	**6.07**	**-**	**14.81**
16.56	**12.91**	**0.32**	**46.08**	**-**	**-**	**4.92**
2.93	2.50	0.02	7.22	-	-	2.74
2.72	5.20	-	8.14	-	-	0.01
16.77	**10.21**	**0.34**	**45.16**	**-**	**-**	**7.65**
3.20	2.52	0.03	15.35	-	-	2.89
0.75	0.41	-	2.83	-	-	0.01
19.22	**12.32**	**0.37**	**57.68**	**-**	**-**	**10.53**
7.56	**7.65**	**0.06**	**260.70**	**335.67**	**0.77**	**6.15**
7.49	**11.83**	**0.03**	**624.04**	**6.07**	**-**	**4.28**

(₹ in Crores)

Whether title deed holder is a promoter, director or relative of promoter/ director or employee of promoter/ director	Property held since	Reason for not being held in the name of the company
No	1990	Pending formalities from Land & Development Officer, office flat allotted to the company at the SCOPE a central government Complex has not been registered in the name of the Company.

(₹ in Crores)

Whether title deed holder is a promoter, director or relative of promoter/ director or employee of promoter/ director	Property held since	Reason for not being held in the name of the company
No	1990	Pending formalities from Land & Development Officer, office flat allotted to the company at the SCOPE a central government Complex has not been registered in the name of the Company.

Consolidated Notes to Accounts

16.2 As on 31st March 2022, certain Property, Plant & Equipment has been pledged as security against secured borrowings of the Company as per the details below:

(₹ in Crores)

Particulars	As at 31st March 2022	As at 31st March 2021
Gross Carrying Value	3.30	3.30
Net Carrying Value	2.27	2.31

16.3 Capital Work in Progress (CWIP)

(a) CWIP ageing schedule

(₹ in Crores)

Particulars	As at 31st March 2022					As at 31st March 2021				
	Amount in CWIP for a period of				Total	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years		Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in Progress	6.07	-	-	-	6.07	153.75	90.67	69.71	21.54	335.67

There are no capital work in progress as on the reporting year where activity has been suspended.

(b) CWIP completion schedule

(₹ in Crores)

Particulars	As at 31st March 2022					As at 31st March 2021				
	Amount in CWIP for a period of				Total	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years		Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in Progress	-	-	-	-	**-**	-	-	-	-	**-**
- Project-1	6.07	-	-	-	**6.07**	329.60	6.07	-	-	**335.67**

16.4 Intangible assets under development

(a) Intangible assets under development ageing schedule

(₹ in Crores)

Particulars	As at 31st March 2022					As at 31st March 2021				
	Amount in CWIP for a period of				Total	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years		Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in Progress	-	-	-	-	**-**	-	0.12	-	0.65	**0.77**

There are no intangible assets under development as on the reporting year where activity has been suspended or which have exceeded cost as compared to its original plan or where completion is overdue.

16.5 In the opinion of management, there are no events or changes in circumstances that indicate the impairment of PPE and Intangible Assets in terms of Ind AS 36 'Impairment of Assets'. Accordingly, no provision for impairment has been made.

16.6 While the Company has not made any specific borrowings for construction of a qualifying asset, the Company has capitalised certain borrowing costs on account of general borrowings at an average rate of borrowings of 7.94% (previous year 8%) for the Company in terms of Ind AS 23 'Borrowing Costs'.

16.7 Disclosure in respect of Intangible Assets as required under Ind-AS 38 "Intangible Assets"

Amortisation Rate 20% (100% in case the total cost of the asset is ₹ 5,000 or less)

Consolidated Notes to Accounts

17 Other non-financial assets

(₹ in Crores)

	Particulars	As at 31.03.2022	As at 31.03.2021
	Unsecured, considered good		
(A)	Capital Advances	8.19	8.84
(B)	Other Advances	3.56	3.34
(C)	Balances with Govt. Authorities	42.20	68.06
(D)	Pre-Spent Corporate Social Responsibility (CSR) Expenses	0.48	4.03
(E)	Prepaid Expenses	3.12	4.29
(F)	Deferred Employee Cost	11.11	14.09
(G)	Other Assets	0.02	0.02
	Total (A to G)	**68.68**	**102.67**

18 Assets classified as held for sale

(₹ in Crores)

	Particulars	As at 31.03.2022	As at 31.03.2021
(A)	**Disposal Group**		
	(i) Investment in associates	0.40	0.60
	(ii) Loans to associates	12.83	13.45
	(iii) Provision for impairment on assets classified as held for sale	(9.71)	-
	Sub-Total (i+ii+iii)	**3.52**	**14.05**
(B)	**Assets Classified as Held for Sale-Building**	0.86	0.00
	Total (B)	**0.86**	**0.00**
	Grand Total (A+B)	**4.38**	**14.05**
	Liabilities directly associated with assets classified as held for sale		
(C)	**Payable to associates**	0.01	0.08
	Total (C)	**0.01**	**0.08**
	Net Assets held for sale (A+B-C)	**4.37**	**13.97**

18.1 Investments in associates

(₹ in Crores)

Particulars	As at 31.03.2022	As at 31.03.2021
Investments in Equity Instruments of associates (fully paid up)		
equity shares of ₹ 10/- each		
Chandil Transmission Limited	0.05	0.05
Dumka Transmission Limited	0.05	0.05
Koderma Transmission Limited	0.05	0.05
Mandar Transmission Limited	0.05	0.05
Bidar Transmission Limited	0.05	0.05
Fatehgarh Badla Transco Limited	-	0.05
Gadag Transmission Limited	-	0.05
Kallam Transmission Limited	-	0.05
MP Power Transmission Package I Limited	0.05	0.05
MP Power Transmission Package II Limited	-	0.05
Rajgarh Transmission Limited	0.05	0.05
Ramgarh New Transmission Ltd	-	-
Sikar Transmission Limited	-	0.05
ER NER Transmission Limited	0.05	
Total	**0.40**	**0.60**

Consolidated Notes to Accounts

18.2 Loans to Associates

(₹ in Crores)

Particulars	As at 31.03.2022	As at 31.03.2021
Chandil Transmission Limited	2.54	2.53
Dumka Transmission Limited	2.48	2.47
Mandar Transmission Limited	2.22	2.21
Koderma Transmission Limited	2.28	2.27
MP Power Transmission Package I Limited	1.99	1.07
Rajgarh Transmission Limited	0.28	-
ER NER Transmission Limited	0.28	-
Receivable from SPV-Yet to Incorporate	0.76	-
Fatehgarh Bhadla Transco Limited	-	0.91
Kallam Transmission Limited	-	0.11
MP Power Transmission Package II Limited	-	1.09
Sikar New Transmission Limited	-	0.77
Gadag Transmission Limited	-	0.02
Total	**12.83**	**13.45**

18.3 Liabilities directly associated with assests classified as held for sale

(₹ in Crores)

Particulars	As at 31.03.2022	As at 31.03.2021
Bidar Transmission Limited	0.01	0.03
Rajgarh Transmission Limited	-	0.05
Total	**0.01**	**0.08**

18.4 Provision for impairment on assets classified as held for sale

(₹ in Crores)

Particulars	As at 31.03.2022	As at 31.03.2021
Chandil Transmission Limited	2.59	-
Dumka Transmission Limited	2.53	-
Mandar Transmission Limited	2.27	-
Koderma Transmission Limited	2.33	-
Total	**9.71**	**-**

18.5 Jharkhand Urja Sancharan Nigam Limited (JUSNL) has cancelled RFQ and RFP of transmission projects in State of Jharkhand. These projects have been kept in abeyance w.e.f. 01.10.2020. RECPDCL vide letters dated 14.10.2020, 06.11.2020 and 28.07.2021 has communicated JUSNL regarding recovery of expenses incurred on these SPVs. However, no communication has been received from JUSNL in this regard. As the bidding process of these SPVs has been cancelled and there is less probability of recovery of expenses already incurred, hence as an accounting prudence provision for impairment loss of approx. ₹9.71 crore has been created.

18.6 Management had incorporated these entities with a view to sell them off as per the guidelines of Ministry of Power, through the bid process prescribed by Ministry of Power. There is no possibility that management will have benefits from these entities other than selling them off, hence all these investments (along with the related assets and liabilities) has been classified as 'held for sale'.

With a view to monetise its idle assets, during the year the Company has disposed certain residential building units through e-auction process, with carrying value ₹1.18 crores (previous year Nil), classified under "Assets classified as held for sale" as required under Ind-AS 105. Such sale has resulted in gain of ₹30.19 crores during the current year (previous year Nil) (refer note 35).

18.7 Further, residential building units with carrying value ₹0.86 crores (previous year Nil) classified under "Assets classified as held for sale" are pending for disposal as at 31st March 2022. The process for their disposal is expected to be completed during the year 2022-23 through e-auction process.

Consolidated Notes to Accounts

19 Trade Payables

(₹ in Crores)

Particulars	As at 31.03.2022	As at 31.03.2021
Trade Payables		
Total outstanding dues of MSMEs	-	0.01
Total outstanding dues of creditors other than MSMEs	36.48	61.84
Total	**36.48**	**61.85**

19.1 Trade Payables ageing schedule

(₹ in Crores)

Particulars	Outstanding as at 31st March 2022				
	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) MSME					
- Disputed	-	-	-	-	-
- Others	-	-	-	-	-
Sub-total (i)	**-**	**-**	**-**	**-**	**-**
(i) Other than MSME					
- Disputed	-	-	-	-	-
- Others	15.02	8.38	11.30	1.78	36.48
Sub-total (ii)	**15.02**	**8.38**	**11.30**	**1.78**	**36.48**
Total (i+ii)	**15.02**	**8.38**	**11.30**	**1.78**	**36.48**

(₹ in Crores)

Particulars	Outstanding as at 31st March 2021				
	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) MSME					
- Disputed	-	-	-	-	-
- Others	0.01	-	-	-	0.01
Sub-total (i)	**0.01**	**-**	**-**	**-**	**0.01**
(i) Other than MSME					
- Disputed	-	-	-	-	-
- Others	35.39	14.34	10.33	1.77	61.84
Sub-total (ii)	**35.39**	**14.34**	**10.33**	**1.77**	**61.84**
Total (i+ii)	**35.40**	**14.34**	**10.33**	**1.77**	**61.85**

20 Debt Securities

The Company has categorised all debt securities at amortised cost in accordance with the requirements of Ind AS 109.

(₹ in Crores)

Particulars	As at 31.03.2022		As at 31.03.2021	
	Face Value	Amortised Cost	Face Value	Amortised Cost
(A) Secured Long-Term Debt Securities				
(i) Institutional Bonds	1,955.00	2,065.31	3,470.00	3,679.52
(ii) 54EC Capital Gain Tax Exemption Bonds	24,146.13	25,025.49	17,264.97	17,901.65
(iii) Tax Free Bonds	11,763.30	12,158.86	12,602.97	13,044.23
(iv) Bond Application Money	1,291.54	1,291.13	856.62	854.71
Sub-total (A)	**39,155.97**	**40,540.79**	**34,194.56**	**35,480.11**

Consolidated Notes to Accounts

(₹ in Crores)

Particulars		As at 31.03.2022		As at 31.03.2021	
		Face Value	Amortised Cost	Face Value	Amortised Cost
(B)	**Unsecured Long-Term Debt Securities**				
(i)	Institutional Bonds	1,44,074.60	1,48,998.67	1,69,856.60	1,75,707.24
(ii)	Infrastructure Bonds	3.96	8.00	11.07	21.36
(iii)	Foreign Currency Bonds	30,322.85	30,027.15	26,461.71	26,060.40
	Sub-total (B)	**1,74,401.41**	**1,79,033.82**	**1,96,329.38**	**2,01,789.00**
	Total - Debt Securities (A+B)	**2,13,557.38**	**2,19,574.61**	**2,30,523.94**	**2,37,269.11**
	Debt Securities issued in/ outside India				
(i)	Debt Securities in India	1,83,234.53	1,89,547.46	2,02,547.23	2,11,208.71
(ii)	Debt Securities outside India	30,322.85	30,027.15	26,461.71	26,060.40
	Total - Debt Securities	**2,13,557.38**	**2,19,574.61**	**2,30,523.94**	**2,37,269.11**

Refer Note No. 22.2 for reconciliation between the figure represented in Face Value and Amortised Cost

20.1 Details of Secured Long-Term Debt Securities - Refer Note 21.5 for details of the security

(i) Institutional Bonds

(₹ in Crores)

Particulars	As at 31.03.2022		As at 31.03.2021	
	Face Value	Amortised Cost	Face Value	Amortised Cost
123-I Series - 9.40% Redeemable at par on 17.07.2021	-	-	1,515.00	1,615.61
123-IIIB Series - 9.34% Redeemable at par on 23.08.2024	1,955.00	2,065.31	1,955.00	2,063.91
Total - Institutional Bonds	**1,955.00**	**2,065.31**	**3,470.00**	**3,679.52**

(ii) 54EC Capital Gain Tax Exemption Bonds

(₹ in Crores)

Particulars	As at 31.03.2022		As at 31.03.2021	
	Face Value	Amortised Cost	Face Value	Amortised Cost
Series XII (2018-19) - 5.75% Redeemable at par during financial year 2023-24	6,651.77	6,937.05	6,651.77	6,935.40
Series XIII (2019-20) - 5.75% Redeemable at par during financial year 2024-25	6,157.72	6,417.26	6,157.72	6,415.55
Series XIV (2020-21) - 5.75% and 5% Redeemable at par during financial year 2025-26	5,312.07	5,510.93	4,455.48	4,550.70
Series XV (2021-22) - 5% Redeemable at par during financial year 2026-27	6,024.57	6,160.25	-	-
Total - 54EC Capital Gain Tax Exemption Bonds	**24,146.13**	**25,025.49**	**17,264.97**	**17,901.65**

(iii) Tax Free Bonds

(₹ in Crores)

Particulars	As at 31.03.2022		As at 31.03.2021	
	Face Value	Amortised Cost	Face Value	Amortised Cost
Series 2011-12	2,160.33	2,287.99	3,000.00	3,176.71
Redeemable at par. Bonds amounting to ₹ 839.67 crores are redeemable on 28.03.2022 and bonds amounting to ₹ 2,160.33 crores are redeemable on 29.03.2027 with interest rates varying from 7.93% to 8.32% payable annually				

Consolidated Notes to Accounts

(₹ in Crores)

Particulars	As at 31.03.2022		As at 31.03.2021	
	Face Value	Amortised Cost	Face Value	Amortised Cost
Series 2012-13 Series 2A & 2B	500.00	512.60	500.00	531.26
Redeemable at par. Bonds amounting to ₹ 255.00 crores are redeemable on 21.11.2022 and bonds amounting to ₹ 245.00 crores are redeemable on 22.11.2027 with interest rates of 7.21% and 7.38% respectively payable annually				
Series 2012-13 Tranche 1	2,007.35	2,055.08	2,007.35	2,030.86
Redeemable at par. Bonds amounting to ₹ 1,165.31 crores are redeemable on 19.12.2022 and bonds amounting to ₹ 852.04 crores are redeemable on 20.12.2027 with interest rates varying from 7.22% to 7.88% payable annually				
Series 2012-13 Tranche 2	131.06	134.06	131.06	138.66
Redeemable at par. Bonds amounting to ₹ 81.35 crores are redeemable on 27.03.2023 and bonds amounting to ₹ 49.71 crores are redeemable on 27.03.2028 with interest rates varying from 6.88% to 7.54% payable annually				
Series 2013-14 Series 3A & 3B	1,350.00	1,413.35	1,350.00	1,358.55
Redeemable at par. Bonds amounting to ₹ 209.00 crores are redeemable on 29.08.2023 and ₹ 1,141.00 crores are redeemable on 29.08.2028 with interest rates varying from 8.01% to 8.46% payable annually				
Series 2013-14 Tranche 1	3,410.60	3,497.89	3,410.60	3,499.86
Redeemable at par. Bonds amounting to ₹ 575.06 crores are redeemable on 25.09.2023, ₹ 2,810.26 crores are redeemable on 25.09.2028 and ₹ 55.28 crores are redeemable on 26.09.2033 with interest rates varying from 8.01% to 8.71% payable annually				
Series 2013-14 Series 4A & 4B	150.00	155.48	150.00	161.92
Redeemable at par. Bonds amounting to ₹ 105.00 crores are redeemable on 11.10.2023 and ₹ 45.00 crores are redeemable on 11.10.2028 with interest rates varying from 8.18% to 8.54% payable annually				
Series 2013-14 Tranche 2	1,057.40	1,084.77	1,057.40	1,128.99
Redeemable at par. Bonds amounting to ₹ 419.32 crores are redeemable on 22.03.2024, ₹ 530.42 crores are redeemable on 23.03.2029 and ₹ 109.66 crores are redeemable on 24.03.2034 with interest rates varying from 8.19% to 8.88% payable annually				
Series 2015-16 Series 5A	300.00	306.33	300.00	317.75
7.17% Redeemable at par on 23.07.2025				
Series 2015-16 Tranche 1	696.56	711.30	696.56	699.67
Redeemable at par. Bonds amounting to ₹ 105.93 crores are redeemable on 05.11.2025, ₹ 172.90 crores are redeemable on 05.11.2030 and ₹ 421.17 crores are redeemable on 05.11.2035 with interest rates varying from 6.89% to 7.43% payable annually				
Total - Tax Free Bonds	**11,763.30**	**12,158.86**	**12,602.97**	**13,044.23**

Consolidated Notes to Accounts

(iv) Bond Application Money

(₹ in Crores)

Particulars	As at 31.03.2022		As at 31.03.2021	
	Face Value	Amortised Cost	Face Value	Amortised Cost
54EC Capital Gain Tax Exemption Bonds	1,291.54	1,291.13	856.62	854.71
5% Redeemable at par after 5 years from the deemed date of allotment				
Total - Bond Application Money	**1,291.54**	**1,291.13**	**856.62**	**854.71**

20.2 Details of Unsecured Long-Term Debt Securities

(i) Institutional Bonds

(₹ in Crores)

Particulars	As at 31.03.2022		As at 31.03.2021	
	Face Value	Amortised Cost	Face Value	Amortised Cost
157th Series - 7.60% Redeemable at par on 17.04.2021	-	-	1,055.00	1,131.66
154th Series - 7.18% Redeemable at par on 21.05.2021	-	-	600.00	637.16
161B Series - 7.73% Redeemable at par on 15.06.2021	-	-	800.00	849.11
174th Series - 8.15% Redeemable at par on 18.06.2021	-	-	2,720.00	2,894.23
100th Series - 9.63% Redeemable at par on 15.07.2021	-	-	1,500.00	1,602.90
101-III Series - 9.48% Redeemable at par on 10.08.2021	-	-	3,171.80	3,364.42
184-B Series STRPP-B - 7.55% Redeemable at par on 26.09.2021**	-	-	300.00	311.58
139th Series - 7.24% Redeemable at par on 21.10.2021	-	-	2,500.00	2,575.17
105th Series - 9.75% Redeemable at par on 11.11.2021	-	-	3,922.20	4,069.73
127th Series - 8.44% Redeemable at par on 04.12.2021	-	-	1,550.00	1,664.92
141st Series - 7.14% Redeemable at par on 09.12.2021	-	-	1,020.00	1,038.03
177th Series - 8.50% Redeemable at par on 20.12.2021	-	-	1,245.00	1,274.16
190B Series - 6.32% Redeemable at par on 31.12.2021	-	-	2,489.40	2,502.64
193th Series - 6.99% Redeemable at par on 31.12.2021	-	-	1,115.00	1,121.46
165th Series - 8.83% Redeemable at par on 21.01.2022	-	-	2,171.00	2,207.16
145th Series - 7.46% Redeemable at par on 28.02.2022	-	-	625.00	628.85
132nd Series - 8.27% Redeemable at par on 09.03.2022	-	-	700.00	750.81
173th Series - 8.35% Redeemable at par on 11.03.2022	-	-	2,500.00	2,509.41
198A Series - 6.60% Redeemable at par on 21.03.2022	-	-	2,596.00	2,600.39
167th Series - 8.45% Redeemable at par on 22.03.2022	-	-	2,571.80	2,577.65
179th Series - 8.15% Redeemable at par on 10.06.2022	1,000.00	1,065.84	1,000.00	1,065.70
107th Series - 9.35% Redeemable at par on 15.06.2022	2,378.20	2,554.82	2,378.20	2,554.56
186A Series - 6.90% Redeemable at par on 30.06.2022	2,500.00	2,629.90	2,500.00	2,629.63
150th Series - 7.03% Redeemable at par on 07.09.2022	2,670.00	2,775.76	2,670.00	2,775.38
184-B Series STRPP-C - 7.55% Redeemable at par on 26.09.2022**	300.00	311.59	300.00	311.56
152nd Series - 7.09% Redeemable at par on 17.10.2022	1,225.00	1,264.38	1,225.00	1,264.18
111-II Series - 9.02% Redeemable at par on 19.11.2022	2,211.20	2,283.72	2,211.20	2,283.50
155th Series - 7.45% Redeemable at par on 30.11.2022	1,912.00	1,959.41	1,912.00	1,958.74
185th Series - 7.09% Redeemable at par on 13.12.2022	2,759.00	2,817.14	2,759.00	2,816.25
187th Series - 7.24% Redeemable at par on 31.12.2022	2,090.00	2,127.51	2,090.00	2,127.24
159th Series - 7.99% Redeemable at par on 23.02.2023	950.00	957.53	950.00	957.57
188A Series - 7.12% Redeemable at par on 31.03.2023	1,400.00	1,400.22	1,400.00	1,400.17
114th Series - 8.82% Redeemable at par on 12.04.2023	4,300.00	4,667.36	4,300.00	4,666.94

Consolidated Notes to Accounts

(₹ in Crores)

Particulars	As at 31.03.2022		As at 31.03.2021	
	Face Value	Amortised Cost	Face Value	Amortised Cost
195th Series - 6.92% Redeemable at par on 22.04.2023	2,985.00	3,179.43	2,985.00	3,179.21
191A Series - 6.80% Redeemable at par on 30.06.2023	1,100.00	1,106.39	1,100.00	1,106.06
200th Series PP-MLD - 5.36% Redeemable at par on 30.06.2023*	500.00	546.01	500.00	518.94
184-B Series STRPP-D - 7.55% Redeemable at par on 26.09.2023**	298.00	309.49	298.00	309.46
202B Series - 5.69% Redeemable at par on 30.09.2023	2,474.00	2,544.12	2,474.00	2,556.56
205-A Series - 4.99 % Redeemable at par on 31.01.2024	2,135.00	2,151.79	2,135.00	2,157.04
209th Series - 5.79 % Redeemable at par on 20.03.2024	1,550.00	1,552.38	1,550.00	1,552.62
210th Series - 5.74 % Redeemable at par on 20.06.2024	4,000.00	4,215.56	-	-
180-A Series - 8.10% Redeemable at par on 25.06.2024	1,018.00	1,075.09	1,018.00	1,072.68
191B Series - 6.99% Redeemable at par on 30.09.2024	1,100.00	1,106.48	1,100.00	1,106.18
212th Series - Floating (linked to T-Bill) Redeemable at par on 31.10.2024	2,500.00	2,538.84	-	-
186B Series - 7.40% Redeemable at par on 26.11.2024	1,500.00	1,537.91	1,500.00	1,537.78
128th Series - 8.57% Redeemable at par on 21.12.2024	2,250.00	2,418.88	2,250.00	2,418.67
129th Series - 8.23% Redeemable at par on 23.01.2025	1,925.00	2,063.71	1,925.00	2,063.52
130th Series - 8.27% Redeemable at par on 06.02.2025	2,325.00	2,493.36	2,325.00	2,493.14
131st Series - 8.35% Redeemable at par on 21.02.2025	2,285.00	2,304.25	2,285.00	2,304.22
190A Series - 6.88% Redeemable at par on 20.03.2025	2,500.00	2,514.48	2,500.00	2,513.83
201A Series - 5.90% Redeemable at par on 31.03.2025	900.00	935.39	900.00	935.50
133rd Series - 8.30% Redeemable at par on 10.04.2025	2,396.00	2,453.50	2,396.00	2,453.28
94th Series - 8.75% Redeemable at par on 09.06.2025	1,250.00	1,339.00	1,250.00	1,339.00
95-II Series - 8.75% Redeemable at par on 14.07.2025	1,800.00	1,913.49	1,800.00	1,913.49
136th Series - 8.11% Redeemable at par on 07.10.2025	2,585.00	2,670.75	2,585.00	2,671.10
203B Series - 5.85% Redeemable at par on 20.12.2025	2,777.00	2,821.01	2,777.00	2,844.16
204B Series - 5.81% Redeemable at par on 31.12.2025	2,082.00	2,111.47	2,082.00	2,116.78
205-B Series - 5.94 % Redeemable at par on 31.01.2026	2,000.00	2,018.82	2,000.00	2,024.68
211th Series - 6.23% Redeemable at par on 31.10.2031 with Put/ Call option exercisable on 31.10.2026	1,200.00	1,232.57	-	-
140th Series - 7.52% Redeemable at par on 07.11.2026	2,100.00	2,152.19	2,100.00	2,151.65
142nd Series - 7.54% Redeemable at par on 30.12.2026	3,000.00	3,066.06	3,000.00	3,055.87
147th Series - 7.95% Redeemable at par on 12.03.2027	2,745.00	2,750.60	2,745.00	2,745.44
156th Series - 7.70% Redeemable at par on 10.12.2027	3,533.00	3,614.30	3,533.00	3,612.72
162nd Series - 8.55% Redeemable at par on 09.08.2028	2,500.00	2,637.39	2,500.00	2,637.36
163rd Series - 8.63% Redeemable at par on 25.08.2028	2,500.00	2,628.01	2,500.00	2,627.99
168th Series - 8.56% Redeemable at par on 29.11.2028	2,552.40	2,625.69	2,552.40	2,624.45
169th Series - 8.37% Redeemable at par on 07.12.2028	2,554.00	2,620.97	2,554.00	2,621.52
176th Series - 8.85% Redeemable at par on 16.04.2029	1,600.70	1,735.73	1,600.70	1,735.65
178th Series - 8.80% Redeemable at par on 14.05.2029	1,097.00	1,169.96	1,097.00	1,168.79
180-B Series - 8.30% Redeemable at par on 25.06.2029	2,070.90	2,169.56	2,070.90	2,166.39
184-A Series - 8.25% Partly Paid Debentures Redeemable at par on 26.09.2029	870.60	907.18	580.40	604.76
192nd Series - 7.50% Redeemable at par on 28.02.2030	2,382.00	2,396.36	2,382.00	2,395.75
188B Series - 7.89% Redeemable at par on 31.03.2030	1,100.00	1,100.09	1,100.00	1,100.08
189th Series - 7.92% Redeemable at par on 31.03.2030	3,054.90	3,054.91	3,054.90	3,054.85
197th Series - 7.55% Redeemable at par on 11.05.2030	3,740.00	3,989.89	3,740.00	3,989.76
198B Series - 7.79% Redeemable at par on 21.05.2030	1,569.00	1,673.76	1,569.00	1,673.70

Consolidated Notes to Accounts

(₹ in Crores)

Particulars	As at 31.03.2022		As at 31.03.2021	
	Face Value	Amortised Cost	Face Value	Amortised Cost
202A Series - 7.25% Redeemable at par on 30.09.2030	3,500.00	3,627.03	3,500.00	3,649.96
203A Series - 6.80% Redeemable at par on 20.12.2030	5,000.00	5,094.06	5,000.00	5,142.50
204A Series - 6.90% Redeemable at par on 31.01.2031	2,500.00	2,527.79	2,500.00	2,527.31
201B Series - 6.90% Redeemable at par on 31.03.2031	1,300.00	1,359.79	1,300.00	1,360.02
213th Series - 6.92% Redeemable at par on 20.03.2032	1,380.00	1,382.86	-	-
182nd Series - 8.18% Redeemable at par on 22.08.2034	5,063.00	5,314.67	5,063.00	5,314.66
183rd Series - 8.29% Redeemable at par on 16.09.2034	3,028.00	3,163.24	3,028.00	3,163.23
207th Series - 7.02 % Redeemable at par on 31.01.2036	4,589.90	4,641.75	4,589.90	4,644.40
208th Series - 7.40 % Redeemable at par on 15.03.2036	3,613.80	3,625.48	3,613.80	3,627.67
Total - Institutional Bonds	**1,44,074.60**	**1,48,998.67**	**1,69,856.60**	**1,75,707.24**

** PP-MLD- Principal Protected Market Linked Debentures*

*** STRPP- Separately Transferable Redeemable Principal Parts*

(ii) Infrastructure Bonds

(₹ in Crores)

Particulars	As at 31.03.2022		As at 31.03.2021	
	Face Value	Amortised Cost	Face Value	Amortised Cost
Series-II (2011-12) - Redeemable at par	3.96	8.00	11.07	21.36
Total - Infrastructure Bonds	**3.96**	**8.00**	**11.07**	**21.36**

Details of Infrastructure Bonds issued are as under :

Series II (2011-12) allotted on 15.02.2012

(₹ in Crores)

Rate of Interest	As at 31.03.2022	As at 31.03.2021	Redemption Details
8.95% Cumulative	-	5.73	Redeemable on the date falling 10 years from the date of allotment
8.95% Annual	-	1.38	
9.15% Cumulative	2.83	2.83	Redeemable on the date falling 15 years from the date of allotment
9.15% Annual	1.13	1.13	
Total	**3.96**	**11.07**	

Amounts have been shown at face value

(iii) Foreign Currency Bonds

(₹ in Crores)

Particulars	As at 31.03.2022		As at 31.03.2021	
	Face Value	Amortised Cost	Face Value	Amortised Cost
4.75% US $500 Mn Bonds - Redeemable at par on 19.05.2023	3,790.36	3,848.85	3,675.24	3,726.60
5.250% US $700 Mn Bonds - Redeemable at par on 13.11.2023	5,306.50	5,387.23	5,145.33	5,209.90
3.375% US $650 Mn Bonds - Redeemable at par on 25.07.2024	4,927.46	4,941.02	4,777.81	4,784.36
3.50% US $500 Mn Bonds - Redeemable at par on 12.12.2024	3,790.36	3,822.14	3,675.24	3,703.43
2.25% US $500 Mn Bonds - Redeemable at par on 01.09.2026	3,790.36	3,785.82	3,675.24	3,672.19
2.75% US $400 Mn Bonds - Redeemable at par on 13.01.2027	3,032.28	3,045.13	-	-
3.875% US $450 Mn Green Bonds - Redeemable at par on 07.07.2027	3,411.32	3,102.47	3,307.71	2,956.72
4.625% US $300 Mn Bonds - Redeemable at par on 22.03.2028	2,274.21	2,094.49	2,205.14	2,007.20
Total - Foreign Currency Bonds	**30,322.85**	**30,027.15**	**26,461.71**	**26,060.40**

Consolidated Notes to Accounts

Global Medium Term Note (GMTN) Programme

The Company has a Global Medium Term Note (GMTN) Programme of USD 7 Billion which is listed on SGX-ST (Singapore Stock Exchange - Securities Trading), LSE-ISM (London Stock Exchange – International Securities Market), Global Securities Market (GSM) of the India INX (India International Exchange) and NSE IFSC (NSE International Exchange). The summay of funds raised under the GMTN Programme is as below:

Particulars	For the year ended 31.03.2022	For the year ended 31.03.2021
Funds raised during the year under GMTN Programme	USD 0.4 Billion	USD 1 Billion
Cumulative amount raised under GMTN Programme	USD 4.4 Billion	USD 4 Billion
Outstanding amount out of funds raised under GMTN Programme	USD 4.0 Billion	USD 3.6 Billion

The amounts raised during the year have been utilized for the stated objects in the Offering Circular. Further, there has been no default as on the Balance Sheet date in the repayment of debt securities and borrowings and the Company has met all its debt servicing obligations, whether principal or interest, during the year.

21 Borrowings (Other than Debt Securities)

The Company has categorised all borrowings (other than debt securities) at Amortised Cost in accordance with the requirements of Ind AS 109.

(₹ in Crores)

	Particulars	As at 31.03.2022		As at 31.03.2021	
		Principal O/s	Amortised Cost	Principal O/s	Amortised Cost
(A)	**Unsecured Long-Term Borrowings**				
(i)	Term Loans from Banks	42,878.32	42,919.86	29,938.58	29,953.76
(ii)	Term Loans from Financial Institutions	6,800.00	6,800.00	5,800.00	5,800.00
(iii)	Foreign Currency Borrowings	35,634.60	35,329.87	21,024.72	20,890.94
(iv)	Term Loans from Govt. of India	10,000.00	10,325.12	10,000.00	10,325.12
(v)	Lease Liability	0.03	0.03	0.05	0.05
	Sub-total (A)	**95,312.95**	**95,374.88**	**66,763.35**	**66,969.87**
(B)	**Unsecured Short-Term Borrowings**				
(i)	FCNR (B) Loans	9,854.92	9,861.13	5,329.10	5,335.01
(ii)	Short Term Loans/ Loans repayable on demand from Banks	1,410.93	1,415.58	10,186.52	10,201.99
(iii)	Loans repayable on demand from Holding Company	-	-	3,000.00	3,000.49
	Sub-total (B)	**11,265.85**	**11,276.71**	**18,515.62**	**18,537.49**
	Total - Borrowings (other than Debt Securities) (A to B)	**1,06,578.80**	**1,06,651.59**	**85,278.97**	**85,507.36**
	Borrowings (other than Debt Securities) in/ outside India				
(i)	Borrowings in India	70,944.20	71,321.72	64,254.25	64,616.42
(ii)	Borrowings outside India	35,634.60	35,329.87	21,024.72	20,890.94
	Total - Borrowings (other than Debt Securities)	**1,06,578.80**	**1,06,651.59**	**85,278.97**	**85,507.36**

Please refer Note No. 22.2 for reconciliation between the figure represented in Face Value and Amortised Cost

21.1 Details of Unsecured Long-term Borrowings

(i) Term Loans from Banks

(₹ in Crores)

Particulars	As at 31.03.2022		As at 31.03.2021	
	Principal O/s	Amortised Cost	Principal O/s	Amortised Cost
- Canara Bank	-	-	1,000.00	1,000.00
₹ 500 crores repaid on 05.07.2021, ₹ 500 crores repaid on 03.01.2022.				
- Bank of Baroda	-	-	2,000.00	2,000.36
₹ 2,000 crores repaid on 29.10.2021.				
- State Bank of India	12,729.30	12,729.30	10,839.90	10,839.90
₹ 4,999.98 crores repayable in 7 semi-annual instalments, first instalment due on 14.07.2022; ₹ 1,379.46 crores repayable in 3 annual instalments, next instalment due on 05.09.2022; ₹ 2,349.86 crores with ₹ 1650 crore repayable on 15.10.2022 and ₹ 699.86 crores on 05.03.2023; and ₹ 4,000 crores repayable in structured instalments, first instalment due on 29.10.2023.				

Consolidated Notes to Accounts

(₹ in Crores)

Particulars	As at 31.03.2022		As at 31.03.2021	
	Principal O/s	Amortised Cost	Principal O/s	Amortised Cost
- HDFC Bank	12,000.00	12,040.15	4,650.00	4,664.47
₹ 650 crores repayable on 30.09.2022, ₹ 2000 crores repayable on 04.12.2022, ₹ 2000 crores repayable on 15.06.2023, ₹ 1500 crores repayable on 19.06.2023, ₹ 300 crores repayable on 29.09.2023, ₹ 1500 crores repayable on 30.09.2023, ₹ 350 crores repayable on 11.10.2023, ₹ 350 crores repayable on 05.11.2023, ₹ 500 crores repayable on 15.01.2024, ₹ 850 crores repayable on 17.11.2026 and ₹ 2000 crores repayable on 31.03.2027.				
- Punjab National Bank	4,996.98	4,996.98	4,396.84	4,396.84
₹ 1,996.98 crores repayable in 3 annual instalments, first instalment due on 27.08.2023, ₹ 2,000 crores repayable on 11.11.2026 and ₹ 1,000 crores repayable in 5 annual instalments, first instalment due on 29.03.2028.				
- ICICI Bank	2,850.00	2,850.48	-	-
₹ 2,000 crores repayable in 9 annual instalments, first instalment due on 28.09.2023 and ₹ 850 crores repayable in 17 semi-annual instalments, first instalment due on 09.12.2023.				
- Deutsche Bank	1,000.00	1,000.15	500.00	500.08
₹ 500 crores repayable on 18.12.2023 and ₹ 500 crores repayable on 21.05.2024				
- JP Morgan Chase Bank	1,500.00	1,500.00	1,500.00	1,500.00
₹ 1,500 crores repayable on 26.03.2024				
- Bank of India	749.87	750.00	-	-
₹ 749.87 crores repayable in 5 annual instalments, first instalment due on 27.09.2024.				
- HSBC Bank	3,402.49	3,403.03	1,652.50	1,652.77
₹ 565 crores repayable on 19.05.2025, ₹ 187.49 crores repayable on 18.12.2025, ₹ 900 crores repayable on 25.03.2026, ₹ 500 crores repayable on 06.07.2026, ₹ 500 crores repayable on 09.07.2026, ₹ 85 crores repayable on 25.03.2030 and ₹ 665 crores repayable on 28.03.2030				
- Central Bank	500.00	500.00	-	-
₹ 500 crores repayable in 7 annual instalments, first instalment due on 28.02.2026.				
- Jammu & Kashmir Bank	300.00	300.05	-	-
₹ 300 crores repayable on 28.10.2026				
- Karur Vysya Bank	250.00	250.04	-	-
₹ 250 crores repayable on 29.10.2026				
- South Indian Bank	300.00	300.00	-	-
₹ 300 crores repayable on 08.11.2026			-	-
- Mizuho Bank	300.00	300.00	-	-
₹ 300 crores repayable on 21.01.2027				
- Union Bank of India	1,999.68	1,999.68	3,399.34	3,399.34
₹ 1,999.68 crores repayable in 5 annual instalments, first instalment due on 31.03.2027.				
Total - Unsecured Term Loans from Banks	**42,878.32**	**42,919.86**	**29,938.58**	**29,953.76**

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(ii) Term Loans from Others - Financial Institutions

(₹ in Crores)

Particulars	As at 31.03.2022		As at 31.03.2021	
	Principal O/s	Amortised Cost	Principal O/s	Amortised Cost
- Indian Infrastructure Finance Company Ltd. (IIFCL)	**6,800.00**	**6,800.00**	**5,800.00**	**5,800.00**
₹ 1,000 crores repayable on 03.06.2022 and ₹ 800 crores repayable on 23.06.2023, ₹ 1,500 crores repayable on 23.02.2024, ₹ 500 crores repayable on 14.03.2024, ₹ 1,000 crores repayable on 25.03.2026, ₹ 1,000 crores repayable on 27.03.2026 and ₹ 1,000 crores repayable on 09.08.2026				
Total - Term Loans from Others - Financial Institutions	**6,800.00**	**6,800.00**	**5,800.00**	**5,800.00**

(iii) Foreign Currency Borrowings

(₹ in Crores)

Particulars	As at 31.03.2022		As at 31.03.2021	
	Principal O/s	Amortised Cost	Principal O/s	Amortised Cost
(1) ODA Loans - Guaranteed by Govt. of India				
JICA Loan - JICA-II loan repayable in half-yearly instalments till 20.03.2023, next instalment falling due on 20.09.2022	23.47	23.48	50.06	50.07
KfW-III Loan - Repayable in equal half-yearly instalments of €5.26 Mn till 30.03.2024, next instalment falling due on 30.06.2022	222.81	223.55	317.22	317.87
Sub-Total (1)	**246.28**	**247.03**	**367.28**	**367.94**
(2) ODA Loans - Without Govt. Guarantee				
KfW-IV Loan - Repayable in equal half-yearly instalments of €12.00 Mn till 15.11.2030 , next instalment falling due on 15.05.2022	1,637.43	1,639.80	1,241.16	1,243.23
Sub-Total (2)	**1,637.43**	**1,639.80**	**1,241.16**	**1,243.23**
(3) Bilateral/ Syndicated Loans				
US $100 Mn - Repayable on 05.10.2021	-	-	735.05	733.36
US $230 Mn - Repayable on 19.01.2022	-	-	1,690.61	1,676.86
US $200 Mn - Repayable on 28.07.2022	1,516.14	1,516.11	1,470.09	1,461.67
US $150 Mn - Repayable on 11.09.2022	1,137.11	1,136.75	1,102.57	1,097.49
US $250 Mn - Repayable on 29.08.2023	1,895.18	1,895.18	1,837.62	1,831.68
¥ 10,327.12 Mn - Repayable on 08.08.2023	642.66	636.04	685.31	673.06
US $250 Mn - Repayable on 27.03.2024	1,895.18	1,880.88	1,837.62	1,815.96
US $150 Mn - Repayable on 29.03.2024	1,137.11	1,125.35	1,102.57	1,085.82
US $100 Mn - Repayable on 01.07.2024	758.07	755.34	735.05	729.68
SG $72.08 Mn - Repayable on on 30.03.2025	403.21	396.92	391.79	383.78
US $75 Mn - Repayable on 30.03.2025	568.55	561.90	551.29	542.57
US $170 Mn - $100 Mn repayable on 26.03.2025 and $ 70 Mn repayable on 06.10.2025	1,288.72	1,288.65	1,249.58	1,249.55
¥ 10,519 Mn - Repayable on 25.09.2025	654.60	645.86	698.04	686.00
US $425 Mn - Repayable on 16.03.2026	3,221.80	3,207.65	3,123.95	3,095.46
US $600 Mn - Repayable on 25.08.2026	4,548.43	4,499.53	-	-
US $75 Mn - Repayable on 07.10.2026	568.55	565.00	-	-
US $1175 Mn - Repayable on 29.12.2026	8,907.33	8,751.96	-	-
¥ 37506 Mn - Repayable on 03.03.2027	2,334.04	2,293.52	-	-
US $300 Mn - Repayable on 02.06.2030	2,274.21	2,286.40	2,205.14	2,216.83
Sub-Total (3)	**33,750.89**	**33,443.04**	**19,416.28**	**19,279.77**
Total - Foreign Currency Borrowings (1+2+3)	**35,634.60**	**35,329.87**	**21,024.72**	**20,890.94**

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(iv) Term Loans from Govt. of India

(₹ in Crores)

Particulars	As at 31.03.2022		As at 31.03.2021	
	Principal O/s	Amortised Cost	Principal O/s	Amortised Cost
- Loan from National Small Savings Fund (NSSF)	10,000.00	10,325.12	10,000.00	10,325.12
₹ 5,000 crores repayable on 13.12.2028 and ₹ 5,000 crores repayable on 04.10.2029				
Total - Term Loans from Govt.	**10,000.00**	**10,325.12**	**10,000.00**	**10,325.12**

21.2 Unsecured Short-Term Borrowings

(i) FCNR (B) Loans

(₹ in Crores)

Particulars	As at 31.03.2022		As at 31.03.2021	
	Principal O/s	Amortised Cost	Principal O/s	Amortised Cost
US$75 Mn - Repaid on 22.04.2021	-	-	551.29	553.09
US$75 Mn - Repaid on 20.05.2021	-	-	551.29	553.11
US$75 Mn - Repaid on 15.11.2021	-	-	551.29	551.29
US$200 Mn - Repaid on 20.12.2021	-	-	1,470.09	1,470.15
US$200 Mn - Repaid on 30.12.2021	-	-	1,470.09	1,472.31
US$100 Mn - Repaid on 30.12.2021	-	-	735.05	735.06
US$200 Mn - Repayable on 24.05.2022	1,516.14	1,517.78	-	-
US$150 Mn - Repayable on 27.05.2022	1,137.11	1,137.16	-	-
US$200 Mn - Repayable on 03.06.2022	1,516.14	1,516.21	-	-
US$25 Mn - Repayable on 07.06.2022	189.52	189.72	-	-
US$150 Mn - Repayable on 18.06.2022	1,137.11	1,137.17	-	-
US$200 Mn - Repayable on 10.12.2022	1,516.14	1,517.90	-	-
US$75 Mn - Repayable on 14.12.2022	568.55	569.21	-	-
US$200 Mn - Repayable on 30.12.2022	1,516.14	1,517.91	-	-
US$100 Mn - Repayable on 23.02.2023	758.07	758.07	-	-
Total - FCNR (B) Loans	**9,854.92**	**9,861.13**	**5,329.10**	**5,335.01**

21.3 Term Loans from banks/ financial institutions/ Govt. as mentioned in Note No. 21.1 (i), (ii) and (iv) have been raised at interest rates ranging from 5.00% to 8.29% payable on monthly/quarterly/semi annual rests.

21.4 Foreign Currency Borrowings in Note No. 21.1(iii) have been raised at fixed interest rates ranging from 0.65% to 1.86% per annum and variable interest rates ranging from a spread of 13 bps to 210 bps over external benchmarks including 1/3/6 Months' USD LIBOR (London Inter Bank Offered Rate), SORA (Singapore Overnight Rate Average), TONAR (Tokyo Overnight Average Rate), SOFR (Secured Overnight Financing Rate) and Credit Adjustment Spread as applicable on transition of loans to new benchmark rates.

21.5 Security Details of Secured Debt Securities and Borrowings

For all the secured bonds issued by the Company and outstanding as at balance sheet date, 100% security cover has been maintained by way of mortgage on certain immovable properties and/or charge on the receivables of the Company.

The Bond Series 123-IIIB of Institutional Bonds are secured by way of first pari passu charge on the specified immovable property and the book debts of the Issuer which are charged to other lender / trustee and as may be agreed between the Issuer and the Trustee, pursuant to the terms of the Bond Trust Deed with a minimum security cover of one time of the aggregate face value of amount of bonds outstanding at all times and amount of interest due thereon in favor of IDBI Trusteeship Services Ltd.

Tax Free Bonds issued during FY 2011-12 are secured by first pari passu charge on premises at Shop No. 12, Ground Floor, Block No. 35, Church Road, Mylapore, Chennai and hypothecation of receivables of ₹ 4,998.66 Crores of MSEDCL in favour of Vistra ITCL (India) Ltd. (formerly known as IL&FS Trust Company Ltd.).

Tax Free Bonds issued during FY 2013-14 are secured by first pari passu charge on the book debts (other than those that are exclusively charged/earmarked to lenders / other Trustees) of the Company in favour of SBICap Trustee Company Ltd.

The Bond Series XII and XIII of 54EC Capital Gain Tax Exemption Bonds and Tax Free Bonds issued during FY 2012-13 & 2015-16 are secured by first pari passu charge on (a) mortgage of premises at Sub Plot No. 8, TPS No 2, FP No. 584P, situated at Village Subhanpura,

Consolidated Notes to Accounts

Distt Vadodara and (b) hypothecation of receivables (other than those that are exclusively charged/ earmarked to lenders / other Trustees) in favour of SBICap Trustee Company Ltd.

The Bond Series XIV and XV of 54EC Capital Gain Tax Exemption Bonds are secured by first pari passu charge on hypothecation of receivables (other than those that are exclusively charged/ earmarked to lenders / other Trustees) in favour of SBICap Trustee Company Ltd.

Refer Note No. 10 and 16.2 for the carrying value of receivables and Property, Plant and Equipment (PPE) pledged as security.

21.6 No charges or satisfaction are yet to be registered with Registrar of Companies ROC beyond the respective statutory date.

22 Subordinated Liabilities

The Company has categorised all debt securities at amortised cost in accordance with the requirements of Ind AS 109.

(₹ in Crores)

Particulars		As at 31.03.2022		As at 31.03.2021	
		Face Value	Amortised Cost	Face Value	Amortised Cost
(i)	**115th Series - Subordinate Tier-II Bonds -** 8.06% Redeemable at par on 31.05.2023	2,500.00	2,668.11	2,500.00	2,667.90
		-	-	-	-
(ii)	**175th Series - Subordinate Tier-II Bonds -** 8.97% Redeemable at par on 28.03.2029	2,151.20	2,100.70	2,151.20	2,151.45
(iii)	**199th Series - Subordinate Tier-II Bonds -** 7.96% Redeemable at par on 15.06.2030	1,999.50	2,047.66	1,999.50	2,127.54
	Total - Subordinated Liabilities	**6,650.70**	**6,816.47**	**6,650.70**	**6,946.89**
	Subordinated Liabilities in/ outside India				
(i)	Borrowings in India	6,650.70	6,816.47	6,650.70	6,946.89
(ii)	Borrowings outside India	-	-	-	-
	Total - Subordinated Liabilities	**6,650.70**	**6,816.47**	**6,650.70**	**6,946.89**

Refer Note No. 22.2 for reconciliation between the figure represented in Face Value and Amortised Cost

22.1 Ratings assigned by credit rating agencies and migration of ratings during the year

Particulars	Rating
Domestic Long-term Borrowings	CRISIL AAA, ICRA AAA, CARE AAA, IND AAA
Domestic Long Term Principal Protected Market Linked Debentures	CRISIL PP-MLD AAAr, ICRA PP-MLD AAA
Domestic Perpetual Bonds	CRISIL AAA, CARE AA+
Domestic Short term Borowings	CRISIL A1+, ICRA A1+, CARE A1+, IND A1+
International Long-term Issuer Rating	BBB- (Fitch), Baa3 (Moody's)

There has been no migration of ratings during the year.

22.2 Reconciliation between carrying values and the contractual amounts outstanding in respect of Borrowings:

(₹ in Crores)

Particulars	Debt Securities	Other Borrowings	Subordinated Liabilities	Total
As at 31st March 2022				
Total Amount as per Ind-AS	**2,19,574.61**	**1,06,651.59**	**6,816.47**	**3,33,042.67**
Less: Interest accrued on Borrowings classified under the same head as per Ind-AS	(6,736.43)	(430.69)	(296.94)	(7,464.06)
Add: Ind-AS Adjustments	719.20	357.90	131.17	1,208.27
Total Borrowings Outstanding	**2,13,557.38**	**1,06,578.80**	**6,650.70**	**3,26,786.88**
As at 31st March 2021				
Total Amount as per Ind-AS	**2,37,269.11**	**85,507.36**	**6,946.89**	**3,29,723.36**
Less: Interest accrued on Borrowings classified under the same head as per Ind-AS	(7,569.58)	(397.62)	(299.48)	(8,266.68)
Add: Ind-AS Adjustments	824.41	169.23	3.29	996.93
Total Borrowings Outstanding	**2,30,523.94**	**85,278.97**	**6,650.70**	**3,22,453.61**

Consolidated Notes to Accounts

22.3 The Company raises funds in different currencies through a mix of term loans from banks/ financial institutions/ Govt. agencies and bonds of different tenors through private placement of debt securities. The amounts raised during the year have been utilized for the stated objects in the offer document/ information memorandum. Further, there has been no default as on the Balance Sheet date in the repayment of debt securities, borrowings and subordinated liabilities and the Company has met all its debt servicing obligations, whether principal or interest, during the year.

23 Other Financial Liabilities

(₹ in Crores)

Particulars		As at 31.03.2022	As at 31.03.2021
(A)	**Unpaid Dividends (Refer Note 23.1)**	6.39	5.79
(B)	**Bond Application Money refundable and interest accrued thereon**	-	0.01
(C)	**Unpaid Principal & Interest on Bonds (Refer Note 23.1)**		
	- Matured Bonds & Interest Accrued thereon	22.01	49.77
	- Interest on Bonds	6.72	18.95
	Sub-total (C)	**28.73**	**68.72**
(D)	**Funds Received from Govt. of India for Disbursement as Subsidy/ Grant (cumulative)**	97,373.51	91,398.16
	Add: Interest on such funds (net of refund)	33.24	28.96
	Less: Disbursed to Beneficiaries (cumulative)	(96,514.35)	(90,098.32)
	Undisbursed Funds to be disbursed as Subsidy/ Grant	**892.40**	**1,328.80**
(E)	**Payables towards Bonds Fully serviced by Govt. of India**	24,318.29	24,314.43
(F)	**Other Liabilities**	462.83	495.25
	Total (A to F)	**25,708.64**	**26,213.00**

23.1 Unpaid dividends, unpaid principal and interest on bonds include the amounts which have either not been claimed by the investors or are on hold pending formalities pursuant to investors' claims etc. The amount due to be transferred to Investor Education and Protection Fund (IEPF) as at 31st March 2022 is ₹ 1.22 crores (₹ 0.62 crores as at 31st March 2021) which has been transferred within the prescribed time limit.

23.2 Subsidy Under Accelerated Generation & Supply Programme (AG&SP):

The Company is maintaining an Interest Subsidy Fund Account and was given AG&SP subsidy (for disbursement to the eligible borrowers) by Govt. of India at net present value calculated at indicative rates and year 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 07.03.2003 irrespective of the actual repayment schedule, moratorium year and duration of repayment of the eligible schemes. The impact of difference between the indicative rate and year considered at the time of drawl and the actual can be ascertained only after the end of the respective schemes.

Net amount of ₹ 0.73 Crores as at 31st March 2022 (₹ 0.71 Crores as at 31st March 2021) represents the balance amount of interest subsidy fund, which is to be passed on to the borrowers against their interest liability arising in future, under Accelerated Generation & Supply Programme (AG&SP), which comprises of the following :-

(₹ in Crores)

Particulars	Year ended 31.03.2022	Year ended 31.03.2021
Opening Balance of Interest Subsidy Fund	**0.71**	**0.69**
Add: Interest earned during the year	0.02	0.02
Less: Interest subsidy passed on to the borrower	-	-
Closing Balance of Interest Subsidy Fund	**0.73**	**0.71**

23.3 Government of India has appointed REC Ltd. as a nodal agency for implementation of Deen Dayal Upadhyaya Gram Jyoti Yojna (DDUGJY), Pradhan Mantri Sahaj Bijli Har Ghar Yojana (Saubhagya) and Revamped Distribution Sector Scheme (RDSS). The funds received for disbursement to various agencies under the schemes are kept in a respective separate bank accounts. The undisbursed funds for the schemes (including the funds received under erstwhile RGGVY Scheme) including interest earned thereto are classified under "Undisbursed Funds to be disbursed as Subsidy/ Grant" under the head "Other Financial Liabilities".

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23.4 The movement in Interest on Subsidy/ Grant is explained as under:

(₹ in Crores)

Particulars	Year ended 31.03.2022	Year ended 31.03.2021
Opening Balance	**28.96**	**31.96**
Add: Interest earned/Adjustment during the year	25.25	30.48
Less: Amount refunded to Govt./Adjusted during the year	(20.98)	(33.48)
Closing Balance	**33.24**	**28.96**

23.5 For meeting GOI's funding requirement of DDUGJY Scheme, during the year, the Company has raised funds an aggregate amount of ₹ Nil (Previous year ₹ 2,500 crores) through unsecured, redeemable, non-convertible, taxable bonds in the nature of debentures of face value of ₹ 10 lacs at par on private placement basis. As per Ministry of Finance (MoF) letter dated 2nd December, 2020 and 3rd March, 2021, the repayment of principal and interest of the above bonds shall be made by GoI by making suitable budget provisions in the demand of Ministry of Power. Accordingly, the amount of such bonds along-with interest is also appearing as recoverable by the Company from Govt. of India (Note 12).

Details of the GoI Fully Serviced Bonds raised are as follows:

(₹ in Crores)

Particulars	Coupon Rate	Interest Frequency	Redemption Date	As at 31.03.2022	As at 31.03.2021
GoI-I Series	8.09%	Semi-annual	21.03.2028	1,837.00	1,837.00
GoI-II Series	8.01%	Semi-annual	24.03.2028	1,410.00	1,410.00
GoI-III Series	8.06%	Semi-annual	27.03.2028	753.00	753.00
GoI-IV Series	8.70%	Semi-annual	28.09.2028	3,000.00	3,000.00
GoI-V Series	8.54%	Semi-annual	15.11.2028	3,600.00	3,600.00
GoI-VI Series	8.80%	Semi-annual	22.01.2029	2,027.00	2,027.00
GoI-VII Series	8.60%	Semi-annual	08.03.2029	1,200.00	1,200.00
GoI-VIII Series	8.30%	Semi-annual	25.03.2029	4,000.00	4,000.00
GoI- IX Series	7.14%	Semi-annual	02.03.2030	1,500.00	1,500.00
GoI- X Series	8.25%	Semi-annual	26.03.2030	532.30	532.30
GoI- XI Series	7.20%	Semi-annual	31.03.2030	1,750.00	1,750.00
GoI- XII Series	6.45%	Semi-annual	07.01.2031	1,000.00	1,000.00
GoI- XIII Series	6.63%	Semi-annual	28.01.2031	1,000.00	1,000.00
GoI- XIV Series	6.50%	Semi-annual	26.03.2031	500.00	500.00
Total				**24,109.30**	**24,109.30**

24 Current tax liabilities (net)

(₹ in Crores)

Particulars	As at 31.03.2022	As at 31.03.2021
Provision for Income Tax	18.01	2,691.90
Less: Advance Income-tax & TDS	(7.76)	(2,677.50)
Current tax liabilities (Net)	**10.25**	**14.40**

25 Provisions

(₹ in Crores)

Particulars		As at 31.03.2022	As at 31.03.2021
	Provisions for		
(A)	**Employee Benefits (Refer Note 60)**		
	Gratuity	0.34	1.30
	Earned Leave Liability	25.57	18.57
	Post Retirement Medical Benefits	0.71	7.71

Consolidated Notes to Accounts

(₹ in Crores)

Particulars		As at 31.03.2022	As at 31.03.2021
	Medical Leave Liability	21.49	20.91
	Settlement Allowance	1.79	1.89
	Economic Rehabilitation Scheme	4.15	4.13
	Long Service Award	2.25	2.02
	Incentive	28.47	47.92
	Loyalty Bonus	-	0.15
	Sub-total (A)	**84.77**	**104.60**
(B)	**Others**		
	Expected Credit Loss on Letters of Comfort Refer 25.1 & 25.2)	20.90	9.09
	Sub-total (B)	**20.90**	**9.09**
	Total (A+B)	**105.67**	**113.69**

25.1 Movement of Expected Credit Loss provision on Letters of comfort

(₹ in Crores)

Particulars	As at 31.03.2022	As at 31.03.2021
Opening balance	**9.09**	**8.38**
Add: Created during the year	17.18	0.75
Less: Reversed/ Adjusted during the year	(5.37)	(0.04)
Closing balance	**20.90**	**9.09**

25.2 The Company has maximum credit risk exposure of ₹ 4,068.95 crores (previous year ₹ 2,608.85 crores) related to Letters of Comfort issued to the banks, as a financial guarantee on behalf of the borrowers.

26 Other Non-Financial Liabilities

(₹ in Crores)

Particulars		As at 31.03.2022	As at 31.03.2021
(A)	Income Received in Advance	-	0.01
(B)	Sundry Liabilities Account (Interest Capitalisation)	4.10	5.07
(C)	Unbilled Liability towards Capital Account	26.96	28.53
(D)	Unamortised Fee on Undisbursed Loans	28.72	68.64
(E)	Advance received from Govt. towards Govt. Schemes	1.00	1.17
(F)	Statutory Dues	28.25	26.82
(G)	Other Liabilities	0.10	0.01
	Total (A to G)	**89.13**	**130.25**

27 Equity Share Capital

(₹ in Crores)

Particulars	As at 31.03.2022		As at 31.03.2021	
	No. of Shares	Amount	No. of Shares	Amount
Authorised :				
Equity shares of ₹ 10 each	5,00,00,00,000	5,000.00	5,00,00,00,000	5,000.00
Issued, Subscribed and Paid up :				
Fully paid up Equity shares of ₹ 10 each	1,97,49,18,000	1,974.92	1,97,49,18,000	1,974.92
Total	**1,97,49,18,000**	**1,974.92**	**1,97,49,18,000**	**1,974.92**

27.1 Reconciliation of the number of shares outstanding at the beginning and at the end of the period

(₹ in Crores)

Particulars	For the year ended 31.03.2022		For the year ended 31.03.2021	
	No. of Shares	Amount	No. of Shares	Amount
Share Capital at the beginning of the period	1,97,49,18,000	1,974.92	1,97,49,18,000	1,974.92
Add: Shares issued & allotted during the period	-	-	-	-
Share Capital at the end of the period	**1,97,49,18,000**	**1,974.92**	**1,97,49,18,000**	**1,974.92**

Consolidated Notes to Accounts

27.2 Allotment of Bonus Shares during the year and during preceding five years

During the current year and preceding five years, no bonus shares were issued by the Company except in the FY 2016-17, when the Company had allotted 98,74,59,000 Equity Shares as fully paid up by way of bonus shares.

27.3 The Company has neither issued any equity shares pursuant to contract without payment being received in cash nor has there been any buy-back of shares in the current year and five years immediately preceding the balance sheet date.

27.4 Rights, Preferences and Restrictions attached to Equity shares

The holders of the equity shares of the Company are entitled to receive dividends as and when declared by the Company and enjoy proportionate voting rights in case any resolution is put to vote. Further, the shareholders have all such rights, as may be available to a shareholder of a listed public company, under the Companies Act, 2013 and rules made thereunder, Companies Act, 1956 (to the extent applicable), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Memorandum of Association and Articles of Association of the Company.

27.5 Shareholders holding more than 5% of fully paid-up equity shares as at Balance Sheet date:

(₹ in Crores)

Name of the Shareholder	As at 31.03.2022		As at 31.03.2021	
	No. of Shares	Percentage	No. of Shares	Percentage
Power Finance Corporation Limited	1,03,94,95,247	52.63%	1,03,94,95,247	52.63%
HDFC Trustee Company Ltd. A/c HDFC Hybrid Debt Fund	15,89,92,122	8.05%	16,72,55,577	8.47%

27.6 Details of equity shares held by the Holding Company, including the subsidiaries and associates

Reserve for Bad and doubtful debts u/s 36(1)(viia) of the Income Tax Act, 1961 is maintained by the Company in order to enable the Company to avail tax benefits. As per Section 36(1)(viia) of the Income Tax Act, 1961, the Company is eligible to avail deduction in respect of any provision/ reserve made for bad and doubtful debts, not exceeding five per cent of the total income as per Income Tax Act. The reserve so maintained shall be primarily utilised for adjustment of actual bad debts or part thereof.

(₹ in Crores)

Name of the Company	As at 31.03.2022		As at 31.03.2021	
	No. of Shares	Percentage	No. of Shares	Percentage
Power Finance Corporation Ltd.	1,03,94,95,247	52.63%	1,03,94,95,247	52.63%

27.7 Details of equity shares held by the promoters

Name of the Promoter	As at 31.03.2022			As at 31.03.2021		
	No. of Shares	Percentage	% change during the year	No. of Shares	Percentage	% change during the year
The President of India	-	-	-	-	-	-
Power Finance Corporation Ltd.	1,03,94,95,247	52.63%	-	1,03,94,95,247	52.63%	-

28 Instruments entirely equity in nature

(₹ in Crores)

Particulars	As at 31.03.2022		As at 31.03.2021	
	Number	Amount	Number	Amount
Fully paid up Perpetual Debts Instrument entirely equity in nature of ₹ 10 lakhs each	5,584	558.40	5,584	558.40
Total	**5,584**	**558.40**	**5,584**	**558.40**

28.1 Reconciliation of the number of perpetual securities outstanding at the beginning and at the end of the year

(₹ in Crores)

Particulars	For the year ended 31.03.2022		For the year ended 31.03.2021	
	Number	Amount	Number	Amount
Balance at the beginning of the year	**5,584**	**558.40**	**-**	**-**
Increase/ (Decrease) during the year	-	-	5,584	558.40
Balance at the end of the year	**5,584**	**558.40**	**5,584**	**558.40**

Consolidated Notes to Accounts

28.2 Instrument holders holding more than 5% of Perpetual Debt Instruments entirely equity in nature as at Balance Sheet date:

Name of the Shareholder	As at 31.03.2022		As at 31.03.2021	
	Number	Percentage	Number	Percentage
HVPNL Employees Pension Fund Trust	665	11.91%	665	11.91%
HPGCL Employees Pension Fund Trust	500	8.95%	500	8.95%

28.3 Company had issued Perpetual Debt Instruments of face value of ₹ 10 lakhs each, with no maturity and callable only at the option of the Company after 10 years. The claims of the holders of the securities shall be (a) Superior to the claims of the holders of the equity shares issued by the Issuer; and (b) Subordinated to the claims of all other creditors of the Issuer. The instruments carry a step up provision if not called after 10 years. The payment of Coupons may be cancelled or suspended at the discretion of the Company. The coupon of the securities is not cumulative except where the Issuer shall not be liable to pay coupon and may defer the payment of coupon, if (i) The capital to risk assets ratio ("CRAR") of the Issuer is below the minimum regulatory requirement prescribed by RBI; or (ii) the impact of such payment results in CRAR of the Issuer falling below or remaining below the minimum regulatory requirement prescribed by RBI.

As these securities are perpetual in nature and the Company does not have any redemption obligation and discretion on payment of coupon, these have been classified as equity. Further, the periodic coupon payments are accordingly adjusted with retained earnings."

29 Other Equity

(₹ in Crores)

	Particulars	As at 31.03.2022	As at 31.03.2021
(A)	**Other Reserves**		
(i)	Special Reserve created u/s 36(1) (viii) of the Income Tax Act, 1961	22,302.93	19,222.23
(ii)	Reserve for Bad and doubtful debts u/s 36(1)(viia) of the Income Tax Act, 1961	196.82	2,128.41
(iii)	Reserve Fund u/s 45-IC of Reserve Bank of India Act, 1934	5,814.00	3,804.00
(iv)	Securities Premium	2,236.54	2,236.54
(v)	Foreign Currency Monetary Item Translation Difference Account	(555.29)	(573.16)
(vi)	Capital Reserve	0.00	4.70
(vii)	General Reserve	11,839.45	9,903.16
(B)	**Retained Earnings**	7,186.05	4,606.01
(C)	**Other Comprehensive Income (OCI)**		
	- Share of Other Comprehensive Income/ (loss) of Joint Venture accounted for using equity method	-	(1.19)
	- Equity Instruments through Other Comprehensive Income	(37.98)	24.07
	- Effective Portion of Cash Flow Hedges	194.21	(165.61)
	- Cost of Hedging reserve	(395.95)	41.45
	Total - Other Equity (A+B+C)	**48,780.78**	**41,230.61**

Additions and deductions to the components of 'Other Equity' has been disclosed in 'Statement of Changes in Equity'.

29.1 Pursuant to regulatory guidelines and utilisation of reserves created for specific purposes, the Company has transferred the following amounts from different reserves to General Reserve:

(i) During the financial year 2021-22

(a) ₹ 1,931.59 crores from Reserve for Bad & Doubtful Debts under Section 36(1)(viia)(c) of the Income Tax Act, 1961 on account of actual write-offs on loan assets and other recoverables.

(ii) During the financial year 2020-21

(a) ₹ 1,152.55 crores from Reserve for Bad & Doubtful Debts under Section 36(1)(viia)(c) of the Income Tax Act, 1961 on account of actual write-offs on loan assets

(b) ₹ 793.29 crores from Impairment Reserves has been transferred to the General Reserves in pursuance of RBI Guidelines

29.2 Special Reserve created u/s 36(1) (viii) of the Income Tax Act, 1961

Special Reserve created u/s 36(1) (viii) of the Income Tax Act, 1961 is maintained by the Company in order to enable the Company to avail tax benefits. As per section 36(1)(viii) of the Income Tax Act, 1961, the company is eligible for deduction not exceeding 20% of profit derived from long term finance activity, provided such amount is transferred and maintained in special reserve account.

Consolidated Notes to Accounts

Detail of Movement during the year:

(₹ in Crores)

Particulars	For the year ended 31st March, 2022	For the year ended 31st March, 2021
Balance as at the begining of the year	**19,222.23**	**16,659.10**
Add: Transferred from Retained Earnings	3,080.70	2,563.13
Less: Transferred to General Reserve	-	-
Balance as at the end of the year	**22,302.93**	**19,222.23**

29.3 Reserve for Bad and doubtful debts u/s 36(1)(viia) of the Income Tax Act, 1961

Reserve for Bad and doubtful debts u/s 36(1)(viia) of the Income Tax Act, 1961 is maintained by the Company in order to enable the Company to avail tax benefits. As per Section 36(1)(viia) of the Income Tax Act, 1961, the Company is eligible to avail deduction in respect of any provision/ reserve made for bad and doubtful debts, not exceeding five per cent of the total income as per Income Tax Act. The reserve so maintained shall be primarily utilised for adjustment of actual bad debts or part thereof.

Detail of Movement during the year:

(₹ in Crores)

Particulars	For the year ended 31st March, 2022	For the year ended 31st March, 2021
Balance as at the begining of the year	**2,128.41**	**2,992.83**
Add: Transferred from Retained Earnings	-	288.13
Less: Transferred to General Reserve	(1,931.59)	(1,152.55)
Balance as at the end of the year	**196.82**	**2,128.41**

29.4 Reserve Fund u/s 45-IC of Reserve Bank of India Act, 1934

The Company is creating the Reserve Fund as required u/s 45IC of Reserve Bank of India Act, 1934, wherein at least 20% of net profit is required to be transferred before the declaration of dividend. No appropriation is allowed to be made from the reserve fund except for the purpose as may be specified by the Reserve Bank of India from time to time and further, any such appropriation is also required to be reported to the Reserve Bank of India within 21 days from the date of such withdrawal.

Detail of Movement during the year:

(₹ in Crores)

Particulars	For the year ended 31st March, 2022	For the year ended 31st March, 2021
Balance as at the begining of the year	**3,804.00**	**2,131.00**
Add: Transferred from Retained Earnings	2,010.00	1,673.00
Less: Transferred to General Reserve	-	-
Balance as at the end of the year	**5,814.00**	**3,804.00**

29.5 Securities Premium

Securities Premium represents the premium received by the Company on issue of shares and debt securities. It is utilised in accordance with the provisions of the Companies Act, 2013.

Detail of Movement during the year:

(₹ in Crores)

Particulars	For the year ended 31st March, 2022	For the year ended 31st March, 2021
Balance as at the begining of the year	**2,236.54**	**2,236.54**
Add: Transferred from Retained Earnings	-	-
Less: Transferred to General Reserve	-	-
Balance as at the end of the year	**2,236.54**	**2,236.54**

Consolidated Notes to Accounts

29.6 Foreign Currency Monetary Item Translation Difference Account

The company had opted towards an irrevocable option for amortising the foreign exchange fluctuation loss/gain on the long term foreign currency monetary items over the balance period of such items in accordance with Para 46A of the erstwhile applicable Accounting Standard 11 'The Effects of Changes in Foreign Exchange Rates'. The Company opted to continue the policy of such amortisation as per the previous GAAP in respect of the exchange differences arising from translation of long-term foreign currency monetary items as on 31st March 2018 in line with the provisions of Ind-AS. The balance in this account represents the unamortised gain/ (loss) which will be amortised over the balance period of the eligible long term foreign currency monetary liabilities.

Detail of Movement during the year:

(₹ in Crores)

Particulars	For the year ended 31st March, 2022	For the year ended 31st March, 2021
Balance as at the begining of the year	**(573.16)**	**(1,719.38)**
Add: Foreign Currency Translation Gain/ Loss (-) on long term monetary items during the year	(216.94)	437.65
Less: Amortisation during the year	234.81	708.57
Balance as at the end of the year	**(555.29)**	**(573.16)**

29.7 General Reserve

General Reserve includes the amounts appropriated from the profits of the Company and also amounts transferred from Statutory Reserves.

Detail of Movement during the year:

(₹ in Crores)

Particulars	For the year ended 31st March, 2022	For the year ended 31st March, 2021
Balance as at the begining of the year	**9,903.16**	**6,976.22**
Add: Transferred from Retained Earnings	-	981.10
Add: Transferred from Reserve for Bad & Doubtful Debts u/s 36(1) (viia) of the Income Tax Act, 1961	1,931.59	1,152.55
Add: Transferred from Debenture Redemption Reserve	-	-
Add: Transferred from Impairment Reserve	-	793.29
Add: Transferred from Capital Reserve	4.70	
Balance as at the end of the year	**11,839.45**	**9,903.16**

29.8 Impairment Reserve

As per the Reserve Bank of India (RBI) Guidelines, the Company is required to appropriate the difference from their net profit after tax to "Impairment Reserve" where the impairment allowance under Ind AS 109 is lower than the provisioning required under Income Recognition, Asset Classification and Provisioning (IRACP) Norms (including standard asset provisioning) issued by RBI. The Company reviews the requirement at each reporting date. In pursuance of the guidelines, an amount of ₹ 793.29 crores lying under Impairment reserve has been transferred to General Reserve during the FY 20-21.

Detail of Movement during the year:

(₹ in Crores)

Particulars	For the year ended 31st March, 2022	For the year ended 31st March, 2021
Balance as at the begining of the year	**-**	**793.29**
Add: Transferred from Retained Earnings	-	-
Less: Transferred to General Reserve	-	(793.29)
Balance as at the end of the year	**-**	**-**

Consolidated Notes to Accounts

29.9 Equity Instruments through Other Comprehensive Income (OCI)

The Group has elected to recognise changes in the fair value of certain investments in equity securities through other comprehensive income. These changes are accumulated within the OCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the related equity securities are derecognised.

Detail of Movement during the year:

(₹ in Crores)

Particulars	For the year ended 31st March, 2022	For the year ended 31st March, 2021
Balance as at the begining of the year	**24.07**	**106.26**
Add: Recognition through Other Comprehensive Income (net of taxes)	24.74	160.52
Add: Reclassification of gain/ (loss) on sale/ extinguishment of FVOCI equity instrument (net of taxes)	(86.79)	(242.71)
Balance as at the end of the year	**(37.98)**	**24.07**

29.10 Effective Portion of Cash Flow Hedges

The Company uses derivative instruments in pursuance of managing its foreign currency risk and interest rate risk associated on borrowings. For hedging foreign currency and interest rate risk, the Company uses foreign currency forward contracts, cross currency swaps, foreign currency option contracts and interest rate swaps. To the extent the derivative contracts designated under the hedge accounting are effective hedges, the change in fair value of the hedging instrument is recognised in 'Effective Portion of Cash Flow Hedges'. Amounts recognised in such reserve are reclassified to the Statement of Profit or Loss when the hedged item affects profit or loss.

Detail of Movement during the year:

(₹ in Crores)

Particulars	For the year ended 31st March, 2022	For the year ended 31st March, 2021
Balance as at the begining of the year	**(165.61)**	**(226.08)**
Add: Recognition through Other Comprehensive Income (net of taxes)	359.82	60.47
Balance as at the end of the year	**194.21**	**(165.61)**

29.11 Cost of Hedging Reserve

The Company designates the intrinsic value of foreign currency option contracts as hedging instruments in 'Cash Flow Hedge' relationships. The changes in fair value of the time value of an option are recognised in OCI and amortised to the Statement of Profit and Loss on a rational basis.

(₹ in Crores)

Particulars	For the year ended 31st March, 2022	For the year ended 31st March, 2021
Balance as at the begining of the year	**41.45**	**(204.75)**
Add: Recognition through Other Comprehensive Income (net of taxes)	(437.40)	246.20
Balance as at the end of the year	**(395.95)**	**41.45**

29.12 Detail of Movement in Capital Reserve during the year:

(₹ in Crores)

Particulars	For the year ended 31st March, 2022	For the year ended 31st March, 2021
Balance as at the begining of the year	**4.70**	**4.70**
Less: Transferred to General Reserve	(4.70)	-
Balance as at the end of the year	**-**	**4.70**

Consolidated Notes to Accounts

29.13 Detail of Movement in Share of Other Comprehensive Income/ (loss) of Joint Venture accounted for using equity method during the year:

(₹ in Crores)

Particulars	For the year ended 31st March, 2022	For the year ended 31st March, 2021
Balance as at the begining of the year	**(1.19)**	**(2.48)**
Add: Recognition through Other Comprehensive Income (net of taxes)	1.19	1.29
Balance as at the end of the year	**-**	**(1.19)**

29.14 Detail of Movement in Retained Earnings during the year:

(₹ in Crores)

Particulars	For the year ended 31st March, 2022	For the year ended 31st March, 2021
Balance as at the begining of the year	**4,606.01**	**3,674.25**
Add: Profit for the year	10,035.69	8,378.24
Add: Remeasurement of Defined Benefit Plans (net of taxes)	(6.23)	(10.67)
Add: Recognition through Other Comprehensive Income (net of taxes)	(0.02)	(0.05)
Less: Transferred to General Reserve	-	(981.10)
Less: Transferred to Special Reserve created u/s 36(1) (viii) of the Income Tax Act, 1961	(3,080.70)	(2,563.13)
Less: Transferred to Reserve for Bad and doubtful debts u/s 36(1)(viia) of the Income Tax Act, 1961	-	(288.13)
Less: Transferred to Reserve Fund u/s 45-IC of Reserve Bank of India Act, 1934	(2,010.00)	(1,673.00)
Less: Transferred to Debenture Redemption Reserve	-	-
Less: Transferred to Impairment Reserve	-	-
Add: Reclassification of gain/ (loss) on sale/ extinguishment of FVOCI equity instrument	86.79	242.71
Less: Coupon Payment on Instrument Entirely Equity in Nature (Perpetual Debt Instruments) (Net of Taxes)	(34.12)	-
Less: Issue expenses on Perpetual Debt Instruments (net of taxes)	-	(0.70)
Less: Dividend paid during the year	(2,411.37)	(2,172.41)
Less: Dividend Distribution Tax	-	-
Balance as at the end of the year	**7,186.05**	**4,606.01**

29.15 Dividend declared/ proposed by the Company for Equity Shares of ₹ 10/- each

(₹ in Crores)

Particulars	For the year ended 31st March, 2022		For the year ended 31st March, 2021	
	Dividend per Equity Share	Dividend Amount	Dividend per Equity Share	Dividend Amount
	(₹)	(₹ in Crores)	(₹)	(₹ in Crores)
Interim Dividend	10.50	2,073.66	11.00	2,172.41
Final/ Proposed Dividend	4.80	947.96	1.71	337.71
Total Dividend	**15.30**	**3021.62**	**12.71**	**2,510.12**

The Board of Directors at its meeting held on 13th May, 2022 recommended final dividend of ₹ 4.80/- per equity share (on face value of ₹ 10/- each) for the financial year 2021-22, subject to approval of Shareholders in the ensuing Annual General Meeting.

As per the requirements of Ind-AS 10 'Events after the Reporting Period', the Company is not required to provide for the dividend proposed by the Board of Directors after the end of the financial year. Such appropriation is made after the approval in the Annual General Meeting (AGM) in case of final dividend.

Consolidated Notes to Accounts

30 Interest Income

(₹ in Crores)

Particulars		Year ended 31.03.2022			Year ended 31.03.2021		
		On Financial Assets measured at Fair Value through OCI	On Financial Assets measured at Amortised Cost	On Financial Assets measured at Fair Value through Profit or Loss	On Financial Assets measured at Fair Value through OCI	On Financial Assets measured at Amortised Cost	On Financial Assets measured at Fair Value through Profit or Loss
(A)	**Interest on Loan Assets**						
(i)	Long term financing	-	37,613.72	-	-	34,160.00	-
	Less: Rebate for timely payments/ completion etc	-	(0.04)	-	-	(0.06)	-
	Long term financing (net)	-	37,613.68	-	-	34,159.94	-
(ii)	Short term financing	-	197.16	-	-	69.98	-
	Sub-total (A)	**-**	**37,810.84**	**-**	**-**	**34,229.92**	**-**
(B)	**Interest Income from Investments**						
(i)	Interest from Long Term Investments	-	110.44	27.15	-	29.40	195.30
	Sub-total (B)	**-**	**110.44**	**27.15**	**-**	**29.40**	**195.30**
(C)	**Interest on Deposits with Banks**						
(i)	Interest from Deposits	-	89.78	-	-	161.44	-
	Sub-total (C)	**-**	**89.78**	**-**	**-**	**161.44**	**-**
(D)	**Other Interest Income**						
(i)	Interest on Delayed Payments by Borrowers	-	154.54	-	-	72.84	-
(ii)	Interest from Staff Advances	-	0.97	-	-	3.70	-
(iii)	Interest on Mobilisation Advance	-	0.24	-	-	0.56	-
(iv)	Unwinding of Discount of Security Deposits	-	0.16	-	-	0.19	-
(v)	Interest from SPVs	-	0.37	-	-	0.16	-
	Sub-total (D)	**-**	**156.28**	**-**	**-**	**4.61**	**-**
	Total - Interest Income (A to D)	**-**	**38,167.34**	**27.15**	**-**	**34,498.21**	**195.30**

31 Dividend Income

(₹ in Crores)

Particulars	Year ended 31.03.2022	Year ended 31.03.2021
- Dividend from Long-Term Investments	4.21	27.97
Total - Dividend Income	**4.21**	**27.97**

31.1 Details of dividend recognised on Other Investments :

(₹ in Crores)

Particulars	Year ended 31.03.2022	Year ended 31.03.2021
Dividend on FVOCI Equity Investments		
- Investments held at the end of the year	3.20	27.63
- Investments derecognized during the year	1.01	0.34
Total	**4.21**	**27.97**

Consolidated Notes to Accounts

32 Fees and Commission Income

(₹ in Crores)

Particulars	Year ended 31.03.2022	Year ended 31.03.2021
Fees based Income	92.22	26.57
Prepayment Premium	465.37	35.14
Fee for Implementation of Govt. Schemes	15.23	33.67
Total - Fees and Commission Income	**572.82**	**95.38**

33 Sale of services

(₹ in Crores)

Particulars	Year ended 31.03.2022	Year ended 31.03.2021
Consultancy Engineering Services	150.96	163.65
Total	**150.96**	**163.65**

34 Other Income

(₹ in Crores)

Particulars	Year ended 31.03.2022	Year ended 31.03.2021
Net gain/ (loss) on disposal of assets classified as held for sale	30.19	
Rental Income	16.32	2.17
Liabilities/Provision Written Back	10.09	-
Fees from Training Courses	6.57	2.77
Interest from Income Tax Refund	0.84	1.00
Miscellaneous Income	6.14	16.78
Total - Other Income	**70.15**	**22.72**

35 Finance Costs

Finance Costs have been incurred on financial liabilities measured at amortised cost.

(₹ in Crores)

Particulars		Year ended 31.03.2022	Year ended 31.03.2021
(i)	**Interest on Borrowings**		
	- Loans from Govt. of India	822.50	820.81
	- Loans from Banks/ Financial Institutions	2,788.79	2,091.00
	- External Commercial Borrowings	577.12	630.50
	- Lease Liability	-	0.11
	Sub-Total (i)	**4,188.41**	**3,542.42**
(ii)	**Interest on Debt Securities**		
	- Domestic Debt Securities	14,759.43	15,289.04
	- Foreign Currency Debt Securities	1,294.73	1,196.54
	- Commercial Paper	14.76	35.32
	Sub-Total (ii)	**16,068.92**	**16,520.90**
(iii)	**Interest on Subordinated Liabilities**		
	- Subordinate Bonds	523.30	523.75
	Sub-Total (iii)	**523.30**	**523.75**
(iv)	**Other Interest Expense**		
	- Swap Premium	1,269.34	894.62
	- Interest on Advance Income Tax	0.75	22.71
	- Interest on liability towards employee benefits	3.48	2.32
	- Miscellaneous interest expense	1.86	4.37
	Sub-Total (iv)	**1,275.43**	**924.02**
	Total - Finance Costs	**22,056.06**	**21,511.09**
	Less: Finance Costs Capitalised	(5.10)	(22.04)
	Total - Finance Costs (Net)	**22,050.96**	**21,489.05**

Consolidated Notes to Accounts

36 Net translation/ transaction exchange loss/ (gain)

(₹ in Crores)

Particulars	Year ended 31.03.2022	Year ended 31.03.2021
Net translation/ transaction exchange loss/ (gain)	799.05	330.26
Total	**799.05**	**330.26**

The figures above include amortisation of net translation/ transaction exchange loss/ (gain) on Long Term Foreign Currency Monetary Items recognised in the financial statements before 1st April 2018 amounting to ₹ 234.81 crores (Previous year ₹ 708.57 crores).

36.1 The foreign currency monetary items are translated at FBIL (Financial Benchmark India Private Ltd) reference rates prevailing at the end of each reporting period or where the FBIL reference rate is not available for any currency, the closing rate for the same date quoted on Bloomberg. The respective rates as on the reporting date are as below:

Exchange Rates	USD/INR	JPY/INR	Euro/INR	SGD/INR
As at 31st March 2022	75.8071	0.6223	84.6599	55.9438
As at 31st March 2021	73.5047	0.6636	86.0990	54.3581

37 Fees and commission expense

(₹ in Crores)

Particulars		Year ended 31.03.2022	Year ended 31.03.2021
(i)	Guarantee Fee	4.29	-
(ii)	Listing and Trusteeship Fee	0.84	0.78
(iii)	Agency Fees	2.01	3.01
(iv)	Credit Rating Expenses	6.69	3.33
(v)	Other Finance Charges	2.90	2.83
	Total (i to v)	**16.73**	**9.95**

38 Net Gain/ (loss) on Fair Value Changes

(₹ in Crores)

Particulars		Year ended 31.03.2022	Year ended 31.03.2021
(A)	**Net gain/ (loss) on financial instruments at Fair Value through profit or loss**		
(i)	**On trading Portfolio**	-	-
(ii)	**Others**		
	- Changes in fair value of Derivatives	351.36	545.92
	- Changes in fair value of Long Term Investments	(12.78)	2.43
	- Changes in fair value of Short-term MF investments	7.99	23.98
	Sub-total (ii)	**346.57**	**572.33**
	Total (A)	**346.57**	**572.33**
	Breakup of Fair Value Changes		
	- Realised	365.03	590.79
	- Unrealised	(18.46)	(18.46)
	Total Net Gain/ (loss) on Fair Value Changes	**346.57**	**572.33**

Fair value changes in this schedule are other than those arising on account of accrued interest income/ expense and represents changes in fair value of derivatives designated as economic hedges not designated under hedge accounting and ineffective hedge

39 Impairment on financial instruments

(₹ in Crores)

Particulars		Year ended 31.03.2022		Year ended 31.03.2021	
		On financial instruments measured at FVOCI	On financial instruments measured at Amortised Cost	On financial instruments measured at FVOCI	On financial instruments measured at Amortised Cost
(i)	- Loans *	-	3,434.36	-	2,363.33
(ii)	- Investments	-	28.72		-
(iii)	- Others	-	6.94	-	82.61
	Total (i+ii+iii)	**-**	**3,470.02**	**-**	**2,445.94**

** includes ₹ 11.81 crores (Previous year ₹ 0.71 crores) towards impairment allowance on Letter of Comfort.*

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40 Cost of services rendered

(₹ in Crores)

Particulars	Year ended 31.03.2022	Year ended 31.03.2021
Project Expenses	65.11	88.67
Total	**65.11**	**88.67**

41 Employee Benefits Expense

(₹ in Crores)

Particulars	Year ended 31.03.2022	Year ended 31.03.2021
- Salaries and Allowances	134.23	119.67
- Contribution to Provident Fund and Other Funds	11.60	13.96
- Expenses towards Post Employment Benefits	7.46	4.87
- Rent towards Residential Accomodation for Employees	3.77	2.19
- Staff Welfare Expenses	23.03	22.93
Total	**180.09**	**163.62**

42 Depreciation and amortization

(₹ in Crores)

Particulars	Year ended 31.03.2022	Year ended 31.03.2021
- Depreciation on Property, Plant & Equipment	15.35	8.12
- Amortization on Intangible Assets	2.89	2.74
Total	**18.24**	**10.86**

43 Corporate Social Responsibility Expenses

(₹ in Crores)

Particulars	Year ended 31.03.2022	Year ended 31.03.2021
- Direct Expenditure	166.88	141.73
- Overheads	5.47	4.54
Total	**172.35**	**146.27**

43.1 Ministry of Corporate Affairs (MCA) vide its notification dated Janurary 22, 2021 has prescribed Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021, effective prospectively from the date of notification, as clarified by MCA. These rules require that any unspent CSR amount, other than for any ongoing project, must be transferred to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year. In case such unspent amount pertains to any ongoing project, it must be transferred to unspent CSR Account by 30th April of the next year. However, if such amount is not utilised within three financial years, it is required to be transferred to a Fund specified in Schedule VII, within a period of thirty days from the date of completion of the third financial year. The Company also carries the right to set-off any amount spent in excess of the requirement under the Act within three succeeding financial years against the amount to be spent.

43.2 Details of Gross Amount required to be spent by the Group:

(a) Gross amount required to be spent by the company during the year is ₹ 172.35 crores (previous year ₹ 146.27 crores)

(b) Amount approved by the Board to be spent during the year is ₹ 172.35 crores (previous year ₹ 146.27 crores)

(c) Refer Note no. 58 for related party transactions related to CSR.

(d) Amount required to be spent on CSR activities as per Section 135 (5) of the Companies Act, 2013:

(₹ in Crores)

Particulars		Year ended 31.03.2022	Year ended 31.03.2021
(A)	**Opening Balance - Excess amount spent**	**(4.03)**	**-**
(B)	Amount required to be spent during the year	172.35	146.27
(C)	Amount spent during the year	168.80	150.30
(D)	**Closing Balance - Excess amount spent* (A+B-C)**	**(0.48)**	**(4.03)**

** eligible to be set-off in the next three succeeding financial years*

Consolidated Notes to Accounts

43.3 Amount spent during the year

(₹ in Crores)

Particulars		Year ended 31.03.2022			Year ended 31.03.2021		
		In Cash	Yet to be paid	Total	In Cash	Yet to be paid	Total
(i)	**Construction/ acquisition of any asset**	-	-	-	-	-	-
(ii)	**On purpose other than (i) above**						
	Health/Sanitation / Waste Management / Drinking water	54.75	-	54.75	28.48	-	28.48
	Education/ Vocational/ Skill Development	16.83	-	16.83	18.20	-	18.20
	Environmental Sustainability (Solar Applications/ Afforestation/ Energy efficient LED lighting)	8.25	-	8.25	18.01	-	18.01
	Sports	15.00	-	15.00	-	-	-
	Contribution to PM CARES Fund	50.00	-	50.00	50.03	-	50.03
	Provision of food/ration to migrant workers due to COVID- 19 and Providing Cold Chain equipment for COVID-19 vaccination	0.60	-	0.60	7.75	-	7.75
	Others	17.90	-	17.90	23.29	-	23.29
	Administrative overheads including training, impact assessment etc.	5.47	-	5.47	4.54	-	4.54
	Total (ii)	**168.80**	**-**	**168.80**	**150.30**	**-**	**150.30**

In support of the fight against the Covid-19 pandemic, the Company committed a total contribution of ₹ 200 crores to the Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund), of which ₹ 50 crores was contributed during the year 2021-22, ₹ 50 crores contributed during the year 2020-21 and ₹ 100 crores contributed during the year 2019-20.

44 Other Expenses

(₹ in Crores)

Particulars	Year ended 31.03.2022	Year ended 31.03.2021
- Travelling and Conveyance	11.72	9.56
- Publicity & Promotion Expenses	2.32	8.36
- Repairs and Maintenance	27.45	18.37
- Rent, taxes and energy costs	7.32	16.95
- Insurance Charges	0.09	0.10
- Communication costs	2.91	3.43
- Printing & stationery	0.94	0.99
- Director's sitting fees	0.21	0.10
- Auditors' fees and expenses	1.59	1.52
- Legal & Professional Charges	11.59	11.28
- Net Loss on Disposal of Property, Plant & Equipment	0.97	4.03
- Training And Conference Expense	7.65	2.97
- Govt. Scheme Monitoring Expenses	18.49	18.28
- Impairment allowance on assets classified as held for sale	9.71	-
- Other Expenditure	21.35	13.44
Total	**124.31**	**109.38**

44.1 Disclosure in respect of Auditors' fees and expenses

(₹ in Crores)

Particulars	Year ended 31.03.2022	Year ended 31.03.2021
Fees paid to statutory auditors :		
- as auditor	0.62	0.74
- for taxation matters *	0.17	0.33
- for company law matters (includes limited review fees)	0.33	0.26
- for other services	-	-
(i) Certification of MTN Offer Document/ Comfort Letter	0.10	0.10
(ii) For Certifications	0.22	0.04

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(₹ in Crores)

Particulars	Year ended 31.03.2022	Year ended 31.03.2021
Fees paid to statutory auditors :		
- for reimbursement of expenses	0.03	-
Sub-total	**1.47**	**1.47**
Non-recoverable tax credit in respect of fees paid to auditors	0.12	0.05
Total - Auditor's fees and expenses	**1.59**	**1.52**

** includes ₹ Nil (Previous year ₹ 0.12 crore) of fees for taxation matters pertaining to earlier years.*

45 Tax Expense

(₹ in Crores)

Particulars	Year ended 31.03.2022	Year ended 31.03.2021
- Current tax expense	3,069.23	2,698.02
- Current tax expense/ (benefit) pertaining to earlier years	(3.96)	222.95
Sub-total - Current Tax	**3,065.27**	**2,920.97**
- Deferred tax expense/ (credit)	(670.44)	(519.62)
Total	**2,394.83**	**2,401.35**

45.2 Reconciliation of Effective Tax Rate

The reconciliation of estimated income tax expense at statutory income tax rate to income tax expense reported in statement of profit and loss is as follows:

(₹ in Crores)

Particulars	Year ended 31.03.2022	Year ended 31.03.2021
Profit before Tax	**12,430.53**	**10,779.59**
Statutory income tax rate	**25.168%**	**25.168%**
Expected income tax expense	**3,128.52**	**2,713.01**
Tax effect of income tax adjustments:		
Benefit of deduction u/s 36(1)(viii) of Income Tax Act 1961	(775.36)	(645.09)
Non-allowability of CSR expenses & other adjustments	42.95	112.70
Other non-deductible tax expenses	(1.03)	6.16
Non Taxable Income	(2.59)	(8.57)
Tax Expense Earlier Years	(3.96)	222.95
Impact of change in tax rates	(3.98)	-
Tax effect on JV profit accounted for using equity method	2.97	0.50
Tax effect of intra group revenue reversals	7.30	(0.31)
Tax expense	**2,394.83**	**2,401.35**

46 Earnings per Share

(₹ in Crores)

Particulars	Year ended 31.03.2022	Year ended 31.03.2021
Numerator		
Profit for the year from continuing operations as per Statement of Profit and Loss (₹ in Crores)	10,035.70	8,378.24
Profit for the year from continuing and discontinued operations as per Statement of Profit and Loss (₹ in Crores)	10,035.70	8,378.24
Denominator		
Weighted average Number of equity shares	1,97,49,18,000	1,97,49,18,000
Basic & Diluted Earnings per Share (in ₹ for an equity share of ₹ 10 each) (for continuing operations)	50.82	42.42
Basic & Diluted Earnings per Share (in ₹ for an equity share of ₹ 10 each) (for continuing and discontinued operations)		
	50.82	**42.42**

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47 Contingent Liabilities and Commitments :

47.1 Contingent Liabilities not provided for in respect of:

(₹ in Crores)

Particulars	As at 31.03.2022	As at 31.03.2021
(A) Claims against the Company not acknowledged as debts	30.21	29.67
(B) Taxation Demands		
(i) - Demands raised by the Income Tax Department	167.69	25.41
(ii) - Demands against appeals filed by the Income Tax Department against the relief allowed to the Company	0.90	0.30
(iii) - Demands raised in respect of GST	17.89	-
(C) Others		
- Letters of Comfort	4,068.95	2,608.85
- Bank Guarantees	31.06	38.49

The amount referred to in 'A' above are in respect of cases pending in various courts and is dependent upon the verdict of the court.

The amount referred to in B(i) above are against the various demands raised by Income Tax Department. The company is contesting these demands and the management believes that its position will likely be upheld in the appellate process.

The amount referred to in B(ii) above are against the appeal filed by Income Tax Department in High Court against the relief allowed to the Company at ITAT level.

The amount referred to in B(iii) above is against the GST refund appeal filed by REC.

47.2 Commitments not provided for in respect of:

(₹ in Crores)

Particulars	As at 31.03.2022	As at 31.03.2021
- Contracts remaining to be executed on capital account		
- Towards Property, Plant & Equipment	129.13	225.95
- Towards Intangible Assets	-	0.16
- Other Commitments		
- CSR Commitments	400.30	260.85

48. Details of Registration/ License/ authorisation obtained from financial sector regulators:

Particulars	Regulator Name	Registration Details
(i) Corporate Identification Number	Ministry of Corporate Affairs	L40101DL1969GOI005095
(ii) Registration Number	Reserve Bank of India	14.000011
(iii) Legal Entity Identifier (LEI) Code	Global Legal Entity Identifier Foundation (GLEIF)	335800B4YRYWAMIJZ374
(iv) Registration Number	Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI)	L0012

49 Implementation of Govt. Schemes

49.1 Pradhan Mantri Sahaj Bijli Har Ghar Yojana (SAUBHAGYA)

Government of India launched a scheme "Pradhan Mantri Sahaj Bijli Har Ghar Yojana" - Saubhagya to achieve universal household electrification in the country during Oct 2017. The scheme envisaged to provide last mile connectivity and electricity connections to all remaining un-electrified households in rural areas and poor households in urban areas. The capital outlay of Saubhagya Scheme was ₹ 16,320 Crore including Gross Budgetary Support of ₹ 12,320 Crore during the entire implementation period. Ministry of Power designated REC as the Nodal agency for operationalization of Saubhagya Scheme. The scheme has been successfully completed and closed in its sunset year FY 2021-22 i.e. 31.03.2022.

49.2 Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY)

Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY), the flagship scheme of Government of India covering all aspects of rural power distribution was launched in Nov 2014. Under the scheme 60% of the project cost (85% for special States) is provided as grant by Government of India and additional grant up to 15% (5% for special States) on achievement of prescribed milestones. DDUGJY facilitates towards achievement of '24x7 Power for All' in the country through the following project components:

(i) Separation of agriculture and non-agriculture feeders facilitating adequate power supply to agriculture & continuous power supply to non-agricultural consumers in the rural areas;

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(ii) Strengthening and augmentation of sub-transmission & distribution infrastructure in rural areas, including metering of distribution transformers/ feeders/ consumers;

(iii) Micro-grid and Off-grid distribution network;

(iv) Rural Electrification component under the RGGVY 12th and 13th plans, subsumed to DDUGJY.

The scheme had estimated outlay of ₹ 75,893 Crore including budgetary support of ₹ 63,027 Crore from Government of India during the entire implementation period. Additional Infra under DDUGJY was sanctioned with a total outlay of ₹ 7,069 Cr including budgetary support of ₹ 5,302 Cr. The scheme has been successfully completed and closed in its sunset year FY 2021-22 i.e. 31.03.2022.

49.3 National Electricity Fund (NEF)

The National Electricity Fund (NEF), an interest subsidy scheme, has become operational since FY 2012-13. The scheme has been introduced by the Government of India to promote capital investment in the distribution sector. The scheme provides interest subsidy linked with reform measures, on the loans taken by public and private distribution power utilities for various capital works in the Distribution sector. NEF would provide interest subsidy aggregating up to ₹ 8,466 Crore (including interest subsidy to the borrowers, Service Charges to the Nodal Agency, payments to Independent Evaluators and other incidental expenses) spread over 14 years for loan disbursement against projects approved during 2012-13 and 2013-14. REC has been nominated as the Nodal Agency for operationalization of NEF scheme across the country.

49.4 Revamped Distribution Sector Scheme (RDSS)

Government of India has approved the Revamped Distribution Sector Scheme (RDSS) to help DISCOMs improve their operational efficiencies and financial sustainability by providing result-linked financial assistance to them so as to strengthen supply infrastructure based on meeting pre-qualifying criteria and achieving basic minimum benchmarks. The scheme has an outlay of ₹ 3,03,758 Crore over 5 years i.e. FY 2021-22 to FY 2025-26 including an estimated Government Budgetary Support (GBS) of ₹ 97,631 Crore.

(i) Reduction of AT&C losses to pan-India levels of 12-15% by 2024-25.

(ii) Reduction of ACS-ARR gap to zero by 2024-25.

(iii) Improvement in the quality, reliability and affordability of power supply to consumers through a financially sustainable and operationally efficient distribution sector.

Components of the scheme are :

Part A – Financial support for Prepaid Smart Metering & System Metering and up-gradation of the Distribution Infrastructure.

Part B – Training & Capacity Building and other Enabling & Supporting Activities.

49.5 J&K Prime Minister's Development Plan (PMDP)

Government of Jammu & Kashmir, Power Development Department has appointed RECPDCL as a Project Implementing Agency (PIA) for design, engineering, procurement, supply, erection, testing and commsioning of all the material and services works to be taken-up for execution of transmission projects under PMDP in J&K state and Ladakh on nomination basis, as per actual cost to be discovered through competitive biddings.

49.6 11 kV Feeder Monitoring Scheme

Ministry of Power has appointed RECPDCL to implement 11 kV Feeder Monitoring Scheme. The scheme is to develop a Self-sustained independent web based system for automated 11 kV Rural Feeder Monitoring System through Data Logging of various essential parameters of all the Outgoing 11kV rural feeders from 66, 33/11 kV sub stations and make the information available online for various stake holders including public portal, on real time basis for power supply monitoring, alerts, meter data analysis, information dissemination and energy audit.

50 Capital management

The Company manages its capital to ensure that it will continue as going concern while maximizing the return to stakeholders. The capital structure of the Company consists of the equity and the long-term borrowings made by the Company.

Management assesses the Company's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. The Company manages the capital structure and raises funds through the suitable instruments, in light of the dynamic business environment and liquidity position within the sector. Further, with regard to capital restructuring, the Company is also guided, inter alia, by guidelines on "Capital Restructuring of Central Public Sector Enterprises" issued by Department of Investment and Public Asset Management (DIPAM), Ministry of Finance, Department of Public Enterprises in respect of issue of bonus shares, dividend distribution, buy back of equity shares etc. The Company has complied with all externally imposed capital requirements.

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The debt-equity ratio of the Group is as below:

(₹ in Crores)

Particulars	As at 31.03.2022	As at 31.03.2021
Net debt	3,26,645.89	3,21,274.39
Net Worth	51,314.10	43,763.93
Debt-equity ratio	**6.37**	**7.34**

Net debt represents principal outstanding less cash and cash equivalents available.

Dividend Distribution Policy

BoD monitors the dividend pay-out to the shareholders of the Company. Dividend distribution policy of the Company focuses on various factors including but not limited to the present & future capital requirements, profits earned during the financial year, Capital to Risk-weighted Assets Ratio (CRAR), cost of raising funds from alternate sources, cash flow position and applicable taxes including tax on dividend, subject to the guidelines as applicable from time to time, cash flow position and net worth of the Company, subject to the guidelines as applicable from time to time.

As per the extant guidelines issued by DIPAM, Govt. of India, Company is required to pay a minimum annual dividend of 30% of PAT or 5% of the net-worth, whichever is higher. Though the Company endeavors to declare the dividend as per these guidelines, the Company may propose lower dividend after analysis of various financial parameters, cash flow position and funds required for future growth.

The Company has also adopted various policies for the management of the Company which inter-alia include Comprehensive Risk Management Policy, Whistle Blower Policy, Code for Prevention of Insider Trading in REC Equity Shares/Securities, Policy for prevention of Fraud, The Code of Business Conduct and Ethics for Board Members and Senior Management, Fair Practices Code, etc.

51 Capital to Risk-weighted Assets Ratio

The Company is complying with the Capital Adequacy requirements as prescribed by the Reserve Bank of India. Being an NBFC and Infrastructure Finance Company (NBFC-IFC), REC is required to maintain a Capital Adequacy Ratio or Capital to Risk Weighted Assets Ratio (CRAR) of 15% (with a minimum Tier I Capital of 10%), computed by dividing company's Tier-I and Tier-II capital by Risk Weighted Assets.

Particulars		Numerator* (₹ in Crores)	Denominator* (₹ in Crores)	As at 31.03.2022	As at 31.03.2021	% Variance
(i)	CRAR	57,937.08	2,45,436.54	23.61%	19.72%	19.70%
(ii)	CRAR - Tier I Capital	48,052.65	2,45,436.54	19.58%	16.31%	20.04%
(iii)	CRAR - Tier II Capital	9,884.43	2,45,436.54	4.03%	3.41%	18.10%

The amount of Perpetual Debt Instrument of the Tier-I capital is 1.16% (previous year 1.44%)

** Numerator being Tier-I & Tier-II capital majorily consists of Equity (Refer Note no. 25, 26 and 27) and Denominator being Risk Weighted Assets majorily represents the weighted sum of company's credit exposure(s) such as Loans (Refer Note no. 10) and Investments (Refer Note no. 11), calculated in line with circular(s) issued by RBI in this regard, from time to time.*

Details of Tier II capital and perpetual debt instruments raised during the year are as under:

(₹ in Crores)

Particulars	Year ended 31.03.2022	Year ended 31.03.2021
Amount of Subordinated Debt raised as Tier-II capital	-	1,999.50
Amount raised by issue of Perpetual Debt Instruments	-	558.40

52 Financial Risk Management

The Company's board of directors has overall responsibility for the establishment and oversight of the Company risk management framework. The Company has formulated a comprehensive Risk Management Policy, which covers, inter-alia, Credit Risk, Operational Risk and Market Risk of the organization. The Company's risk management policies are guided by well-defined policies appropriate for various risk categories, independent risk oversight and periodic monitoring. A Risk Management Committee (RMC) has also been constituted under the chairmanship of an Independent Director, whose main function is to identify and monitor various risks of the organization and to suggest actions for mitigation of the same.

This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the related impact in the financial statements.

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Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and Cash Equivalents, Loans, Financial Assets measured at amortised cost, Investment in G-Sec, State Development Loans, Debt Securities and Preference Shares	Ageing analysis	Bank deposits, liquid funds, diversification of asset base, credit limits and collateral.
Liquidity risk	Borrowings, Debt Securities, Subordinated Liabilities, and Other Financial Liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities
Market risk - Currency risk	Recognised Financial Assets and Liabilities not denominated in Indian Rupee (INR)	Cash flow forecasting	Derivative contracts
Market risk - interest rate risk	Borrowings, Debt Securities and Subordinated Liabilities at variable interest rates	Sensitivity analysis	Derivative contracts
Market risk - equity price risk	Investments in Quoted Equity Securities	Sensitivity analysis	Diversification of portfolio, with focus on strategic investments

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly

For managing these risks, the Company has put in place an integrated enterprise-wide risk management mechanism to ensure that these risks are monitored carefully and managed efficiently. Pursuant to RBI notification DNBR (PD) CC.NO/.099/03.10.001/2018-19, to augment risk management practices in the Company, the Board has also appointed a Chief Risk Officer (CRO) who is involved in the process of identification, measurement and mitigation of risks. The risk management approach i.e. Company's objectives, policies and processes for measuring and managing each of above risk is set out in the subsequent paragraphs.

52.1 Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's exposure to credit risk is influenced mainly by cash and cash equivalents, other bank balances, investments, loan assets, trade receivables and other financial assets. The Company continuously monitors defaults of customers and other counterparties and incorporates this information into its credit risk controls.

52.1.1 Financial assets that expose the entity to credit risk

(₹ in Crores)

	Particulars	As at 31.03.2022	As at 31.03.2021
(i)	**Low credit risk on financial reporting date**		
	Cash and cash equivalents	140.99	1,179.24
	Bank balances other than cash and cash equivalents	2,518.96	2,223.58
	Loans *	3,35,876.99	3,58,891.11
	Trade Receivables	79.46	105.33
	Investments **	1,872.66	1,269.95
	Other financial assets	24,415.31	24,419.88
(ii)	**Moderate credit risk**		
	Loans *	36,424.23	2,888.05
	Trade Receivables	15.09	34.74
(iii)	**High credit risk**		
	Loans *	17,159.89	18,256.93
	Investments in Preference Share ***	28.72	-
	Other financial assets	91.17	88.53

** Represents the principal outstanding (along with undisbursed amount towards Letters of Comfort) without deduction for expected credit losses*

*** This does not include investments in equity instruments and venture capital funds carried at FVOCI/ FVTPL and investments in subsidiary and joint venture as they are carried at cost in line with the exemption given under Ind AS 27.*

**** Represents principal outstanding without deduction for expected credit losses in respect to the investment in Redeemable Preference Shares of Rattan India Power Limited.*

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Cash and Cash Equivalents and Bank Deposits

Credit risk related to cash and cash equivalents and bank deposits is managed by parking funds in investment grade rated instruments and highly rated banks and also diversifying the deposit base by investing in different instruments/ banks across the country.

Loans

Credit risk related to borrowers are mitigated through adequate security arrangements for the loans by way of hypothecation of future project loan assets, receivables, inventories or any other assets, Govt. Guarantees, Corporate guarantees etc. and additionally Collaterals wherever required. The Company closely monitors the credit-worthiness of the promoters through well-defined entity appraisal guidelines that are configured from systematic institutional and project appraisal process analysis to assess the credit risk and define credit limits of borrower, thereby, limiting the credit risk to pre-calculated amounts. These processes include a detailed appraisal methodology, identification of risks and suitable structuring and credit risk mitigation measures in form of pre-disbursement conditions.

Trade Receivables

Credit risk related to Trade Receivables is mitigated by assessing the credit worthiness of debtors and is managed by monitoring the recoverability of such amounts continuously.

Other Financial Assets measured at Amortized Cost

Other financial assets measured at amortized cost includes loans and advances to employees and subsidiary, security deposits and other amounts recoverable, including from Govt. of India. Credit risk related to these other financial assets is managed by monitoring the recoverability of such amounts continuously.

Investment in G-Sec, State Development loans and Debt Securities

Credit risk related to investment in High Quality Liquid Assets (HQLAs) is managed by investment in Govt. Securities, State Development Loans and investment in PSU Bonds with sound financial health and also diversifying the investment portfolio in different maturity/ sector and monitoring the financial health on regular basis.

Investment in Securities issued by Borrower entities at the time of Loan Settlement/ Resolution

REC also invests in securities issued by borrower entities as a part of the settlement/ resolution plan duly approved by the Company or the Consortium of Lenders, as applicable and in case of resolutions under Insolvency & Bankruptcy Code 2016, approved by Committee of Creditors and National Company Law Tribunal (NCLT) of the competent jurisdiction. Credit risk related to these securities is managed by monitoring the recoverability of such amounts continuously.

52.1.2 Expected Credit Losses (ECL) for financial assets other than loans and trade receivables

Company provides for expected credit losses on financial assets other than loans by assessing individual financial instruments for expectation of any credit losses:

- **For cash and cash equivalents and bank balances (other than cash and cash equivalents) -** Since the Company deals with only high-rated banks and financial institutions for banking operations and the liquid funds category in the debt funds with consistent track record for short term investment of surplus funds, credit risk in respect of cash and cash equivalents, other bank balances and bank deposits is evaluated as very low.

- **For Investment in G-Sec, State Development loans and Debt Securities -** Considering that the investments are in debt securities including Governemnet Securities/ minimum investment grade rated Government Companies in High Quality Liquid Assets (HQLAs), credit risk is considered low.

- **For Investment in Securities issued by Borrower entities at the time of Loan Settlement/ Resolution -** Credit risk is evaluated on the basis of recoverability of such securities. Wherever medium or high risk evaluated on such investments, suitable loss allowance is provided.

- **For other financial assets -** Credit risk is evaluated based on Company's knowledge of the credit worthiness of those parties and loss allowance is measured for 12 month expected credit losses upon initial recognition and provide for lifetime expected credit losses upon significant increase in credit risk.

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Details of expected credit loss for financial assets other than loans and trade receivables is disclosed as follows:

(₹ in Crores)

Particulars	As at 31.03.2022			As at 31.03.2021		
	Gross Carrying Amount	ECL	Net Carrying amount	Gross Carrying Amount	ECL	Net Carrying amount
Cash and cash equivalents	140.99	-	140.99	1,179.24	-	1,179.24
Bank balances (other than cash and cash equivalents)	2,518.96	-	2,518.96	2,223.58	-	2,223.58
Investments*	1,930.10	28.72	1,901.38	1,269.95	-	1,269.95
Other financial assets **	24,506.48	91.17	24,415.31	24,508.41	88.53	24,419.88

** The impairment allowance has been provided in full on 'Investments in Reedemable Prefernce Shares' of Rattan India Power Limited considered as credit-impaired.*

*** The impairment allowance has been provided in full on 'Other financial assets' considered as credit-impaired.*

52.1.3 Expected Credit Loss for loans

For risk management reporting purposes, the Company considers and consolidates following elements of credit risk:

Credit default risk: The risk of loss arising from a debtor being unlikely to pay its loan obligations in full or the debtor is more than 90 days past due on any material credit obligation; default risk may impact all credit-sensitive transactions, including loans and securities.

Concentration risk: The risk associated with any single exposure or group of exposures with the potential to produce large enough losses to threaten Company's core operations.

(A) Credit Risk Management

The credit risk is managed at different levels including at appraisal, disbursements and post disbursement monitoring. The Company has "Integrated Rating Guidelines" and "Comprehensive Risk Management Policy". To mitigate credit risk, the company follows systematic institutional and project appraisal process to assess the credit risk. These processes include a detailed appraisal methodology, identification of risks and suitable structuring and credit risk mitigation measures. Further, on periodic basis, the loan assets are reviewed and categorized as High/Moderate/Low based on ECL methodology. The process for Credit Risk Management are as under:

(i) The Company has "Integrated Rating Guidelines" covering credit assessment, risk grading, collateral requirements, reporting, monitoring of end utilisation of funds etc. Further, independent Lender legal counsels are appointed to ensure effective documentation and mitigation of legal risk

(ii) For all existing private sector projects, where the Company is Lead Financial Institution, the Company engages Lender's Independent Engineers (LIE), Lender's Financial Advisors (LFA) and Lender's Insurance Advisors (LIA), which are independent agencies who act on behalf of various lenders and consortium members. LIE conducts periodic site visits and submits reports on progress status of the project, after discussion with borrower and inspection/ review of relevant documents. LFA submit the statements of fund flow and utilization of funds in the project periodically. In cases where the Company is not the lead Financial Institution, the tasks related to LIE and LFA services are being coordinated with the lead lender.

The Company also endeavors to appoint a separate Project Management Agency (PMA) for new projects being financed, which subsumes the entire works of LIE /Project Management Consultant (PMC), LFA and LIA for better coordination among the agencies. PMA is stationed at project site to closely monitor various day to day project execution activities including monitoring of project progress, review of EPC/non-EPC contracts & invoices, fund utilization and insurance for the project. PMA also verifies the bills of original equipment manufacturer/ supplier, composite works contractor and give its recommendation for disbursement. Initial due diligence is also be performed by PMA taking the sanctity of technical and financial parameters including original project cost & COD.

Concurrent Auditors/Agencies for Specialized monitoring/Cash Flow monitoring agencies are being appointed by REC/Lenders on case to case basis for effective monitoring of Trust & Retention Account (TRA) for stressed projects.

(iii) The Company has an authorisation structure for the approval and renewal of credit facilities. Authorisation limits have been established commensurating with the size of business proposal at CMD/Executive Committee/Loan Committee/ Board of Directors based on the recommendation of Screening Committee, as appropriate.

Consolidated Notes to Accounts

(iv) The Company has developed risk grading structure to categorise its exposures according to the degree of risk of default by charging appropriate interest rates and security package.

(v) Regular reports on the credit quality of loan portfolios are provided to Risk Management Committee and Board, which may require appropriate corrective action to be taken.

(vi) External agencies are appointed from time to time to review the guidelines, policy and existing practices being followed by business units along with providing the specialist skills to promote best practice throughout the Company for management of credit risk.

(vii) Individual and Group Credit Exposures are assessed against designated limits, before facilities are committed to borrowers by the business unit concerned. Sanction of additional facilities are also subject to the same review process.

(viii) The Company continuously monitors delays and/ or default of borrowers & other counterparties and their recoverability. On occurrence of default in the borrower's account, the Company initiates necessary steps to cure the default which may involve action(s) including, but not limited to, Special Mention Account (SMA) reporting to RBI, credit information reporting to Central Repository of Information on Large Credits (CRILC), etc., monitoring of the TRA account, conversion of loan into equity as per loan agreement, restructuring of loan account, formulating resolution plan with the borrower, change in ownership, Corporate Insolvency Resolution Process (CIRP), sale of the exposures to other entities/ investors and other recovery mechanisms including invocation of guarantees/ securities to recover the dues.

(B) Credit risk Measurement

The impairment loss allowance on loan assets is provided as per Ind AS 109 in accordance with a board-approved policy, which measures the credit risk on the basis of key financial and operational parameters to assess improvement/ deterioration in credit quality. Management overlays to the model output, if any, are duly documented and approved by the Audit Committee. The evaluation of Expected Credit Loss (ECL) is undertaken by an independent agency, ICRA Analytics Limited (formerly ICRA Online Limited).

The Company has an internal system of grading for State Governments, Public Sector Undertakings and State Power Utilities. However, for Distribution Companies (DISCOMs), the Company adopts the ratings by the Ministry of Power as and when they are updated. These ratings are mapped with external rating grades published by various credit rating agencies as part of rating transition matrix. For private borrowers, the Company uses the external rating as published by various credit rating agencies, or proxy risk score in case such rating is not available. The proxy risk score model considers following parameters :

Quantitative factors

Debt/ EBITDA (30% weightage)

Return on Capital Employed (15% weightage)

Interest Coverage (25% weightage)

Gearing (Debt/Equity) (30% weightage)

Qualitative Factors

Quarter wise Operational Parameters like PPA, PLF, ACS – ARR Gap, and LAF

Actual Default dates

Status of the Project

(C) Measurement of Expected Credit Loss (ECL)

Ind AS 109 outlines a "three stage" model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit impaired on initial recognition and whose credit risk has not increased significantly since initial recognition is classified as "Stage 1".
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit impaired.
- If a financial instrument is credit impaired, it is moved to "Stage 3".
- Financial instrument in Stage 1 have their ECL measured at an amount equal to expected credit loss that results from default events possible within the next 12 months. Instruments in Stage 2 or Stage 3 criteria have their ECL measured on lifetime basis.

Consolidated Notes to Accounts

(D) Significant Increase in Credit Risk (SICR)

The Company considers a financial instrument to have experienced a significant increase in credit risk when on any financial instrument if the payment is more than 30 days past due on its contractual payments.

(E) Definition of default and credit-impaired assets

The Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when the loan account is more than 90 days past due on its contractual payments or or any such period allowed by the company in line with circular issued by the Reserve Bank of India.

(F) Measuring ECL - explanation of inputs, assumptions and estimation techniques

Expected credit losses are the product of the probability of default (PD), exposure at default (EAD) and loss given default (LGD), defined as follows:

- PD represents the likelihood of the borrower defaulting on its obligation either over next 12 months or over the remaining lifetime of the instrument.
- EAD represents the amounts, including the principal outstanding, interest accrued and outstanding Letters of Comfort that the Company expects to be owed at the time of default.
- LGD represents the Company's expectation of loss given that a default occurs. LGD is expressed in percentage and it shows the proportion of the amount that will actually be lost post recoveries in case of a default.

Determination of Probability of Default (PD)

The Company has analysed the available average annual rating transition matrices published by Credit Rating Agencies to arrive at annual transition matrix based PD. This annual transition matrix PD was extrapolated to arrive at the lifetime probability of default of various rating grades by loan tenure / maturity profile i.e. lifetime PD.

Loss Given Default (LGD) computation model

Based on the historical trend, research and industry benchmarking the Company has constructed a LGD model. Factors reviewed in the LGD model include Project cost per unit, PPA status, FSA status etc. Based on internal research the company has benchmarked these factors for Thermal, Renewable in Private Sector. In case of Private sector borrowers, the realizable value of the assets were arrived at using suitable assumptions, including valuation on outcome of the resolution process etc., to arrive at LGD. For State Government and Public sector projects, the Company has factored in the state support and assumed that the State/Central governments would step in to repay debt obligations of the state utilities as witnessed in the past.

(G) Alignment of LGD in case of Stage 3 Assets

Stage-3 assets where REC and PFC (Group Companies) are in Consortium for Stage-III Loan accounts, LGD is taken on the following basis:

(a) In cases where either REC or PFC is lead lender, LGD % calculated by the lead lender is adopted.

(b) In cases where neither REC nor PFC is lead lender, higher of the LGD% worked out by REC and PFC is adopted.

(H) Key assumptions used in measurement of ECL

(i) The Company considers the date of initial recognition as the base date from which significant increase in credit risk is determined.

(ii) EAD represents the amounts, including the principal outstanding, interest accrued and outstanding Letters of Comfort that the Company expects to be owed at the time of default.

Consolidated Notes to Accounts

(I) Credit Risk Exposure

Credit Risk Exposure in respect of the borrowers with different credit ratings is as under

(₹ in Crores)

Credit Risk Category Mapped (Internal/ Ratings)	As at 31.03.2022				As at 31.03.2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Performing								
Very Good (AAA | AA | A | Government Loan)	1,81,968.90	11,661.35	-	1,93,630.25	2,20,485.16	1,421.82	-	2,21,906.98
Good (BBB | BB | B)	96,631.68	24,762.88	-	1,21,394.57	1,07,998.93	69.68	-	1,08,068.61
Average (C)	54,755.07	-	-	54,755.07	28,532.47	-	-	28,532.47
Fair (D)	2,521.34	-	-	2,521.34	1,874.55	1,396.55	-	3,271.10
Non- Performing (D)	-	-	17,159.89	17,159.89	-	-	18,256.93	18,256.93
Gross Exposure	**3,35,876.99**	**36,424.23**	**17,159.89**	**3,89,461.12**	**3,58,891.11**	**2,888.05**	**18,256.93**	**3,80,036.09**
Loss allowance	2,790.22	369.61	11,565.73	14,725.57	1,282.46	141.43	11,791.31	13,215.20
Net Exposure	**3,33,086.77**	**36,054.62**	**5,594.16**	**3,74,735.55**	**3,57,608.65**	**2,746.62**	**6,465.62**	**3,66,820.89**

(J) Collateral and other credit enhancements

The Company employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds disbursed. The Company has internal policies on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgage of Immovable properties
- Hypothecation of Moveable property
- Assignment of project contract documents
- Pledge of instruments through which promoters' contribution is infused in the project
- Pledge of Promoter Shareholding
- Corporate and personal Guarantee of Promoters

(K) Loss allowance

The loss allowance recognized in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period

Consolidated Notes to Accounts

The following tables explain the changes in the loan assets (including undisbursed Letters of Comfort) and the corresponding ECL allowance between the beginning and the end of the reporting period:

(₹ in Crores)

For the Year ended 31st March 2022	Stage 1	
	Gross Amount	12 months ECL
Opening Balance	**3,58,891.11**	**1,282.46**
Transfer to 12 months ECL	2,031.94	134.62
Transfer to life time ECL not credit impaired	(35,361.06)	(40.15)
Transfer to Lifetime ECL credit impaired	(1,516.73)	(214.87)
Additional provision due to changes in PD/ LGD	-	1,235.51
New Financial assets originated or purchased (including further disbursements in existing assets)	62,483.86	569.85
Financial Assets that have been derecognised (including recoveries in existing assets)	(50,652.13)	(177.20)
Write offs	-	-
Closing Balance	**3,35,876.99**	**2,790.22**

(₹ in Crores)

For the Year ended 31st March 2021	Stage 1	
	Gross Amount	12 months ECL
Opening Balance	**2,99,697.53**	**488.46**
Transfer to 12 months ECL	2,509.24	353.78
Transfer to life time ECL not credit impaired	(1,609.07)	(1.90)
Transfer to Lifetime ECL credit impaired	-	-
Additional provision due to changes in PD/ LGD	-	123.92
New Financial assets originated or purchased (including further disbursements in existing assets)	94,564.60	414.89
Financial Assets that have been derecognised (including recoveries in existing assets)	(36,271.19)	(96.69)
Write offs	-	-
Closing Balance	**3,58,891.11**	**1,282.46**

(L) Details of Stage wise Exposure and Impairment Loss Allowance:

(₹ in Crores)

Particulars	As at 31.03.2022	
	Stage I	Stage II
Total Exposure	**3,35,876.99**	**36,424.23**
Impairment Allowance	2,790.22	369.61
ECL %	0.83%	1.01%

Consolidated Notes to Accounts

(₹ in Crores)

Stage 2		Stage 3		Total	
Gross Amount	Lifetime ECL	Gross Amount	Lifetime ECL	Gross Amount	ECL
2,888.05	**141.43**	**18,256.93**	**11,791.31**	**3,80,036.09**	**13,215.20**
(1,396.55)	(139.66)	(635.39)	5.03	-	(0.01)
35,361.06	40.15	-	-	-	-
-	-	1,516.73	214.87	-	-
-	293.79	-	1,517.77	-	3,047.07
3,877.11	40.22	-	-	66,360.97	610.07
(4,305.44)	(6.32)	(54.37)	(39.24)	(55,011.94)	(222.76)
-	-	(1,924.01)	(1,924.01)	(1,924.01)	(1,924.01)
36,424.23	**369.61**	**17,159.89**	**11,565.73**	**3,89,461.11**	**14,725.56**

(₹ in Crores)

Stage 2		Stage 3		Total	
Gross Amount	Lifetime ECL	Gross Amount	Lifetime ECL	Gross Amount	ECL
2,431.27	**963.83**	**21,255.55**	**10,552.13**	**3,23,384.35**	**12,004.42**
(53.05)	(1.82)	(2,456.18)	(351.96)	0.01	-
1,609.07	1.90	-	-	-	-
(36.22)	(0.38)	36.22	0.38	-	-
-	178.15	-	2,037.68	-	2,339.75
264.00	0.47	2.00	0.20	94,830.60	415.56
(421.58)	(95.28)	(333.56)	(200.02)	(37,026.33)	(391.99)
(905.44)	(905.44)	(247.10)	(247.10)	(1,152.54)	(1,152.54)
2,888.05	**141.43**	**18,256.93**	**11,791.31**	**3,80,036.09**	**13,215.20**

(₹ in Crores)

		As at 31.03.2021			
Stage III	Total	Stage I	Stage II	Stage III	Total
17,159.89	**3,89,461.12**	**3,58,891.11**	**2,888.05**	**18,256.93**	**3,80,036.09**
11,565.73	14,725.57	1,282.46	141.43	11,791.31	13,215.20
67.40%	3.78%	0.36%	4.90%	64.59%	3.48%

Consolidated Notes to Accounts

(M) Concentration of credit risk

The Company monitors concentration of credit risk (loan assets including undisbursed Letters of Comfort) by type of industry in which the borrower operates, further bifurcated into type of borrower, whether state or private.

(₹ in Crores)

Particulars	As at 31.03.2022		As at 31.03.2021	
	Gross Amount	ECL	Gross Amount	ECL
Concentration by industry				
Generation	1,55,202.14	12,298.95	1,56,901.95	12,035.54
Renewables	13,449.27	225.20	17,388.24	117.88
Transcos	64,879.92	774.38	61,309.37	502.51
Discoms	1,52,115.74	1,411.67	1,39,833.76	557.90
Government Loans	3,814.04	15.36	4,602.77	1.37
Total	**3,89,461.11**	**14,725.56**	**3,80,036.09**	**13,215.20**
Concentration by ownership				
State	3,50,584.17	2,684.59	3,38,973.84	938.40
Private	38,876.94	12,040.97	41,062.25	12,276.80
Total	**3,89,461.11**	**14,725.56**	**3,80,036.09**	**13,215.20**

(N) Sector-wise Credit-impaired Assets - Percentage of Stage-III Assets to Total Advances in that sector

Particulars	As at 31.03.2022	As at 31.03.2021
Power Sector	4.45%	4.84%

(O) Movement of Credit-impaired Assets

(₹ in Crores)

Particulars		Year ended 31.03.2022	Year ended 31.03.2021
(i)	**Gross Credit-impaired Assets to Gross Advances (%)**	4.45%	4.84%
(ii)	**Net Credit-impaired Assets to Gross Advances (%)**	1.45%	1.71%
(iii)	**Net Credit-impaired Assets to Net Advances (%)**	1.51%	1.78%
(iv)	**Movement of Credit-impaired Assets (Gross)**		
(a)	Opening balance	18,256.93	21,255.55
(b)	Additions during the year	1,516.73	38.22
(c)	Reductions during the year	(689.76)	(2789.74)
(d)	Write-off during the year	(1924.01)	(247.10)
(e)	**Closing balance**	**17,159.89**	**18,256.93**
(v)	**Movement of Credit-impaired Assets (Net)**		
(a)	Opening balance	6,465.62	10,703.42
(b)	Additions during the year	(215.91)	34.59
(c)	Reductions during the year	(655.55)	(4272.39)
(d)	Write-off during the year	-	-
(e)	**Closing balance**	**5,594.16**	**6,465.62**
(vi)	**Movement of provisions for Credit-impaired Assets**		
(a)	Opening balance	11,791.31	10,552.13
(b)	Provisions made during the year	1,732.64	2,038.26
(c)	Write-back of excess provisions	(34.21)	(551.98)
(d)	Provision on assets written off during the year	(1924.01)	(247.10)
(e)	**Closing balance**	**11,565.73**	**11,791.31**

Consolidated Notes to Accounts

(P) In accordance with RBI Circular on Implementation of Ind AS by NBFCs dated 13.03.2020, had the loans otherwise required to be classified as NPA as per IRACP norms been considered, Gross NPA to Gross Loans ratio would have been 4.45% (previous year 5.04%) and Net NPA to Net Loans would have been 1.51% (previous year 1.99%) as at 31st March 2022.

(Q) Write off policy

The Company writes off financial assets, in whole or in part, as directed by the order of the Judicial Authority or when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasure of enforcement activity or where the Company's recovery method is foreclosing on collateral and the value of collateral is such that there is no reasonable expectation of recovery in full.

(R) Business Model Policy

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios.

The Company is in the business of lending loans across power sector value chain and such loans are managed to realize the cash flows by collecting contractual payments (including principal and interest) over the tenure of the loan. Further, investments in the nature of debt investments and other financial assets may also be held by the Company to collect the contractual payments as per the agreed terms.

The Company's business model therefore is "hold to collect" for Loans, certain Financial Investments and Other Financial Assets. Such financial assets are measured at amortised cost if the contractual terms gives rise to cash flows that are solely payments of principal and interest on the amount outstanding.

(S) There are no Accounts with overdues beyond 90 days but not treated as credit impaired (excluding accounts to whom relief under RBI Covid-19 Relief package has been allowed) (previous year Nil)

(T) There are no reportable cases of loans transferred/ acquired during the FY 2021-22 (previous year Nil) under Master Direction – Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021 dated 24th September 2021.

Consolidated Notes to Accounts

(U) Comparison between provision required as per RBI Income Recognition, Asset Classificaion and Provisioning norms (IRACP) and Impairment Allowance as per Ind-AS

(₹ in Crores)

For the Year ended 31st March 2022 Asset Classification as per RBI Norms	Asset classification as per Ind AS 109	Outstanding amount	Gross Carrying Amount as per Ind AS
(1)	(2)	(3)	(4)
Performing Assets			
Standard	Stage 1	3,31,787.14	3,32,586.36
	Stage 2	36,424.23	36,888.95
Sub Total (1)		**3,68,211.37**	**3,69,475.31**
Non-Performing Assets			
Substandard Assets	Stage 3	1,512.49	1,512.49
Doubtful Assets			
Up to 1 year	Stage 3	33.28	33.28
1 to 3 years	Stage 3	4,534.01	4,534.01
More than 3 years	Stage 3	11,062.89	11,062.89
Subtotal for doubtful assets		**15,630.18**	**15,630.18**
Loss Assets	Stage 3	17.22	17.22
Sub-total for NPA (2)		**17,159.89**	**17,159.89**
Total Loan Assets		**3,85,371.26**	**3,86,635.20**
Other items which are in scope of Ind-AS 109 but not covered under IRACP norms			
- Letter of Comfort*	Stage 1	4,089.85	4,089.85
Sub-Total (3)		**4,089.85**	**4,089.85**
Total	**Stage 1**	**3,35,876.99**	**3,36,676.21**
	Stage 2	**36,424.23**	**36,888.95**
	Stage 3	**17,159.89**	**17,159.89**
	Total	**3,89,461.11**	**3,90,725.05**

** Gross carrying amount towards Letter of Comfort (LoC) represents non fund based exposures considered as financial guarantee as per IndAS 109*

(₹ in Crores)

For the Year ended 31st March 2021 Asset Classification as per RBI Norms	Asset classification as per Ind AS 109	Outstanding amount	Gross Carrying Amount as per Ind AS
(1)	(2)	(3)	(4)
Performing Assets			
Standard	Stage 1	3,56,273.17	3,57,285.43
	Stage 2	2,888.05	2,925.24
Sub Total (1)		**3,59,161.22**	**3,60,210.67**
Non-Performing Assets			
Substandard Assets	Stage 3	36.31	36.31
Doubtful Assets			
Up to 1 year	Stage 3	560.99	560.99
1 to 3 years	Stage 3	13,786.04	13,786.04
More than 3 years	Stage 3	3,856.37	3,856.37
Subtotal for doubtful assets		**18,203.40**	**18,203.40**
Loss Assets	Stage 3	17.22	17.22
Sub-total for NPA (2)		**18,256.93**	**18,256.93**
Total Loan Assets		**3,77,418.15**	**3,78,467.60**
Other items which are in scope of Ind-AS 109 but not covered under IRACP norms			
- Letter of Comfort*	Stage 1	2,617.94	2,617.94
Sub-Total (3)		**2,617.94**	**2,617.94**
Total	**Stage 1**	**3,58,891.11**	**3,59,903.37**
	Stage 2	**2,888.05**	**2,925.24**
	Stage 3	**18,256.93**	**18,256.93**
	Total	**3,80,036.09**	**3,81,085.54**

** Gross carrying amount towards Letter of Comfort (LoC) represents non fund based exposures considered as financial guarantee as per IndAS 109*

Consolidated Notes to Accounts

(₹ in Crores)

Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
(5)	(6)=(4)-(5)	(7)	(8)=(5)-(7)
2,769.32	3,29,817.04	1,771.72	997.60
369.61	36,519.34	391.52	(21.91)
3,138.93	**3,66,336.38**	**2,163.24**	**975.69**
437.16	1,075.33	190.83	246.33
3.33	29.95	7.25	(3.92)
2,981.99	1,552.01	1,952.89	1029.10
8,126.03	2,936.86	8,108.58	17.45
11,111.35	**4,518.82**	**10,068.72**	**1042.63**
17.22	-	17.22	-
11,565.73	**5,594.15**	**10,276.77**	**1,288.96**
14,704.66	**3,71,930.53**	**12,440.01**	**2264.65**
20.90	4,068.95	-	20.90
20.90	**4,068.95**	**-**	**20.90**
2,790.22	**3,33,885.99**	**1,771.72**	**1018.50**
369.61	**36,519.34**	**391.52**	**(21.91)**
11,565.73	**5,594.15**	**10,276.77**	**1,288.96**
14,725.56	**3,75,999.48**	**12,440.01**	**2285.55**

(₹ in Crores)

Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
(5)	(6)=(4)-(5)	(7)	(8)=(5)-(7)
1,273.37	3,56,012.06	2,304.84	(1031.47)
141.43	2,783.81	145.62	(4.19)
1,414.80	**3,58,795.87**	**2,450.46**	**(1035.66)**
3.63	32.68	3.63	-
303.81	257.18	301.24	2.57
8,514.57	5,271.46	6,913.49	1601.08
2,952.08	904.29	2,665.23	286.85
11,770.46	**6,432.93**	**9,879.96**	**1890.50**
17.22	-	17.22	-
11,791.31	**6,465.61**	**9,900.81**	**1,890.50**
13,206.11	**3,65,261.48**	**12,351.27**	**854.84**
9.09	2,608.85	-	9.09
9.09	**2,608.85**	**-**	**9.09**
1,282.46	**3,58,620.91**	**2,304.84**	**(1022.38)**
141.43	**2,783.81**	**145.62**	**(4.19)**
11,791.31	**6,465.61**	**9,900.81**	**1,890.50**
13,215.20	**3,67,870.33**	**12,351.27**	**863.93**

Consolidated Notes to Accounts

52.1.4 Expected Credit Loss for Trade Receivables

The entity provides for lifetime credit losses in respect of trade receivables of RECPDCL, one of the subsidiary of REC using simplified approach under ECL method

(Amount ₹ in Crores)

Particulars	Less than 1 year	1 year- 2 year	2 year- 3 year	More than 3 year	Total
As at 31st March 2022					
Gross carrying value	88.93	19.35	14.56	54.43	177.27
Expected loss rate	14.03%	6.82%	99.52%	100.00%	46.66%
Expected credit loss (provision)	12.48	1.32	14.49	54.43	82.72
Carying amount (net of impairment)	76.45	18.03	0.07	-	94.55
As at 31st March 2021					
Gross carrying value	124.45	22.85	32.47	46.80	226.57
Expected loss rate	15.36%	19.04%	49.98%	100.00%	38.18%
Expected credit loss (provision)	19.12	4.35	16.23	46.80	86.50
Carying amount (net of impairment)	105.33	18.50	16.24	-	140.07

52.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due.

The Company manages its liquidity risk through a mix of strategies, including forward-looking resource mobilization based on projected disbursements and maturing obligations. The Company has put in place an effective Asset Liability Management System and has also constituted an Asset Liability Management Committee ("ALCO") which monitors the liquidity risk with the help of liquidity gap analysis.

The Company maintains adequate bank balances, short term investments that are readily convertible into cash and adequate borrowing and overdraft facilities by continuously monitoring the forecast and actual cash flows.

52.2.1 Maturity Pattern of Future Undiscounted Cash Flows

The cash flows towards items of financial liabilities (representing future undiscounted cash flows towards principal and interest) is as under:

(₹ in Crores)

As at 31st March 2022	1-7 Days	8-14 Days	Over 15 Days & up to 1 Months	Over 1 month & up to 2 Months	Over 2 months & up to 3 Months	Over 3 months & up to 6 Months	Over 6 months & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Non-Derivative Financial Liabilities :											
Rupee Borrowings											
Debt Securities											
- Principal	-	-	-	-	5,878.20	2,970.00	14,058.86	53,719.87	39,133.38	67,474.22	**1,83,234.53**
- Interest	-	379.26	348.22	1,085.23	2,345.40	2,433.79	6,289.22	21,667.98	14,748.20	22,279.94	**71,577.24**
Other Borrowings											
- Principal	-	-	160.93	1,150.00	1,000.00	1,824.29	5,163.63	17,836.77	15,155.51	18,798.15	**61,089.28**
- Interest	272.39	-	63.24	202.90	496.89	671.39	1,604.83	4,949.21	3,439.46	3,027.89	**14,728.20**
Subordinated Liabilities											
- Principal	-	-	-	-	-	-	-	2,500.00	-	4,150.70	**6,650.70**
- Interest	-	-	-	201.50	114.94	-	163.60	759.35	557.08	787.73	**2,584.20**
Foreign Currency Borrowings											
Debt Securities											
- Principal	-	-	-	-	-	-	-	17,814.67	6,822.64	5,685.54	**30,322.85**

Consolidated Notes to Accounts

(₹ in Crores)

As at 31st March 2022	1-7 Days	8-14 Days	Over 15 Days & up to 1 Months	Over 1 month & up to 2 Months	Over 2 months & up to 3 Months	Over 3 months & up to 6 Months	Over 6 months & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
- Interest	-	-	-	227.28	66.15	285.65	584.79	1,691.31	769.79	171.02	**3,795.99**
Other Borrowings											
- Principal	-	-	-	2,744.22	2,887.33	2,664.98	4,506.16	8,555.57	21,129.28	3,001.98	**45,489.52**
- Interest	8.00	7.18	22.42	67.65	124.53	263.85	447.00	1,388.28	812.26	516.82	**3,657.99**
Derivative Liabilities :											
Interest rate swaps	-	-	-	0.07	-	18.82	0.00	42.62	-	112.01	**173.52**
Currency swaps	-	-	-	-	-	-	-	13.87	-	34.50	**48.37**
Reverse cross currency swap	-	-	-	-	-	-	-	22.50	-	308.74	**331.24**
Seagull Option	-	-	-	-	-	-	-	-	-	-	**-**

(₹ in Crores)

As at 31st March 2021	1-7 Days	8-14 Days	Over 15 Days & up to 1 Months	Over 1 month & up to 2 Months	Over 2 months & up to 3 Months	Over 3 months & up to 6 Months	Over 6 months & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Non-Derivative Financial Liabilities :											
Rupee Borrowings											
Debt Securities											
- Principal	-	-	1,055.00	600.00	3,520.00	6,486.80	25,852.18	46,211.21	44,523.75	75,813.29	**2,04,062.23**
- Interest	-	379.26	429.06	1,313.74	1,981.43	3,293.77	7,839.85	22,724.28	16,731.83	27,588.05	**82,281.27**
Other Borrowings											
- Principal	-	350.00	2,400.00	7,099.52	4,137.00	1,526.67	3,658.51	20,600.55	9,152.90	10,000.00	**58,925.15**
- Interest	208.60	4.26	85.39	199.76	458.88	565.70	1,388.04	4,370.69	2,293.36	2,653.21	**12,227.90**
Subordinated Liabilities											
- Principal	-	-	-	-	-	-	-	2,500.00	-	4,150.70	**6,650.70**
- Interest	-	-	-	201.50	162.21	-	192.96	1,107.77	704.25	1,375.22	**3,743.91**
Foreign Currency Borrowings											
Debt Securities											
- Principal	-	-	-	-	-	-	-	8,820.56	12,128.28	5,512.87	**26,461.71**
- Interest	-	-	-	220.52	64.14	194.94	485.15	1,841.77	670.06	395.99	**3,872.57**
Other Borrowings											
- Principal	-	-	551.29	551.29	45.31	12.51	6,797.99	8,043.62	4,575.17	5,776.64	**26,353.82**
- Interest	8.81	1.21	7.27	68.26	60.15	130.44	246.98	841.03	615.06	800.45	**2,779.66**
Derivative Liabilities :											
Interest rate swaps	-	-	-	-	-	-	29.88	343.06	30.71	-	**403.65**
Currency swaps	-	-	-	-	-	-	-	-	16.48	104.60	**121.08**
Reverse cross currency swap	-	-	-	-	-	-	-	-	19.67	258.66	**278.33**
Seagull Option	-	-	24.92	18.33	-	-	-	-	-	-	**43.25**

Bonds with put & call option have been shown considering the earliest exercise date. The liquidity analysis for derivative financial liabilities is based on fair values of the derivative contracts and the maturity buckets have been derived on the basis of the remaining tenor of the respective derivative instrument.

Significant cashflows required for financial liabilities shall be funded through the undiscounted cash flows (principal and interest) from loans as below:

(₹ in Crores)

Particulars	1-7 Days	8-14 Days	Over 15 Days & up to 1 Months	Over 1 month & up to 2 Months	Over 2 months & up to 3 Months	Over 3 months & up to 6 Months	Over 6 months & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
As at 31st March 2022											
Principal	158.66	-	2,077.03	2,142.80	4,800.08	8,892.93	19,691.55	74,970.39	74,346.88	1,83,586.28	**3,70,666.60**
Interest	611.62	-	892.06	1,559.14	6,094.78	9,076.43	17,252.35	59,983.17	44,663.39	71,842.69	**2,11,975.63**
As at 31st March 2021											
Principal	878.97	-	1,866.73	1,747.68	4,838.22	8,947.33	17,793.88	72,044.11	67,832.43	1,88,262.69	**3,64,212.04**
Interest	117.12	4.00	880.36	1,331.57	5,715.61	9,108.12	17,306.39	60,195.92	45,576.96	77,702.45	**2,17,938.50**

The principal cash flows relating to Stage III assets, net of Expected Credit Loss have been considered in over 5 years bucket irrespective of the maturity date.

52.2.2 Maturity Pattern of Significant Financial Assets & Liabilities, as prescribed by RBI

(₹ in Crores)

As at 31st March 2022	1-7 Days	8-14 Days	Over 15 Days & up to 1 Months	Over 1 month & up to 2 Months	Over 2 months & up to 3 Months	Over 3 months & up to 6 Months	Over 6 months & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Loan Assets	158.66	-	2,077.03	2,142.80	6,181.63	8,892.93	19,691.55	74,970.39	74,346.88	1,83,468.67	**3,71,930.54**
Investments			0.31	-	2.81	2.82	56.17	80.05	180.59	1,867.69	**2,190.44**
Rupee Borrowings											
Debt Securities	19.34	367.83	330.52	993.71	7,777.02	4,636.58	15,210.81	53,696.32	39,118.89	67,396.43	**1,89,547.46**
Other Borrowings	6.56	-	200.55	1,150.00	1,000.00	2,149.40	5,165.59	17,836.77	15,155.52	18,796.19	**61,460.59**
Subordinated Liabilities		-	-	168.38	126.46	-	2.11	2,499.73	-	4,019.79	**6,816.47**
Foreign Currency Borrowings											
Debt Securities	-	-	-	172.81	40.17	89.14	-	17,755.78	6,805.78	5,163.48	**30,027.15**
Other Borrowings	5.62	2.42	4.43	2,747.65	2,910.57	2,680.96	4,506.16	8,499.93	20,837.27	2,995.98	**45,191.00**

(₹ in Crores)

As at 31st March 2021	1-7 Days	8-14 Days	Over 15 Days & up to 1 Months	Over 1 month & up to 2 Months	Over 2 months & up to 3 Months	Over 3 months & up to 6 Months	Over 6 months & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Loan Assets	878.97	-	1,866.73	1,747.68	4,838.22	9,451.43	17,793.88	72,044.11	67,832.43	1,88,808.04	**3,65,261.49**
Investments		-	0.31	-	-	-	37.80	100.64	136.13	1,448.81	**1,723.68**
Rupee Borrowings											
Debt Securities	-	367.83	1,462.17	1,143.76	5,127.49	8,436.25	28,242.92	46,217.54	44,490.29	75,720.46	**2,11,208.71**
Other Borrowings	-	350.00	2,431.14	7,099.52	4,462.12	1,526.67	3,658.51	20,600.55	9,152.91	9,999.99	**59,281.41**
Subordinated Liabilities	-	-	-	168.38	129.51	-	1.60	2,499.52	-	4,147.88	**6,946.89**
Foreign Currency Borrowings	-										
Debt Securities	-	-	-	-	-	62.02	213.39	8,768.94	12,094.51	4,921.54	**26,060.40**
Other Borrowings	6.59	-	551.29	557.44	68.01	12.51	6,785.72	7,968.17	4,505.29	5,770.93	**26,225.95**

Consolidated Notes to Accounts

52.2.3 Financing arrangements

The Company had access to the following undrawn borrowing facilities at the end of the reporting period:

(₹ in Crores)

Particulars	As at 31.03.2022	As at 31.03.2021
Expiring within one year (cash credit and other facilities)		
- Fixed rate		
- Floating rate	8,803.05	5,547.28
Expiring beyond one year (loans/ borrowings)		
- Fixed rate	-	-
- Floating rate	1,245.90	-

52.2.4 Additional Disclosures in accordance with RBI Circular on liquidity risk management

The Company has put in place an effective Asset Liability Management System and has also constituted an Asset Liability Management Committee ("ALCO") which monitors the liquidity risk with the help of liquidity gap analysis. The Company continuously monitors the projected and actual cash flows and accordingly maintains adequate bank balances, overdraft facilities, short term investments that are readily convertible into cash and adequate borrowing plans.

(i) Funding Concentration based on significant counterparty (borrowings)

Particulars	As at 31.03.2022	As at 31.03.2021
Number of significant counterparties*	15	20
Amount (₹ in Crores)	1,55,352.32	1,82,250.87
% of Total Liabilities	**43.21%**	**51.04%**

(ii) Top 10 borrowings

	Particulars	As at 31.03.2022		As at 31.03.2021	
		Amount (₹ in Crores)	% of Total borrowings	Amount (₹ in Crores)	% of Total borrowings
1	Term Loan from State Bank of India	12,729.30	3.89%	10,839.90	3.36%
2	Term Loan from Govt. of India- National Small Savings Fund (NSSF)	12,000.00	3.67%	4,650.00	1.44%
3	54EC- Series XII (2018-19)	10,000.00	3.06%	10,000.00	3.10%
4	54EC- Series XIII (2019-20)	8,907.33	2.73%	-	-
5	Term Loan from India Infrastructure Finance Company Ltd. (IIFCL)	6,800.00	2.08%	5,800.00	1.80%
6	54EC- Series XII (2018-19)	6,651.77	2.04%	6,651.77	2.06%
7	54EC- Series XIII (2019-20)	6,157.72	1.88%	6,157.72	1.91%
8	54EC- Series XV (2021-22)	6,024.57	1.84%	-	-
9	Tax Free Bonds (2013-14 Series)	6,000.00	1.84%	-	-
10	54EC- Series XIV (2020-21)	5,312.07	1.63%	-	-
11	Foreign Currency Bonds- US $700 Mn Bonds	-	-	5,145.33	1.60%
12	Institutional Bonds- 182nd Series	-	-	5,063.00	1.57%
13	Institutional Bonds- 203rd A Series	-	-	5,000.00	1.55%
14	Foreign Currency Bonds- US $650 Mn Bonds	-	-	4,777.81	1.48%
	Total	**80,582.76**	**24.65%**	**64,085.53**	**19.87%**

Consolidated Notes to Accounts

(iii) Funding Concentration based on significant instrument/ product

Name of significant instrument/ product*	As at 31.03.2022		As at 31.03.2021	
	Amount (₹ in Crores)	% of Total Liabilities	Amount (₹ in Crores)	% of Total Liabilities
1 Debt Securities				
Institutional Bonds	1,46,029.60	40.61%	1,73,326.60	48.54%
Foreign Currency Bonds	30,322.85	8.43%	26,461.71	7.41%
54EC Capital Gain Tax Exemption Bonds	25,437.67	7.07%	18,121.59	5.07%
Tax Free Bonds	11,763.30	3.27%	12,602.97	3.53%
Sub-Total (1)	**2,13,553.42**	**59.40%**	**2,30,512.87**	**64.55%**
2 Borrowings (Other than Debt Securities)				
Term Loans from Banks	42,878.32	11.93%	29,938.58	8.38%
Foreign Currency Borrowings	35,634.60	9.91%	21,024.72	5.89%
Loans repayable on demand from Banks	1,410.93	0.39%	10,186.52	0.03
Term Loans from Govt. of India	10,000.00	2.78%	10,000.00	2.80%
Term Loans from Financial Institutions	6,800.00	1.89%	5,800.00	1.62%
FCNR (B) Loans	9,854.92	2.74%	5,329.10	1.49%
Sub-Total (2)	**1,06,578.77**	**29.64%**	**82,278.92**	**23.04%**
3 Subordinated Liabilities	6,650.70	1.85%	6,650.70	1.86%
Total (1+2+3)	**3,26,782.89**	**90.89%**	**3,19,442.49**	**89.45%**

** Significant counterparty/ significant instrument/ product is defined as a single counterparty/ single instrument/ product or group of connected or affiliated counterparties accounting in aggregate to more than 1% of the company's total liabilities.*

(iv) Stock Ratios:

Particulars	As at 31.03.2022				As at 31.03.2021			
	Amount (₹ in Crores)	% of Public Funds	% of Total Liabilities	% of Total Assets	Amount (₹ in Crores)	% of Public Funds	% of Total Liabilities	% of Total Assets
Commercial Papers	-	-	-	-	-	-	-	-
Non-Convertible debentures having maturity of less than one year	-	-	-	-	-	-	-	-
Other Short-Term liabilities	13,027.82	3.99%	3.62%	3.17%	20,849.55	6.47%	5.84%	5.20%

** Significant counterparty/ significant instrument/ product is defined as a single counterparty/ single instrument/ product or group of connected or affiliated counterparties accounting in aggregate to more than 1% of the company's total liabilities.*

(v) Liquidity Coverage Ratio (LCR)

RBI, vide its Liquidity Framework dated 04 Nov, 2019 has stipulated maintaining of Liquidity Coverage Ratio (LCR) by Non-Deposit taking NBFCs with asset size of more than ₹ 10,000 Crores w.e.f. 01 Dec, 2020. These guidelines of RBI aims to ensure that Company has an adequate stock of unencumbered High-Quality Liquid Assets (HQLA) that can be converted into cash easily and immediately to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario.

The LCR is represented by:

The Stock of High-Quality Liquid Assets

Total Net Cash Outflows over the next 30 calendar days

where,

(i) Total net cash outflows is defined as the total expected cash outflows minus total expected cash inflows for the next 30 calendar days, where the cash flows are assigned a predefined stress percentage, as prescribed by RBI.

(ii) High Quality Liquid Assets (HQLA) means liquid assets that can be readily sold or immediately converted into cash at little or no loss of value or used as collateral to obtain funds in a range of stress scenarios.

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The LCR requirement is binding on NBFCs from December 1, 2020 with the minimum HQLAs to be held being 50% of the LCR, progressively reaching up to the required level of 100% by December 1, 2024.

At Present, HQLA investments are held in INR in the form of Government Securities(G-Sec)/ State Development Loans (SDLs) Securities and AAA/AA Corporate Bonds and auto swap balance with banks.

Composition of HQLA:

Out of the Stock of HQLA, the Government Securities is the highest proportion of HQLA followed by AAA/AA Corporate bonds and auto swap balances. The position of HQLA holding as on 31 March 2022 is as follows:

HQLA Items	% of Overall
Assets without Haircut	**89%**
- Cash and Cash Equivalents	12%
- G-Sec and SDLs	77%
Assets with 15% Haircut	**11%**
- Corporate Bonds	11%
Assets with 50% Haircut	-
Total	**100%**

Liquidity Coverage Ratio Disclosure

(₹ in Crores)

Particulars	Quarter ended 31.03.2022		Quarter ended 31-12-2021	
	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*
High Quality Liquid Assets				
Total High Quality Liquid Assets (HQLA)	**1,719.78**	**1,686.09**	**2,151.50**	**2,120.54**
- AA/AAA Corporate Bonds	224.56	190.87	206.39	175.43
- G-SEC Bonds/ State Development Loans (SDLs)	1,296.73	1,296.73	483.29	483.29
- Banks Autoswap	198.49	198.49	1,461.82	1,461.82
Cash Outflows				
Other contractual funding obligations	8,279.00	9,520.85	11,720.66	13,478.76
Other contingent funding obligations	848.00	975.20	2,193.98	2,523.08
Total Cash Outflows	**9,127.00**	**10,496.05**	**13,914.64**	**16,001.84**
Cash Inflows				
Inflows from fully performing exposures	6,414.00	4,810.50	7,480.10	5,610.08
Other cash inflows	10,223.00	7,667.25	11,807.52	8,855.64
Total Cash Inflows (restricted to 75% of Outflows on every observation day)	**16,637.00**	**7,872.04**	**19,287.63**	**11,760.86**
Total Adjusted Value				
Total HQLA (A)		1,686.09		2,120.54
Total Net Cash Outflows (B)		2,624.01		4,240.98
Liquidity Coverage Ratio (LCR)		**64.26%**		**50.00%**
% Variance	**28.51%**			

** For average, daily observation during Quarter-4 of FY 2021-22, has been considered.*

Consolidated Notes to Accounts

52.3 Market Risk - Currency Risk

The Company is exposed to foreign currency risk from various foreign currency borrowings primarily denominated in USD, EURO, JPY and SGD. The Company has a risk management policy which aims to manage the foreign currency risk arising from its borrowings denominated in a currency other than the functional currency of the Company. The Company uses combination of foreign currency options structures, forward contracts and cross currency swap to hedge its exposure to foreign currency risk.

An Asset Liability Management Committee (ALCO) is currently functioning under the chairmanship of CMD with Functional Directors, executive directors and Chief General Managers from Finance and Operating Divisions as its members. ALCO monitors Foreign currency risk with exchange rate and interest rate managed through various derivative instruments. 'The Company enters into various derivative transactions to cover exchange rate through various instruments like foreign currency forwards contracts, currency options, principal only swaps and forward rate agreements. These derivative transactions are done for hedging purpose and not for trading or speculative purpose.

In respect of foreign currency debt securities and borrowings, the company has also executed cross currency swaps (principal and/ or interest) to hedge the Foreign Currency Exposure. The outstanding position of Foreign Currency Exposure as at 31st March 2022 is as under:

(Foreign Currency amounts in Millions, INR equivalent in ₹ Crores)

Currency	As at 31.03.2022			As at 31.03.2021		
	Total Exposure	Hedged through Derivatives	Unhedged Exposure	Total Exposure	Hedged through Derivatives	Unhedged Exposure
USD $	9,436.00	7,620.00	1,816.00	6,893.85	3,500.00	3,393.85
INR Equivalent	*71,531.58*	*57,765.01*	*13,766.57*	*50,673.04*	*25,726.65*	*24,946.39*
JPY ¥	58,729.87	20,846.05	37,883.82	21,600.36	20,845.99	754.37
INR Equivalent	*3,654.76*	*1,297.25*	*2,357.51*	*1,433.40*	*1,383.34*	*50.06*
EURO €	26.32	0.87	25.45	36.85	11.40	25.45
INR Equivalent	*222.82*	*7.37*	*215.45*	*317.30*	*98.12*	*219.18*
SGD $	72.08	72.08	-	72.08	72.08	-
INR Equivalent	*403.21*	*403.21*	-	*391.79*	*391.79*	-
Total	**75,812.37**	**59,472.84**	**16,339.53**	**52,815.53**	**27,599.90**	**25,215.63**

Sensitivity Analysis

The table below represents the impact on P&L including FCMITDA (+ Gain / (Loss) for 5% change in foreign currency exchange rate against INR on the unhedged exposures:

(₹ in Crores)

Particulars	As at 31.03.2022		As at 31.03.2021	
	Favorable	Adverse	Favorable	Adverse
USD/INR	515.09	(515.09)	933.39	(933.39)
JPY/INR	88.21	(88.21)	1.87	(1.87)
EUR/INR	8.06	(8.06)	8.20	(8.20)

** Holding all other variables constant*

Consolidated Notes to Accounts

52.4 Market Risk - Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in interest rates. Interest rates are dynamic and dependent on various internal and external factors including but not limited to RBI policy changes, liquidity in the market, movement of external benchmarks such as AAA bond/ G-Sec yields/ LIBOR etc. Some of the borrowings of the Company are exposed to interest rate risk with floating interest rates linked to USD LIBOR (London Inter Bank Offered Rate), SORA (Singapore Overnight Rate Average), TONAR (Tokyo Overnight Average Rate), SOFR (Secured Overnight Financing Rate), T-Bills, Repo Rate etc. The Company manages its interest rate risk through various derivative contracts like interest rate swap contracts, forward interest rate contracts to minimize the risk of fluctuation in interest rates. The Company also uses cross-currency interest rate swaps as a cost-reduction strategy to benefit from the interest differentials in different currencies.

The table below shows the overall exposure of the Company to the liabilities linked with floating interest rates as at 31st March 2022 is as under:

(Foreign Currency amounts in Millions, INR equivalent in ₹ Crores)

Currency	As at 31.03.2022			As at 31.03.2021		
	Floating Interest Rate Exposure	Hedged through Derivatives	Unhedged Exposure	Floating Interest Rate Exposure	Hedged through Derivatives	Unhedged Exposure
INR Borrowings	50,178.32	-	50,178.32	35,738.58	-	35,738.58
USD $	4,636.00	1,325.00	3,311.00	2,768.85	1,630.00	1,138.85
INR Equivalent	35,144.17	10,044.44	25,099.73	20,352.38	11,981.27	8,371.11
JPY ¥	58,352.72	10,327.16	48,025.56	20,846.14	10,327.14	10,519.00
INR Equivalent	*3,631.29*	*642.66*	*2,988.63*	*1,383.35*	*685.31*	*698.04*
SGD $	72.08	72.08	-	72.08	72.08	-
INR Equivalent	*403.21*	*403.21*	-	*391.79*	*391.79*	-
Total INR Equivalent	**89,356.99**	**11,090.31**	**78,266.68**	**57,866.10**	**13,058.37**	**44,807.73**

The Company also uses Interest Rate Swaps to manage fair value risk on interest rate borrowings to mitigate the interest rate sensitivity mismatch. Through such swaps, the fixed rate borrowings amounting to ₹ 11,850.70 crores as on 31st March 2022 (Previous year Nil) have been converted into floating rate borrowings through the use of MIBOR-linked Overnight Indexed Swaps.

The Company's lending portfolio carries interest at semi-fixed rate i.e. fixed rate of interest with 1/3/10 year reset option with the borrower. The Company reviews its lending rates periodically based on prevailing market conditions, borrowing cost, yield, spread, competitors' rates, sanctions and disbursements etc. In order to manage pre-payment risks, the Company charges pre-payment premium from borrowers in case of pre- payment of loan. The interest rate risk is managed by the analysis of interest rate sensitivity gap statements and by evaluating the creation of assets and liabilities with a mix of fixed and floating interest rates.

The Company is exposed to interest rate risk on following Loan Assets which are at semi-fixed rates:

(₹ in Crores)

Description	As at 31.03.2022	As at 31.03.2021
Rupee Loans	3,75,805.76	3,63,580.03

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Sensitivity Analysis

The table below represents the impact on P&L Gain / (Loss) for 50 basis points increase or decrease in interest rate on Company's floating rate assets and liabilities on the unhedged exposures:

(₹ in Crores)

Particulars	As at 31.03.2022		As at 31.03.2021	
	Increase	(Decrease)	Increase	(Decrease)
Floating Rate Loan Liabilities	(292.84)	292.84	(167.65)	167.65
Interest Rate Swaps	(44.34)	44.34	-	-
Floating/ semi-fixed Rate Loan Assets	1,406.11	(1406.11)	1,360.37	(1360.37)

** Holding all other variables constant*

The above sensitivity analysis has been prepared assuming that the amount outstanding at the end of the reporting period remains outstanding for the whole year. A 50 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

52.5 Disclosures in respect of Interest Rate Benchmark Reform (IBOR)

The Company has variable interest rate borrowings with interest rates linked with different benchmarks. Such interest rate benchmarks for foreign currency borrowings include 1/3/6 Month USD LIBOR (London Inter-Bank Offered Rate), Overnight SOFR (Secured Overnight Financing Rate), TONA (Tokyo Overnight Average Rate), SORA (Singapore Overnight Rate Averages), etc. The summary of such borrowings as on 31st March, 2022 are as below:

Benchmark	Amount (₹ in Crores)	Amount (USD Mn Equivalent)
3M USD LIBOR	7,201.67	950.00
6M USD LIBOR	27,373.94	3,611.00
O/N SOFR	568.55	75.00
TONA	3,631.29	479.02
SORA	403.21	53.19
Total	**39,178.67**	**5,168.21**

As announced by the UK Financial Conduct Authority (FCA) on 5 March 2021, JPY LIBOR has ceased to be published after 31st December 2021 and 1 Month, 3 Month and 6 Month USD LIBOR will cease to be published after 30th June 2023.

(i) Exposure directly affected by the Interest Rate Benchmark Reform (IBOR)

While some of the floating rate borrowings of the Company are already under the new benchmarks, some of the borrowings will also get repaid before the cessation date of the respective interest rates, i.e. 3M USD LIBOR and 6M USD LIBOR. Accordingly, the total amount of exposure that is directly affected by the Interest Rate Benchmark Reform (IBOR) is ₹ 25,963.93 crores (USD 3.425 Billion) as on 31st March, 2022. Out of this, the nominal amount of the derivative exposure linked with such liabilities and accounted for under hedge accounting is ₹ 3,790.36 crores (USD 0.500 Billion).

(ii) Managing the process to transition to alternative benchmark rates

Pursuant to the Interest Rate Benchmark Reform, LIBOR will be replaced with alternative Risk-Free Rates (RFRs). SOFR (Secured Overnight Financing Rate) will be the replacement for USD LIBOR, while TONA (Tokyo Overnight Average Rate) will replace JPY LIBOR. ISDA (International Swaps and Derivatives Association), the globally recognized statutory body governing the global derivative deals, has come up with the ISDA 2020 IBOR Fallbacks Protocol (commonly referred to as Fallback Protocol) to move all the legacy contracts to new benchmarks. The Company has adhered to the Fallbacks Protocol under which the fallbacks for the various LIBOR benchmarks will automatically become applicable to the existing derivative trades with all counterparties.

With respect to the term loans, REC has been actively engaging with the lenders to initiate the transition exercise at an early stage. During the year 2021-22, REC has completed the transition documentation for two JPY loans amounting to JPY 20,846.12 Billion (INR equivalent as on 31st March, 2022 ₹ 1,297.25 crores) with the benchmark changed from JPY LIBOR to TONA . Additionally, an active transition for one SGD loan amounting to SGD 72.08 Million (INR equivalent as on 31st March, 2022 ₹ 403.21 crores has also been concluded during the year with the benchmark changed from 6M SOR (Singapore Swap Offer Rate) to SORA (Singapore Overnight Rate Average). Where the interest rate risk for these loans was hedged, the interest rate benchmarks in such derivatives have been suitably changed to the new benchmarks.

(iii) Significant Assumptions for exposures affected by the Interest Rate Benchmark Reform

Ind AS 109 provides temporary exceptions to all the hedging relationships directly impacted by the Interest Rate Benchmark Reform. While the benchmarks for the underlying loan are yet to be agreed with the lenders, it has been assumed that there will be no change in the alternative benchmark rates of the underlying loan and the derivative contracts and hedge effectiveness is not altered as a result of such reform.

52.6 Hedge accounting

The Company designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in cash flow hedges. For option contracts, the Company designates only the intrinsic value of option contracts as a hedged item by excluding the time value of the option. The changes in the fair value of the aligned time value of the option are recognised in Other Comprehensive Income and accumulated in the cost of hedging reserve. The time value of the options at the inception of the hedging relationship is reclassified to Profit or Loss on a straight-line basis.

Hedge ineffectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Company applies the following effectiveness testing strategies:

(i) For cross currency swaps, principal only swaps and interest rate swaps that exactly match the terms of the terms of the hedged item, the economic relationship and hedge effectiveness are based on the qualitative factors using critical terms match method.

(ii) For other interest rate swaps (in cases of late designation), the Company uses dollar offset method using a hypothetical derivatives, dollar offset method is a quantitative method that consists of comparing the change in fair value or cash flows of the hedging instrument with the change in fair value or cash flows of the hedged item attributable to the hedged risk.

(iii) For option structures, the Company analyses the behaviour of the hedging instrument and hedged item using regression analysis based dollar offset method.

The Company has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk and notional amount of the hedging instruments are identical to the hedged items.

Consolidated Notes to Accounts

Impact of Hedge Accounting

(a) Effects of hedge accounting on balance sheet

(₹ in Crores)

As at 31st March 2022		Notional amount (in Mn)	Carrying amount of hedging instruments	
Type of hedge and risks			**Assets**	**Liabilities**
	Cash flow hedge			
	Foreign exchange and interest rate risk			
(i)	Foreign currency options structures			
	- Seagull Structure	USD 7,045	4,744.05	-
		USD 20,846.12	102.15	-
	- Call Spread	USD 250	76.73	-
(ii)	Cross Currency Interest Rate swaps	USD 1,300	22.69	43.78
		JPY 10,327.12	-	1.50
		SGD 72.08	23.86	-
(iii)	Principal only swaps	USD 375	-	48.37
(iv)	Interest rate swaps	USD 425	92.42	-

(₹ in Crores)

As at 31st March 2021		Notional amount (in Millions)	Carrying amount of hedging instruments	
Type of hedge and risks			**Assets**	**Liabilities**
	Cash flow hedge			
	Foreign exchange and interest rate risk			
(i)	Foreign currency options structures			
	- Seagull Structure	USD 2,595	1458.96	43.25
		JPY 20,846.12	198.23	-
	- Call Spread	USD 250	77.74	-
(ii)	Cross currency swaps	USD 1,350	-	244.37
		JPY 10,327.12	-	4.06
		SGD 72.08	23.86	-
(iii)	Principal only swaps	USD 375	-	121.08
(iv)	Interest rate swaps	USD 260	-	69.74

(₹ in Crores)

Maturity dates	Hedge ratio	Weighted average strike price/rate	Change in fair value of hedging instruments	Change in value of hedged item used as the basis for recognising hedge effectiveness
May 2022 - Jan 2027	1:1	74.30665848	(399.81)	399.81
Aug 2023 - Sep 2025	1:1	0.659080153	(96.08)	96.08
Mar 2024	1:1	57.523	(74.08)	74.08
May 2022 - Mar 2025	1:1	2.99% and 72.94	112.67	(112.67)
Aug 2023	1:1	0.42% and 0.62	0.82	(0.82)
Mar 2025	1:1	1.44%	21.54	(21.54)
Mar 2025 - Jun 2030	1:1	75.41	(49.08)	49.08
Mar 2024 - Oct 2026	1:1	2.23%	130.27	(130.27)

(₹ in Crores)

Maturity dates	Hedge ratio	Weighted average strike price/rate	Change in fair value of hedging instruments	Change in value of hedged item used as the basis for recognising hedge effectiveness
April 2021 - Oct 2025	1:1	73.32	(611.68)	611.68
Aug 2023 - Sep 2025	1:1	0.66	(131.87)	131.87
Mar 2024	1:1	71.94	(93.51)	93.51
Dec 2021 - Mar 2025	1:1	2.92% and 72.93	(73.78)	73.78
Aug 2023	1:1	0.42% and 0.62	(0.08)	0.08
Mar 2025	1:1	1.44%	21.54	(21.54)
Mar 2025 - Jun 2030	1:1	75.41	(174.62)	174.62
Mar 2024 - Jul 2024	1:1	2.32%	(1.12)	1.12

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(b) Effects of Cash Flow hedge accounting on Statement of Profit and Loss

(₹ in Crores)

Type of hedge	Change in value of hedging instrument recognised in other comprehensive income	Hedge ineffectiveness recognised	Amount reclassified from cash flow hedge reserve	Line item affected on reclassification
Year ended 31.03.2022				
- Currency risk and interest rate risk	(377.06)	-	(995.95)	Gain/ loss on foreign exchange translation
			126.43	Finance cost
Year ended 31.03.2021				
- Currency risk and interest rate risk	(1,065.12)	-	580.30	Gain/ loss on foreign exchange translation
			179.56	Finance cost

(c) Movement in cash flow hedging reserve and cost of hedging reserve

(₹ in Crores)

Particulars	Year ended 31.03.2022	Year ended 31.03.2021
Effective portion of Cash Flow Hedges		
Opening Balance	(165.61)	(226.08)
Add: Changes in intrinsic value of foreign currency option structures	1108.37	(625.61)
Add: Changes in fair value of cross currency swaps	111.72	(52.32)
Add: Changes in fair value of interest rate swaps	130.27	(1.12)
Less: Amounts reclassified to profit or loss	(869.52)	759.86
Less: Deferred tax relating to above (net)	(121.02)	(20.34)
Closing Balance	**194.21**	**(165.61)**
Costs of hedging reserve		
Opening Balance	**41.45**	**(204.75)**
Add: Change in deferred time value of foreign currency option structures	(1727.42)	(386.06)
Less: Amortisation of time value	1142.91	715.06
Less: Deferred tax relating to above (net)	147.11	(82.80)
Closing Balance	**(395.95)**	**41.45**

(d) Fair Value Hedges

At 31st March 2022, Company has outstanding interest rate swap agreements of ₹ 11,850.70 crores (Previous year Nil) wherein the Company receives a fixed rate of interest and pays interest at a variable rate on the notional amount. Such agreements are being used to hedge the exposure to the changes in fair value of fixed rate borrowings.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the fixed rate loan (i.e., notional amount, maturity, payment and reset dates). As such, a hedge ratio of 1:1 for the hedging relationships has been established as the underlying risk of the interest rate swap is identical to the hedged risk component.

The impact of the hedging instrument on the balance sheet as at 31st March 2022 is, as follows:

(₹ in Crores)

Fair value hedge	Notional amount	Carrying amount *	Line item in balance sheet where hedging instrument is disclosed	Changes in fair value for calculating hedge ineffectiveness
- Interest rate swap	11,850.70	(111.92)	Derivative financial instruments	(111.92)

** Carrying amount here is exclusive of the interest receivable under such derivative contract as on reporting date.*

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The impact of the hedged item on the balance sheet as at 31st March 2022 is, as follows:

(₹ in Crores)

Fair value hedge	Carrying amount	Accumulated fair value adjustments	Line item in the balance sheet in which the hedged item is included	Change in value used for calculating hedge ineffectiveness
- Subordinated Liabilities	4,148.36	(128.33)	Subordinated Liabilities	(128.33)
- Institutional bonds	7,881.97	16.41	Debt Securities-Institutional Bonds	16.41

The decrease in fair value of the interest rate swap of ₹ 111.92 Crore (Previous year Nil) has been offset with a similar gain on the respective subordinated liabilities and debt securities.

52.7 Market Risk - Price risk

The Company is exposed to price risks arising from investments in equity shares. The Company's investments are held for strategic rather than trading purposes.

Sensitivity Analysis

The table below represents the impact on OCI Gain / (Loss) for 5% increase or decrease in the respective prices on Company's equity investments, outside the group:

(₹ in Crores)

Particulars	As at 31.03.2022		As at 31.03.2021	
	Increase	(Decrease)	Increase	(Decrease)
Impact on Other Comprehensive Income (OCI)	13.41	(13.41)	21.51	(21.51)
Impact on Profit and Loss account (PL)	2.48	(2.48)	1.18	(1.18)

53 Additional Disclosures in respect of derivatives

53.1 Forward Rate Agreements/ Interest Rate Swaps

(₹ in Crores)

	Particulars	As at 31.03.2022	As at 31.03.2021
(i)	The notional principal of swap agreements	33,239.41	25,035.68
(ii)	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	563.77	339.60
(iii)	Collateral required by the NBFC upon entering into swaps	NIL	Nil
(iv)	Concentration of credit risk arising from the swaps	Refer Note Below	Refer Note Below
(v)	The fair value of the swap book	390.25	(64.05)

REC, being NBFC has entered into swap agreements with Category-I, Authorized Dealers Banks only, in accordance with the RBI guidelines. All the swap agreements entered into with banks are well with in the credit risk limit defined in the Board approved Risk Management Policy.

53.2 The Company has not entered into any exchange traded Interest Rate (IR) derivatives.

53.3 Quantitative Disclosures

(₹ in Crores)

	Particulars	Currency Derivatives *		Interest Rate Derivatives **		Other Derivatives (Reverse cross currency swaps)***	
		As at 31.03.2022	As at 31.03.2021	As at 31.03.2022	As at 31.03.2021	As at 31.03.2022	As at 31.03.2021
(i)	Derivatives (Notional Principal Amount)						
	For hedging	59,472.85	27,599.89	33,239.41	25,035.68	4,747.00	4,547.00
(ii)	Marked to Market Positions						
a)	Asset (+)	4,946.40	1,971.62	563.77	339.60	-	-
b)	Liability (-)	48.37	164.33	173.52	403.65	331.25	278.33
(iii)	Credit Exposure	5,131.08	4,854.40	490.82	574.96	662.05	632.05
(iv)	Unhedged Exposures	16,339.53	25,215.63	N.A.	N.A.	N.A.	N.A.

** Includes Full Hedge, Principal only Swap and Call Spread*
*** Includes Interest Rate Derivatives as a strategy of cost reduction*
**** Includes Reverse Cross Currency swap as a strategy of cost reduction*

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54 Impact of Covid-19 Pandemic on the Company

Since outbreak of COVID-19, our Country has experienced two further waves of pandemic following the discovery of mutant coronavirus variants. These waves led to temporary reimposition of localised /regional lockdown, which were subsequently lifted. With improving coverage of vaccination programme and resumption of economic activities, India is witnessing recovery in demand. Company's strong credit profile, liquidity access and availability of contingency buffers provides it no reasons to believe that the current crisis will have any significant impact on its operations, including the going concern assessment. However, the impact will continue to be dependent, among other things, on uncertain future developments about discovery of further coronavirus variants and any action to contain its spread, whether government mandated or otherwise.

55 Exposure Related Disclosures

RBI, vide its letter dated 17th September 2010 had categorized REC as an Infrastructure Finance Company (IFC) in terms of instructions contained in RBI Circular CC No.168 dated 12th February 2010. As an IFC, the total permissible exposure for lending in the private sector is 25% of owned funds in case of single borrower and 40% in case of a single group of borrowers and exposure for lending and investing taken together can be upto 30% and 50% of owned funds, respectively.

In respect of Central/State Government entities, RBI vide its letter No.DNBR.PD.CO.No.2184/03.10.001/2015-16 dated 16th June 2016 has exempted REC from applicability of RBI's concentration of credit/investment norms till 31st March, 2022. The Company has again represented to RBI for further extension of above exemption for a further period of five years. The matter, considering Company's business model and strategic positioning being a Government Company, is under consideration of RBI and the response is awaited. In view of the above, our maximum credit exposure limits to Central and State power Utilities continue to vary maximum upto 150% of owned funds, which is based on the board approved policy and the rating of the borrowers as per entity appraisal.

In respect of Private Sector entities, the Company's credit exposure to single borrowers and group borrowers did not exceed the RBI prudential exposure limits as at 31st March 2022 and 31st March 2021.

55.1 Exposure to Real Estate Sector

The Company has no exposure to real estate sector as at 31st March 2022 (As at 31st March 2021 Nil).

55.2 Exposure to Capital Market

(₹ in Crores)

	Particulars	As at 31.03.2022	As at 31.03.2021
(i)	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	317.78	929.57
(ii)	Advances against shares/ bonds/ debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-	-
(iii)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-	-
(iv)	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/ convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances;	-	-
(v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
(vi)	Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii)	Bridge loans to companies against expected equity flows/ issues;	-	-
(viii)	Underwriting commitments taken up by the NBFCs in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	-	-
(ix)	Financing to stockbrokers for margin trading	-	-
(x)	All exposures to Alternative Investment Funds	-	-
	Total Exposure to Capital Market	**317.78**	**929.57**

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55.3 The company does not have any financing of Parent Company products during the current and previous year.

55.4 Concentration of Advances, Exposures and Credit-impaired Assets

(₹ in Crores)

	Particulars	As at 31.03.2022	As at 31.03.2021
(i)	**Concentration of Advances**		
	Total Advances to twenty largest borrowers	2,39,602.97	2,28,371.07
	Percentage of Advances to twenty largest borrowers to Total Advances of the Company	62.17%	60.51%
(ii)	**Concentration of Exposures**		
	Total Exposure to twenty largest borrowers	3,29,335.41	3,42,453.58
	Percentage of Exposures to twenty largest borrowers to Total Exposure of the Company on borrowers	61.93%	62.28%
(iii)	**Concentration of Credit-impaired Assets**		
	Total Exposure to the top four Credit-impaired Assets	**8,645.97**	**8,489.02**

56 Fair value disclosures

The fair values of financial instruments measured at amortised cost and the carrying cost of financial instruments measured at fair value by category are as follows:

(₹ in Crores)

Particulars		Note No.	As at 31.03.2022	As at 31.03.2021
	Financial assets measured at fair value			
	Derivative financial instruments measured at			
(i)	Fair value through other comprehensive income	9	5,079.87	1,758.79
(ii)	Fair value through profit and loss	9	430.30	552.43
	Investments measured at			
(i)	Fair value through other comprehensive income	11	268.26	430.13
(ii)	Fair value through profit and loss	11	182.07	209.65
	Financial assets measured at amortised cost			
	Cash and cash equivalents	6	140.99	1,179.24
	Bank balances (other than cash and cash equivalents)	7	2,518.96	2,223.58
	Trade receivables	8	94.55	140.07
	Loan Assets	10	3,71,930.54	3,65,261.49
	Investments	11	1,740.10	1,083.90
	Other financial assets	12	24,415.31	24,419.88
	Total		**4,06,800.95**	**3,97,259.16**
	Financial liabilities measured at fair value			
	Derivative financial instruments measured at			
(i)	Fair value through other comprehensive income	9	205.64	482.51
(ii)	Fair value through profit and loss	9	347.50	363.80
	Financial liabilities measured at amortised cost			
	Trade payables	19	36.48	61.85
	Debt securities	20	2,19,574.61	2,37,269.11
	Borrowings (other than debt securities)	21	1,06,651.59	85,507.36
	Subordinated liabilities	22	6,816.47	6,946.89
	Other financial liabilities	23	25,708.64	26,213.00
	Total		**3,59,340.93**	**3,56,844.52**

Consolidated Notes to Accounts

56.1 Fair values hierarchy

The fair value of financial instruments as referred above has been classified into three categories depending on the inputs used in the valuation technique. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities [Level 1 measurements] and lowest priority to unobservable inputs [Level 3 measurements].

The categories used are as follows:

Level 1: Quoted prices (unadjusted) for identical instruments in an active market;

Level 2: Directly (i.e. as prices) or indirectly (i.e. derived from prices) observable market inputs, other than Level 1 inputs; and

Level 3: Inputs which are not based on observable market data (unobservable inputs).

The Company's policy is to recognize transfers into and transfer out of fair value hierarchy at the date of event or change in circumstances that caused the transfer.

Financial assets and liabilities measured at fair value - recurring fair value measurements

(₹ in Crores)

Particulars	As at 31.03.2022				As at 31.03.2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Investments at FVOCI								
Equity investments	53.52	-	214.74	268.26	430.13	-	-	430.13
Investments at FVTPL								
Equity investments	49.52	-	-	49.52	23.60	-	-	23.60
Perpetual Bonds	-	-	-	-	-	-	-	-
Debentures	-	-	132.55	132.55	-	-	143.06	143.06
Preference Shares	-	-	-	-	-	-	42.99	42.99
Assets at FVTPL								
Derivative financial instruments	-	5,510.17	-	5,510.17	-	2,311.22	-	2,311.22
Liability at FVTPL								
Derivative financial instruments	-	553.14	-	553.14	-	846.31	-	846.31

Valuation Techniques for fair value disclosures (Level 1 , Level 2 and Level 3)

(A) **Investment in Quoted Equity Investments - Level 1 -** Investment in listed equity instruments are measured at their readily available quoted price in the market.

(B) **Derivative Financial Instruments - Level 2 -** The fair value has been determined on the basis of mark to market value provided by the banks that have contracted to hedge the underlying risk. Such valuation is calculated using market observable inputs including forward exchange rates, interest rates corresponding to the maturity of the contract and implied volatilities.

(C) **Investment in Unquoted Equity of Universal Commodity Exchange Limited (UCX) - Level 3 -** Investment in unquoted equity shares of UCX is classified as Level 3. It has been carried at Nil value by the Company due to the company specific reasons. UCX was shut down in 2014, thereby, ceasing to exist as a going concern.

(D) **Investment in Unquoted Equity of Energy Efficiency Services Limited (EESL)- Level 3 -** Investment in unquoted equity shares of EESL is classified as Level 3. EESL ceases to be a Joint Venture (JV) with effect from September 01, 2021. The fair value has been calculated on the basis of Financial Statement of the investee company.

(E) **Investment in Unquoted Preference Shares - Level 3 -** Investment in unquoted Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) of Rattan India Power Ltd. (RIPL) are classified as Level 3. The company has been alloted OCCRPS of the borrower company pursuant to One Time Settlement arrangement executed on 23rd December 2019. The fair value has been taken as Nil as future cash flows are uncertain in such instruments. Any change in expectation of future cash flow is adjusted to reflect change in fair value of the investment.

(F) **Investment in Optionally Convertible Debentures of Essar Power Transmission Limited - Level 3 -** Investment in unquoted Optionally Convertible Debentures (OCDs) of Essar Power Transmission Limited are classified as Level 3, which have been alloted to the Company upon implementation of restructuring plan with the borrower. The fair value has been derived by present value technique by discounting future cash flows at interest rate applicable to the borrowers. Any change in expectation of future cash flow is adjusted to reflect change in fair value of the investment.

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(G) **Investment in Optionally Convertible Debentures of R.K.M PowerGen Private Limited - Level 3 -** Investment in unquoted Optionally Convertible Debentures (OCDs) of R.K.M PowerGen Private Limited are classified as Level 3, which have been alloted to the Company upon implementation of restructuring plan with the borrower. The fair value has been taken as Nil as such debentures are unsustainable in nature and future cash flows are uncertain. Any change in expectation of future cash flow is adjusted to reflect change in fair value of the investment.

56.2 Reconciliation of Financial Instruments measured at Fair Value through Level 3 inputs

The following table shows the reconciliation of the opening and closing amounts of Level 3 financial assets and liabilities measured at fair value:

(₹ in Crores)

Particulars	For the Year ended 31st March 2022					
	FVTPL			FVOCI		Total
	Investment in Perpetual Bonds	Investment in Preference Shares	Investment in OCDs	Investment in Venture Capital Fund	Investment in Unquoted Equity Shares	
Opening Balance	**-**	**42.99**	**143.06**	**-**	**-**	**186.05**
Received in Loan Settlement (Refer Note 10.3)	-	-	-	-	-	-
Settlement	-	-	(41.95)	-	-	(41.95)
Transfer in Level 3	-	-	-	-	218.10	218.10
Transfer from Level 3	-	-	-	-	-	-
Interest income (i)	-	6.02	21.13	-	-	27.15
Fair value changes	-	(49.01)	10.31	-	(3.36)	(42.06)
Closing Balance	**-**	**-**	**132.55**	**-**	**214.74**	**347.29**
Unrealised gain (loss) at year-end	**-**	**(32.42)**	**12.49**	**-**	**(19.36)**	**(39.29)**

(₹ in Crores)

Particulars	For the Year ended 31st March 2021					
	FVTPL			FVOCI		Total
	Investment in Perpetual Bonds	Investment in Preference Shares	Investment in OCDs	Investment in Venture Capital Fund	Investment in Equity Shares	
Opening Balance	**1,500.62**	**45.41**	**-**	**-**	**-**	**1,546.03**
Received in Loan Settlement *(Refer Note 10.3)*	-	-	149.56	-	-	149.56
Settlement	(1667.94)	-	(28.22)	-	-	(1696.16)
Transfer from Level 3	-	-	-	6.15	-	6.15
Interest income	167.32	6.26	21.72	-	-	195.30
Fair value changes	-	(8.68)	-	(6.15)	-	(14.83)
Closing Balance	**-**	**42.99**	**143.06**	**-**	**-**	**186.05**
Unrealised gain (loss) at period-end	**-**	**10.57**	**12.42**	**(6.15)**	**(16.00)**	**0.84**

Refer Note No. 11.5 for Investment in equity shares measured at Fair Value through Other Comprehensive Income (FVOCI) derecognised during the year

*(i) * forms part of line item 'Interest Income' in the Standalone Statement of Profit and Loss.*

(ii) Fair value gain/ (loss) on Investments at FVTPL forms part of line item 'Net Loss/(Gain) on Fair Value changes' in the Standalone Statement of Profit and Loss.

(iii) Fair value gain/ (loss) on Investments at FVOCI forms part of line item 'Changes in Fair Value of FVOCI Equity Instruments' in the Standalone Statement of Profit and Loss.

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56.3 Fair value of instruments measured at amortised cost

Fair value of instruments measured at amortised cost for which fair value is disclosed is as follows:

(₹ in Crores)

Particulars	As at 31.03.2022		As at 31.03.2021	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and cash equivalents	140.99	140.99	1,179.24	1,179.24
Bank balances (other than cash and cash equivalents)	2,518.96	2,518.96	2,223.58	2,223.58
Trade receivables	94.55	94.55	140.07	140.07
Loans	3,71,930.54	3,72,175.00	3,65,261.49	3,66,843.62
Investments	1,740.10	1,778.29	1,083.90	1,096.95
Other financial assets	24,415.31	24,415.16	24,419.88	24,421.76
Total	**4,00,840.45**	**4,01,122.96**	**3,94,308.16**	**3,95,905.22**
Financial liabilities				
Trade payables	36.48	36.48	61.85	61.85
Debt securities	2,19,574.61	2,21,167.25	2,37,269.11	2,35,683.50
Borrowings (other than debt securities)	1,06,651.59	1,07,306.18	85,507.36	85,562.85
Subordinated liabilities	6,816.47	7,131.25	6,946.89	7,610.21
Other financial liabilities	25,708.64	25,708.64	26,213.00	26,213.00
Total	**3,58,787.79**	**3,61,349.79**	**3,55,998.21**	**3,55,131.41**

Valuation methodologies of financial instruments not measured at fair value

Below are the methodologies and assumptions used to determine fair values for the above financial instruments which are not recorded and measured at fair value in the Company's financial statements. These fair values were calculated for disclosure purposes only. The below methodologies and assumptions relate only to the instruments in the above tables:

Financial assets and liabilities

For financial assets and financial liabilities that have a short-term maturity (less than twelve months), the carrying amounts, which are net of impairment, are a reasonable approximation of their fair value. Such instruments include: cash and balances, Trade receivables, Contract assets, balances other than cash and cash equivalents, trade payables and contract liability without a specific maturity.

Loans and advances to customers

Fair values of loan assets are calculated using a portfolio-based approach, grouping loans as far as possible into homogenous groups based on similar characteristics. The Company then calculates and extrapolates the fair value to the entire portfolio, using discounted cash flow models that incorporate interest rate estimates considering all significant characteristics of the loans. Where such information is not available, the Company uses historical experience and other information used in its collective impairment models.

Financial assets at amortised cost

The fair values of debt securities measured at amortised cost are estimated using a discounted cash flow model based on contractual cash flows using actual or estimated yields and discounting by yields incorporating the counterparties' credit risk.

Issued debt

The fair values of the Company fixed interest-bearing debt securities, borrowings and subordinated liabilities are determined by applying discounted cash flows ('DCF') method, using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31st March 2022 was assessed to be insignificant.

Investment in Govt. Securities (G-SEC) and State Development Loan (SDL)

The Company has made investments in G-Sec and SDL in order to maintain sufficient High Quality Liquid Assets as per RBI guidelines. The market price of Government of India securities and state development loan is available as at reporting date and accrued interest from last coupon date to the reporting date is added to market price.

Investment in PSU Bonds

The Company has made investments in PSU Bonds in order to maintain sufficient High Quality Liquid Assets as per RBI guidelines. The company has computed fair value using market inputs i.e., Yield of G-Sec bonds for similar remaining maturity or credit rating wise spread for PSUs for remaining maturity as per industry practice.

Consolidated Notes to Accounts

Investments in securities issued by Borrower entities at the time of Loan Settlement/ Resolution

The fair value has been derived by present value technique by discounting future cash flows at interest rate applicable to the borrowers. Any change in expectation of future cash flow is adjusted to reflect change in fair value of the investment.

All other debt securities, borrowings and subordinated liabilities availed by the Company are variable rate facilities which are subject to changes in underlying Interest rate indices. Further, the credit spread on these facilities are subject to change with changes in Company creditworthiness. The management believes that the current rate of interest on these loans are in close approximation from market rates applicable to the Company. Therefore, the management estimates that the fair value of these borrowings are approximate to their respective carrying values.

57 Disclosure under Micro, Small and Medium Enterprises Development Act, 2006:

(₹ in Crores)

Particulars	As at 31.03.2022	As at 31.03.2021
Principal amount remaining unpaid as at the period end	**-**	**0.01**
Interest due thereon remaining unpaid as at the period end	-	-
Interest paid by the company in terms of Section 16 of MSME Development Act, 2006 along with the amount of the payment made to the supplier beyond the appointed day during the period	-	-
Interest due and payable for the period of delay in making payment but without adding the interest specified under MSME Development Act, 2006.	-	-
Interest accrued and remaining unpaid as at the period end	-	0.53
Further interest remaining due and payable even in the succeeding years, until such date when the interest due as above are actually paid to the small entereprises.	-	-

58 Related Party Disclosures :

58.1 List of Related Parties

(1) Key Managerial Personnel

Sh. S.K.G Rahate	Chairman & Managing Director w.e.f 22nd February, 2022
Sh. Sanjay Malhotra	Chairman & Managing Director upto 10th February, 2022
Sh. Ajoy Choudhury	Director (Finance)
Sh. Sanjeev Kumar Gupta	Director (Technical) upto 31st October, 2021
Sh. Praveen Kumar Singh	PFC Nominee Director (Non-executive Director) upto 31st Janurary, 2022
Smt. Parminder Chopra	PFC Nominee Director (Non-executive Director) w.e.f 4th February, 2022
Sh. Tanmay Kumar	Govt. Nominee Director upto 6th September, 2021
Sh. Vishal Kapoor	Govt. Nominee Director w.e.f 7th September, 2021
Dr. Gambheer Singh	Part Time Non-Official Independent Director w.e.f 15th November, 2021
Dr. Manoj M. Pande	Part Time Non-Official Independent Director w.e.f 15th November, 2021
Dr. Durgesh Nandini	Part Time Non-Official Independent Director w.e.f 30th December, 2021
Sh. J.S. Amitabh	Executive Director & Company Secretary

(2) Ultimate Holding Company

Power Finance Corporation Ltd.

(3) Associate Companies of REC Power Development and Consultancy Limited (formerly REC Power Distribution Company Limited)

Chandil Transmission Limited

Dumka Transmission Limited

Mandar Transmission Limited

Koderma Transmission Limited

Rajgarh transmission limited

Bidar transmission limited

MP Power Transmission Package-I Limited

ER NER Transmission Limited (incorporated on 06.10.2021)

Sikar New Transmission Limited (incorporated on 2 June, 2020 and transferred to M/s Power Grid Corporation of India Limited on 4 June, 2021)

MP Power Transmission Package-II Limited (incorporated on 20 August, 2020 and transferred to M/s Adani Transmission Limited on 1 November, 2021)

Kallam Transmission Limited (incorporated on 28 May, 2020 and transferred to M/s Indigrid I Limited (Lead Member) on 28 December, 2021)

Gadag Transmission Limited (incorporated on 2 June, 2020 and transferred to M/s Renew

Fatehgarh Bhadla Transco Limited (incorporated on 2 June, 2020 and transferred to M/s Power Grid Corporation of India Limited on 4 June, 2021)

Dinchang Transmission Limited (struck off from the ROC vide MCA letter dated 17.08.2021)

(4) Joint Ventures

Energy Efficiency Services Limited (EESL) (upto 31st August, 2021)

(5) Post-employment Benefit Plan Trusts

REC Limited Contributory Provident Fund Trust

REC Gratuity Fund

REC Employees' Superannuation Trust

REC Retired Employees' Medical Trust

(6) Society registered for undertaking CSR Initiatives

REC Foundation

(7) Companies in which Key Managerial Personnel are Directors

NHPC Limited (Related Party upto 6th September, 2021)

SJVN Limited (Related Party upto 6th September, 2021)

Kholongchhu Hydro Energy Limited (Related Party upto 6th September, 2021)

Punatsangchhu-I, Hydroelectric Project Authority in Bhutan (Related Party upto 6th September, 2021)

Punatsangchhu-II, Hydroelectric Project Authority in Bhutan (Related Party upto 6th September, 2021)

Mangdechhu Hydroelectric Project Authority in Bhutan (Related Party upto 6th September, 2021)

(8) Below mentioned related parties of the Ultimate Holding Company are also considered as related parties of REC:

(a) Key Managerial Personnel of Ultimate Holding Company

Sh. Ravinder Singh Dhillon	Chairman & Managing Director
Smt. Parminder Chopra	Director (Finance)
Sh. Praveen Kumar Singh	Director (Commercial) upto 31st Janurary, 2022
Sh. Rajiv Ranjan Jha	Director (Projects) w.e.f 28th October, 2021
Sh. Tanmay Kumar	Govt. Nominee Director upto 6th September, 2021
Sh. Vishal Kapoor	Govt. Nominee Director w.e.f 7th September, 2021
Sh Ram Chandra Mishra	Part Time Non-Official Independent Director
Adv. Bhaskar Bhattacharya	Part Time Non-Official Independent Director w.e.f 23rd December, 2021
Smt. Usha Sanjeev Nair	Part Time Non-Official Independent Director w.e.f 23rd December, 2021
Shri. Prasanna Tantri	Part Time Non-Official Independent Director w.e.f 23rd December, 2021
Shri Manohar Balwani	Company Secretary

(b) Subsidiary Companies of Ultimate Holding Company

PFC Consulting Limited (PFCCL)

(c) Associate Companies of Ultimate Holding Company

Bihar Mega Power Limited

Orissa Integrated Power Limited

Jharkhand Infrapower Limited

Coastal Tamil Nadu Power Limited

Bihar Infrapower Limited

Consolidated Notes to Accounts

Deoghar Infra Limited
Sakhigopal Integrated Power Company Limited
Ghogarpalli Integrated Power Company Limited
Odisha Infrapower Limited
Deoghar Mega Power Limited
Cheyyur Infra Limited
Ananthpuram Kurnool Transmission Limited
Khetri-Narela Transmission Limited
Coastal Karnataka Power Limited
Bhadla Sikar Transmission Limited
Mohanlalganj Transmission Limited (incorporated on 08.06.2021)
Kishtwar Transmission Limited (incorporated on 15.04.2021)
Chhatarpur Transmission Limited (incorporated on 25.01.2022)
Nangalbibra-Bongaigaon Transmission Limited (incorporated on 09.04.2021 and transferred on 16.12.2021)
Khavda-Bhuj Transmission Limited (incorporated on 18.05.2021 and transferred on 18.01.2022)
Koppal- Narendra Transmission Limited (transferred on 13.12.2021)
Sikar-II Aligarh Transmission Limited (transferred on 08.06.2021)
Karur Transmission Limited (transferred on 18.01.2022)
Chhattisgarh Surguja Power Limited (under process of Striking off the name of Company from the records of Registrar of Companies)
Shongtong Karcham-Wangtoo Transmission Limited (under process of Striking off the name of Company from the records of Registrar of Companies)
Tatiya Andhra Mega Power Limited (under process of Striking off the name of Company from the records of Registrar of Companies)
Coastal Maharashtra Mega Power Limited (under process of Striking off the name of Company from the records of Registrar of Companies)
Bijawar-Vidarbha Transmission Limited (under approval for striking off the name from the records of Registrar of Companies)
Tanda Transmission Company Limited (under process of Striking off the name of Company from the records of Registrar of Companies)

(d) Post-employment Benefit Plan Trusts of Ultimate Holding Company

PFC Employees Provident Fund Trust
PFC Employees Gratuity Trust
PFC Defined Contribution Pension Scheme 2007
PFC Ltd. Superannuation Medical Fund

(e) Other Companies in which Key Managerial Personnel of Ultimate Holding Company are Directors

PTC India Limited

58.2 Amount due from/ to the related parties :

(₹ in Crores)

Particulars	As at 31.03.2022	As at 31.03.2021
Power Finance Corporation Ltd.		
Loan Repayable on Demand	-	**3,000.49**
Associates		
Loans to associates	12.83	13.45
Payables	0.01	0.08
Post-employment Benefit Plan Trusts		
Debt Securities	8.70	8.70
Debt Securities- Holding Company	19.90	19.90
Other financial liabilities- GOI Serviced Bonds	29.30	29.30
Provisions	1.05	9.00

Consolidated Notes to Accounts

(₹ in Crores)

Particulars	As at 31.03.2022	As at 31.03.2021
Other financial assets	-	-
Post-employment Benefit Plan Trusts of Ultimate Holding Company		
Debt Securities	1.90	4.10
Key Managerial Personnel		
Debt Securities	0.16	0.15
Staff Loans & Advances	0.18	0.28
Key Managerial Personnel of Ultimate Holding Company		
Debt Securities	0.17	0.12
REC Foundation		
Other Non Financial Assets	1.20	1.54
Companies in which Key Managerial Personnel are Directors		
Debt Securities	-	10.00

58.3 Transactions with the related parties :

(₹ in Crores)

Particulars	Year ended 31.03.2022	Year ended 31.03.2021
Power Finance Corporation Ltd.		
Dividend Paid	1,269.22	1,143.44
Directors' Sitting Fee	0.08	0.10
Loan Repayable on Demand raised	-	3,000.00
Finance Cost	14.47	0.49
Post-employment Benefits Plan Trusts		
Contributions made by the Company	18.28	1.42
Finance Costs - Interest Paid	3.28	3.29
Post-employment Benefits Plan Trusts of Ultimate Holding Company		
Subscription to the bonds of Company	2.20	-
Finance Costs - Interest Paid	0.38	0.38
Key Managerial Personnel		
Repayment/ Recovery of Staff Loans & Advances	0.10	0.17
Interest Income on Staff Loans	0.04	0.05
Finance Cost	0.02	0.01
Employee Benefits Expense - Managerial Remuneration	3.05	3.21
Directors' Sitting Fee	0.13	-
Key Managerial Personnel of Ultimate Holding Company		
Finance Cost	0.01	-
REC Foundation		
Payment towards Corporate Social Responsibility (CSR) Expenses	112.00	90.00
Companies in which Key Managerial Personnel are Directors		
Finance Cost	0.35	0.33
Dividend Income	4.13	27.52

Consolidated Notes to Accounts

58.4 Terms and conditions of transactions with related parties

The transactions with the related parties are being made at arm's length basis. The remuneration and the staff loans to Key Managerial Personnel are in line with the service rules of the Company. The finance costs paid to the related parties are on account of their investments in the debt securities of the Company and the Term loan repayable on demand taken from the holding company. The interest rate payable on such debt securities is uniformally applicable to all the bondholders. The Company also makes advances to its subsidiary company on account of apportionment of establishment and administrative expenses, which are recovered on quarterly basis. Even while the outstanding balances of subsidiary company at the year-end are unsecured, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is made on the basis of short-term realisation of the advances so given.

58.5 Managerial Remuneration

The details of remuneration to Key Managerial Personnel (KMP) during the year is as below:

(₹ in Crores)

Particulars	Year ended 31.03.2022	Year ended 31.03.2021
(i) Short-term employee benefits	2.91	3.01
(ii) Post employment benefits	0.14	0.20
Total	**3.05**	**3.21**

As the liabilities for the gratuity and compensated absence are provided on an actuarial basis for the Company as a whole rather than each individual employee, the amounts pertaining specifically to KMP are not known and hence, not included in the above table. Gratuity and compensated absence, are included based on actual payment in respective year based in the above table.

58.6 Disclosure in respect of entities under the control of the same government (Government related entities)

List of Government related entities

The Company had transactions with the following government related entities during the year:

Bihar Grid Company Ltd

Damodar Valley Corporation

Nabinagar Power Generating Co. Pvt. Ltd.

Neyveli Uttar Pradesh Power Ltd

NTPC Tamil Nadu Energy Company Ltd.

Patratu Vidut Utpadan Nigam Ltd.

THDC India Ltd.

Aggregate transactions with such government related entities are as under:

(₹ in Crores)

Particulars	Year ended 31.03.2022	Year ended 31.03.2021
Disbursement of Loans	2,059.64	2,837.27
Interest income recognised	1,829.69	2,178.00

Aggregate balance outstanding from such government related entities are as under:

(₹ in Crores)

Particulars	As at 31.03.2022	As at 31.03.2021
Loan Assets	17,854.95	22,649.28
Interest Accrued	4.52	7.73

Refer Note No. 12, 21.1(i)and 35 in respect of material transactions with the Central Govt.

59 Disclosures in respect of Ind AS 116 'Leases'

The Company has leases for office building, warehouses, Office equipment and related facilities. Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublease the asset to another party, the right-of-use asset can only be used by the Company. Some leases contain an option to extend the lease for a further term. The Company is prohibited from selling or pledging the underlying leased assets as security.

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublease the asset to another party, the right-of-use asset can only be used by the Company. Some leases contain an option to extend the lease for a further term.

Consolidated Notes to Accounts

The Company is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings and other premises the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Company is required to pay maintenance fees in accordance with the lease contracts.

During the year ended 31st March, 2022, the expenses relating to short-term leases are ₹ 6.21 crores (previous year ₹12.92 crores). The total cash outflow towards all leases, including Right-of-Use Assets is ₹ 6.23 crores. (previous year ₹ 12.95 crores).

(₹ in Crores)

Particulars	As at 31.03.2022	As at 31.03.2021
Opening Balance	0.05	2.12
Finance Cost accrued during the year	-	0.11
Payments made during the year	(0.02)	(2.18)
Closing Balance	**0.03**	**0.05**

The table below provides details regarding the contractual maturities of undiscounted lease liabilities:

(₹ in Crores)

Particulars	As at 31.03.2022	As at 31.03.2021
Upto 1 year	0.02	0.02
1-5 years	0.02	0.04
More than 5 years	-	-

60 Disclosures for Employee Benefits as required under Ind AS 19 'Employee Benefits':

60.1 Defined Contribution Plans

A. Provident Fund

The Company pays fixed contribution of Provident Fund at pre-determined rates to a separate registered trust which invests the funds in permitted securities. The trust must declare the rate of interest on contribution to the members based upon the returns earned on its investments during the year, subject to minimum interest rate prescribed by Employees' Provident Fund Organisation. Any shortfall for payment of interest to members as per specified rate of return has to be compensated by the Company. The Company estimates that no liability will arise in this regard in the near future and hence, no further provision is considered necessary.

In case of RECPDCL, there is no separate trust and the companies makes provident fund contributions to defined contribution plans.

B. Defined Contribution Superannuation Scheme

The Company pays fixed contribution towards superannuation scheme at pre-determined rates to NPS Trust which invests the funds in the permitted securities. The balance with the NPS Trust/ separate trust includes the monthly contributions in the members' account along with the accumulated returns. When the pension becomes payable to the member, the amount standing to the credit of the member is appropriated towards the member's accumulation and annuities, as opted for by the member is allotted.

The Group has recognised an expense of ₹ 11.60 crores (previous year ₹ 13.96 Crores) towards defined contribution plans

60.2 Defined Benefit Plans - Post-Employment Benefits

A. Gratuity

The Company has a defined gratuity scheme which is managed by a separate trust. Every employee who has rendered continuous service of five years or more is entitled to gratuity at 15 days salary for each completed year of service subject to a maximum of ₹ 0.20 crores on superannuation, resignation, termination, disablement or on death, considering the provisions of the Payment of Gratuity Act, 1972, as amended. The liability of Gratuity is recognized on the basis of actuarial valuation.

Net Defined Benefit (Asset)/ Liability

(₹ in Crores)

Particulars	As at 31.03.2022	As at 31.03.2021
Present value of Defined benefit obligation	30.43	32.44
Fair Value of Plan Assets	30.09	30.25
Net Defined Benefit (Asset)/ Liability	0.34	2.19

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Movement in net defined benefit (asset)/ liability

(₹ in Crores)

Particulars	Defined Benefit Obligation		Fair Value of Plan Assets		Net Defined Benefit (Asset)/ Liability	
	Year ended 31.03.2022	Year ended 31.03.2021	Year ended 31.03.2022	Year ended 31.03.2021	Year ended 31.03.2022	Year ended 31.03.2021
Opening Balance	**32.44**	**36.82**	**30.25**	**35.47**	**2.19**	**1.35**
Included in profit or loss						
Current service Cost	1.79	1.93	-	-	1.79	1.93
Interest cost / income	2.17	2.28	2.11	2.38	0.06	-0.10
Total amount recognised in profit or loss	**3.96**	**4.21**	**2.11**	**2.38**	**1.85**	**1.83**
Included in OCI						
Re-measurement loss (gain)						
- Actuarial loss (gain) arising from changes in financial assumptions	(0.65)	(0.49)	-	-	(0.65)	(0.49)
-Actuarial loss (gain) arising from Experience adjustments	(0.29)	0.58	-	-	(0.29)	0.58
Return on plan assets excluding interest income	-	-	(0.18)	(0.33)	0.18	0.33
Total amount recognised in OCI	**(0.94)**	**0.09**	**(0.18)**	**(0.33)**	**(0.76)**	**0.42**
Contribution by employers	-	-	2.94	1.42	(2.94)	(1.42)
Benefits paid	(5.03)	(8.68)	(5.03)	(8.69)	-	0.01
Closing Balance	**30.43**	**32.44**	**30.09**	**30.25**	**0.34**	**2.19**

B. Post Retirement Medical Facility (PRMF)

The Company has Post Retirement Medical Facility under which the entitled retired employees and their dependent family members are covered as per Company Rules. The scheme is funded by the Company and is managed by separate trust. The liability towards the same is recognized on the basis of actuarial valuation.

Net Defined Benefit (Asset)/ Liability

(₹ in Crores)

Particulars	As at 31.03.2022	As at 31.03.2021
Present value of Defined benefit obligation	165.51	151.69
Fair Value of Plan Assets	164.80	144.06
Net Defined Benefit (Asset)/ Liability	0.71	7.63

Movement in net defined benefit (asset)/ liability

(₹ in Crores)

Particulars	Defined Benefit Obligation		Fair Value of Plan Assets		Net Defined Benefit (Asset)/ Liability	
	Year ended 31.03.2022	Year ended 31.03.2021	Year ended 31.03.2022	Year ended 31.03.2021	Year ended 31.03.2022	Year ended 31.03.2021
Opening Balance	**151.69**	**136.42**	**144.06**	**140.64**	**7.63**	**(4.22)**
Included in profit or loss						
Current service Cost	3.29	2.90	-	-	3.29	2.90
Past service cost	2.50	-	-	-	2.50	-
Interest cost / income	10.31	8.94	10.07	9.45	0.24	(0.51)
Total amount recognised in profit or loss	**16.10**	**11.84**	**10.07**	**9.45**	**6.03**	**2.39**

Consolidated Notes to Accounts

(₹ in Crores)

Particulars	Defined Benefit Obligation		Fair Value of Plan Assets		Net Defined Benefit (Asset)/ Liability	
	Year ended 31.03.2022	Year ended 31.03.2021	Year ended 31.03.2022	Year ended 31.03.2021	Year ended 31.03.2022	Year ended 31.03.2021
Included in OCI						
Re-measurement loss (gain)						
- Actuarial loss (gain) arising from changes in financial assumptions	(4.08)	(5.20)	-	-	(4.08)	(5.20)
- Actuarial loss (gain) arising from changes in demographic assumptions	3.75	-	-	-	3.75	-
-Actuarial loss (gain) arising from Experience adjustments	10.58	19.94	-	-	10.59	19.94
Return on plan assets excluding interest income	-	-	2.90	1.64	(2.90)	(1.64)
Total amount recognised in OCI	**10.25**	**14.74**	**2.90**	**1.64**	**7.36**	**13.10**
Contribution by participants	0.15	-	0.06	0.08	0.09	(0.08)
Contribution by employers	-	-	7.71	-	(7.72)	-
Benefits paid	(12.68)	(11.31)	-	(7.75)	(12.68)	(3.56)
Closing Balance	**165.51**	**151.69**	**164.80**	**144.06**	**0.71**	**7.63**

C. Economic Rehabilitation Scheme (ERS)

The Company has an Economic Rehabilitation Scheme (ERS) to support the family financially in case of permanent disability/ death of an employee during the service tenure. This scheme is unfunded and the liability is determined based on actuarial valuation.

Net Defined Benefit (Asset)/ Liability for ERS

(₹ in Crores)

Particulars	As at 31.03.2022	As at 31.03.2021
Present value of Defined benefit obligation		
- ERS	4.15	4.13

Movement in net defined benefit (asset)/ liability for ERS

(₹ in Crores)

Particulars	Year ended 31.03.2022	Year ended 31.03.2021
Opening Balance	**4.13**	**4.25**
Included in profit or loss		
Current service Cost	0.20	0.20
Interest cost / income	0.26	0.25
Total amount recognised in profit or loss	**0.46**	**0.45**
Included in OCI		
Re-measurement loss (gain)		
- Actuarial loss (gain) arising from changes in financial assumptions	(0.06)	0.02
-Actuarial loss (gain) arising from Experience adjustments	0.89	0.73
Total amount recognised in OCI	**0.83**	**0.75**
Benefits paid	(1.27)	(1.32)
Closing Balance	**4.15**	**4.13**

Consolidated Notes to Accounts

60.2.1 Risk exposure

Through its defined benefit plans, the Company is exposed to a number of risks, the most significant of which are detailed below:

(i) Asset volatility

Most of the plan asset investments are in government securities, other fixed income securities with high rating grades and mutual funds. The fair value of these assets is subject to volatility due to change in interest rates and other market and macro-economic factors.

(ii) Changes in discount rate

The present value of defined benefit plan liabilities is calculated using a discount rate which is determined by reference to market yields at the end of the reporting period. A decrease in discount rate will increase present values of defined benefit obligations, although this will be partially offset by an increase in the value of the plans' investments.

(iii) Longevity risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

(iv) Salary risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

60.2.2 Plan Assets

The fair value of plan assets at the end of reporting period for each category, are as follows:

(₹ in Crores)

Particulars	Gratuity		PRMF	
	As at 31.03.2022	As at 31.03.2021	As at 31.03.2022	As at 31.03.2021
Cash & Cash Equivalents	**0.38**	**0.01**	**0.11**	**1.90**
Unquoted Plan Assets				
State Government Debt Securities			22.58	
Corporate Bonds/ Debentures	-	-	142.11	142.16
Others - Insurer managed funds & T-bills	29.71	30.24	-	-
Sub-total - Unquoted Plan Assets	**29.71**	**30.24**	**164.69**	**142.16**
Total	**30.09**	**30.25**	**164.80**	**144.06**

Actual return on plan assets is ₹ 14.9 crores (previous year ₹ 13.14 crores).

60.2.3 Significant Actuarial Assumptions

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out as at March 31, 2022 by M/s Transvalue Consultants. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method. The principal assumptions used for actuarial valuations are:-

(₹ in Crores)

Particulars	Gratuity		PRMF		ERS	
	Year ended 31.03.2022	Year ended 31.03.2021	Year ended 31.03.2022	Year ended 31.03.2021	Year ended 31.03.2022	Year ended 31.03.2021
Method Used	**PUCM**	**PUCM**	**PUCM**	**PUCM**	**PUCM**	**PUCM**
Discount Rate & Expected Return on Plan Assets, if funded	7.37%	6.99%	7.37%	6.99%	7.37%	6.99%
Future Salary Increase / medical inflation	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Expected average remaining working lives of employees (years)	17.35	16.03	17.35	16.03	17.35	16.03

The Principal assumptions are the discount rate, salary growth rate and expected average remaining working lives of employees. The discount rate is generally based on the market yields available on govt. bonds at the reporting date with a term that matches the liabilities and the salary growth rate takes account of inflation, seniority, promotions and other relevant factors as long term basis. The above information is certified by the Actuary.

Consolidated Notes to Accounts

60.2.4 Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

(₹ in Crores)

Particulars	As at 31.03.2022		As at 31.03.2021	
	Increase	Decrease	Increase	Decrease
Discount rate (0.50% movement)				
- Gratuity	(0.80)	0.85	(0.90)	0.97
- PRMS	(12.16)	12.66	(11.14)	11.66
- ERS	(0.15)	0.17	(0.15)	0.17
Salary Escalation Rate (0.50% movement)				
- Gratuity	0.19	(0.21)	0.14	(0.13)
- PRMS	-	-	-	-
- ERS	0.15	(0.14)	0.15	(0.14)
Medical inflation Rate (0.50% movement)				
- PRMS	11.68	(10.57)	10.83	(10.44)
Medical Cost (10% movement)	-	-	-	-
- PRMS	16.98	(16.28)	15.56	(14.92)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

The Company actively monitors how the duration and expected yield of investments are matching the expected cash outflows arising from employee benefit obligations. Investments are well diversified, such that the failure of any single investment would not have a material impact on overall level of assets. There has been no change in the process used by the Company to manage its risks from prior periods.

60.2.5 Expected maturity analysis of the defined benefit plans in future years

(₹ in Crores)

Particulars	Gratuity		PRMF		ERS	
	As at 31.03.2022	As at 31.03.2021	As at 31.03.2022	As at 31.03.2021	As at 31.03.2022	As at 31.03.2021
Less than 1 year	4.71	7.87	14.02	12.20	1.11	1.19
From 1 to 5 years	17.61	20.81	83.46	72.60	3.60	3.00
Beyond 5 years	32.92	31.10	327.63	285.02	4.74	3.19
Total	**55.24**	**59.78**	**425.11**	**369.82**	**9.45**	**7.38**

60.2.6 Expected contribution for the next year

(₹ in Crores)

Particulars	Gratuity		PRMF		ERS	
	Year ended 31.03.2022	Year ended 31.03.2021	Year ended 31.03.2022	Year ended 31.03.2021	Year ended 31.03.2022	Year ended 31.03.2021
Expected contribution	1.76	3.98	4.35	10.91	-	-

The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 12.20 years (as at 31.03.2021 - 12.54 years).

60.3 Other Long-term Employee Benefits

60.3.1 Earned Leave and Half Pay Leave

REC provides for earned leave benefit and half-pay leave benefit to the credit of the employees, which accrues on half-yearly basis at 15 days and 10 days respectively. A maximum of 300 days of earned leave can be accumulated at any point of time during the service, while there is no limit for accumulation of half pay leave. In case of RECPDCL, the Employees are entitled for Leave Encashment after completion of one year of service only and amount is paid in full, at the time of separation. The liability for the same is recognised on the basis of actuarial valuation. Total expenses amounting to ₹ 9.37 crore (Previous period ₹ 4.55 crore) have been made towards these employee benefits and debited to the Statement of Profit and Loss on the basis of actuarial valuation.

Consolidated Notes to Accounts

60.3.2 Other employee benefits

Expenses towards long service award and settlement allowance amounting to Nil (previous year ₹ 0.76 crores) have been debited to the Statement of Profit and Loss on the basis of actuarial valuation.

In case of RECPDCL, the Loyalty incentive to the employees is payable after completion of three years of continuous service only, except in case of separation due to death. The payment of dues to outgoing employee is released at the time of separation. Expenses amounting to Nil (Previous year ₹ 0.20 crore) have been debited to the Statement of Profit and Loss on the basis of actuarial valuation.

61 Status of Documentation Subsequent to Unbundling of SEBs

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.

Status of Documentation Subsequent to Reorganisation of the State of Jammu & Kashmir

After the bifurcation of the State of Jammu & Kashmir into two Union Territories (UTs) – Jammu & Kashmir UT and Ladakh UT, the existing entities pertaining to the erstwhile state of J&K have been restructured vide unbundling order dated 23rd October 2019. The addendums to the agreements with new restructured departments are yet to be executed. Pending the execution of such documentation, the existing loans for Generation, T&D and Govt. schemes are being serviced / repaid in line with the existing loan agreements.

Status of Documentation Subsequent to Reorganisation of the State of Andhra Pradesh

Subsequent to the reorganisation of erstwhile State of Andhra Pradesh, the state of Telangana has been formed on 2 June 2014. However, the assets and liabilities are yet to be transferred to the respective power utilities through a formal Gazette Notification.

Status of Documentation is as under:

(i) Where ever the loans have been sanctioned to erstwhile APCPDCL, APNPDCL and APGENCO prior to bifurcation and documentation has not been done, these schemes have been re-sanctioned in the name of newly formed utilities and documentation formalities completed and accordingly the charge has been registered with the Ministry of Corporate Affairs (MCA).

(ii) Where ever the loans sanctioned in the name of erstwhile APCPDCL, APNPDCL prior to bifurcation and documentation formalities completed and drawls have been made, in these schemes an undertaking has been obtained from the name changed / newly formed utility and disbursements have been made to the newly formed utility by changing the name of the borrower in the name of new / name changed utility.

(iii) Where ever the Loan is sanctioned in the name of erstwhile APCPDCL, APNPDCL prior to bifurcation and documentation formalities completed with Government Guarantee and drawls have been made, further documentation for these schemes shall be done on Gazette Notification.

(iv) Once the final transfer scheme is notified through Gazette Notification by Govt, duly indicating the transfer of assets and liabilities among the power utilities, action for execution of documentation formalities will be taken up in respect of all the outstanding loans with the new / name changed utilities. Till that time, the demand for payment of interest / principal is being segregated by the Utilities and the respective portions are being paid by Utilities in Telangana and Andhra Pradesh.

62 Modifications in the Significant Accounting Policies

The policy on Business Combination under Common Control, Expenditure on Issue of Shares and Fair Value Hedges have been added. Further, certain accounting policies have also been reworded to bring in more clarity and align with Company's practice. There is no financial impact of such modifications carried out in the accounting policies.

63 Provisions, Contingencies and Impairment loss allowances debited to Consolidated Statement of Profit and Loss

(₹ in Crores)

Particulars		Year ended 31.03.2022	Year ended 31.03.2021
(i)	Impairment Loss Allowance for loans*	3,434.36	2,363.33
(ii)	Impairment Loss Allowance for Investments	28.72	-
(iii)	Impairment Loss Allowance for Other Receivables	6.94	82.61
(iv)	Provision made for Income Tax	2,394.83	2,401.35

** includes ₹ 11.81 crores (Previous year ₹ 0.71 crores) towards impairment allowance on Letter of Comfort.*

Consolidated Notes to Accounts

64 The Company's operations comprise of only one business segment - lending loans to power sector companies engaged in construction of power plants and in generation, supply, distribution and transmission of electricity: in the context of reporting business/ geographical segment as required by Ind AS 108 - Operating Segments. Based on "management approach" as defined in Ind AS 108 Operating Segments, the Chief Operating Decision Maker evaluates the Company's performance based on analysis of various factors of one business segment.

64.1 Information about Revenue from major products and services

(₹ in Crores)

Particulars		Year ended 31.03.2022	Year ended 31.03.2021
(A)	Income from Loan Assets	38,522.97	34,364.47
(B)	Fee for Implementation of Govt. Schemes	15.23	33.67
(C)	Income from Treasury Operations	235.36	410.12
(D)	Revenue from sale of services	150.96	163.65
	Total	**38,924.52**	**34,971.91**

64.2 The Group does not have any reportable geographical segment as the primary operations of the Group are carried out within the country.

64.3 No single borrower has contributed 10% or more to the Company's revenue during the financial year 2021-22 and 2020-21

65 Subsidiaries, joint venture and associates considered for consolidation

A. Wholly owned subsidiaries of the Company:

(₹ in Crores)

Name of entity	Place of business/ country of incorporation	Ownership interest held by the Group	
		As at 31.03.22	As at 31.03.21
REC Power Development and Consultancy Limited (formerly REC Power Distribution Company Limited)	India	100%	100%

B. Joint venture

(₹ in Crores)

Name of entity	Place of business/ country of incorporation	Ownership interest/ Carrying Amount held by the Group**	
		As at 31.03.22	As at 31.03.21
Energy Effiency Services Limited (EESL)*	India		
Ownership interest		15.68%	22.18%
Carrying Amount**		214.74	257.74

** During the year, pursuant to agreement executed amongst the Joint Venture partners i.e. NTPC Limited, Power Finance Corporation Limited, REC Limited and Power Grid Corporation of India Limited, EESL ceased to be a jointly controlled entity of the Company with effect from September 01, 2021, under Ind-AS framework.*

** The financial statements for FY 2021-22 is un-audited and certifed by the management and have been considered for Consolidated Financial Statements of the Group. The figures appearing in the financial statements may change upon completion of the audit.*

*** Quoted price of the investment is not available, as the equity shares of the Company are not listed on stock exchanges.*

C. Associates

Name of entity	Place of business/ country of incorporation	Ownership interest held by the Group	
		As at 31.03.22	As at 31.03.21
Dinchang Transmission Limited	India	100.00%	100.00%
Chandil Transmission Limited	India	100.00%	100.00%
Dumka Transmission Limited	India	100.00%	100.00%
Mandar Transmission Limited	India	100.00%	100.00%
Koderma Transmission Limited	India	100.00%	100.00%
Rajgarh Transmission Limited (Earlier Rajgarh Madhya Pradesh Line)	India	100.00%	100.00%
MP Power Transmission Package-I Limited	India	100.00%	100.00%
Bidar Transmission Limited (Earlier Bidar Karnataka Line)	India	100.00%	100.00%
ER NER Transmission Limited	India	100.00%	-

Consolidated Notes to Accounts

Name of entity	Place of business/ country of incorporation	Ownership interest held by the Group	
		As at 31.03.22	As at 31.03.21
Gadag Transmission Limited (Earlier Gadag Karnataka Part A Line)*	India	-	100.00%
Fatehgarh Bhadla Transco Limited (Earlier Solar Energy Rajasthan Part B Line)*	India	-	100.00%
Sikar New transmission Limited (Earlier Solar Energy Rajasthan Part C Line)*	India	-	100.00%
Kallam transmission Limited (Earlier Osmanabad Maharashtra Line)*	India	-	100.00%
MP Power Transmission Package-II Limited*	India	-	100.00%

* The above SPV has been sold during the year

Note: The above investments are managed as per the mandate from Government of India (GoI) and the Company does not have the practical ability to direct the relevant activities of these Companies unilaterally. The Company therefore, considers its investment in respective Companies as associates having significant influence despite the Company holding 100% of their paid-up equity share capital.

66 Disclosures in respect of Entities Consolidated as required under Schedule III to the Companies Act, 2013

66.1 Share in Net Assets i.e. Total Assets minus Total Liabilities

(₹ in Crores)

Name of the Entity	As at March 31, 2022		As at March 31, 2021	
	As % of Consolidated Net Assets	Amount	As % of Consolidated Net Assets	Amount
Parent				
REC Limited	99.36%	50,985.60	99.23%	43,426.37
Subsidiaries - Indian				
REC Power Development and Consultancy Limited (formerly REC Power Distribution Company Limited)	0.64%	328.59	0.68%	297.99
Joint Venture - Indian				
Energy Efficiency Services Limited	-	-	0.59%	257.74
Associates - Indian				
Chandil Transmission Limited	-	0.05	-	0.05
Dumka Transmission Limited	-	0.05	-	0.05
Mandar Transmission Limited	-	0.05	-	0.05
Koderma Transmission Limited	-	0.05	-	0.05
Kallam transmission Limited (Earlier Osmanabad Maharashtra Line)	-	-	-	0.05
Bidar Transmission Limited (Earlier Bidar Karnataka Line)	-	0.05	-	0.05
Gadag Transmission Limited (Earlier Gadag Karnataka Part A Line)	-	-	-	0.05
Fatehgarh Bhadla Transco Limited (Earlier Solar Energy Rajasthan Part B Line)	-	-	-	0.05
Sikar New transmission Limited (Earlier Solar Energy Rajasthan Part C Line)	-	-	-	0.05
Rajgarh Transmission Limited (Earlier Rajgarh Madhya Pradesh Line)	-	0.05	-	0.05
MP Power Transmission Package-I Limited	-	0.05	-	0.05
MP Power Transmission Package-II Limited	-	-	-	0.05
Adjustments or eliminations effect	**0.00%**	**(0.43)**	**-0.50%**	**(218.77)**
Total	**100.00%**	**51,314.10**	**100.00%**	**43,763.93**

Consolidated Notes to Accounts

Share in profit and loss

(₹ in Crores)

Name of the Entity	Year ended 31.03.2022		Year ended 31.03.2021	
	As % of Consolidated Net Profit	Amount	As % of Consolidated Net Profit	Amount
Parent				
REC Limited	100.10%	10,045.92	99.80%	8,361.78
Subsidiaries - Indian				
REC Power Development and Consultancy Limited (formerly REC Power Distribution Company Limited)	0.53%	53.03	0.31%	25.62
REC Transmission Projects Company Limited	-	-	0.00%	-
Joint Venture - Indian				
Energy Efficiency Services Limited	(0.12%)	(11.81)	(0.02%)	(1.97)
Associates - Indian	-	-	-	-
Adjustments or eliminations effect	**(0.51%)**	**(51.44)**	**(0.09%)**	**(7.19)**
Total	**100.00%**	**10,035.70**	**100.00%**	**8,378.24**

Share in Other Comprehensive Income

(₹ in Crores)

Name of the Entity	Year ended 31.03.2022		Year ended 31.03.2021	
	As % of Consolidated Other Comprehensive Income	Amount	As % of Consolidated Other Comprehensive Income	Amount
Parent				
REC Limited	102.02%	(59.07)	99.73%	456.52
Subsidiaries - Indian				
REC Power Development and Consultancy Limited (formerly REC Power Distribution Company Limited)	-	-	-	-
REC Transmission Projects Company Limited	-	-	-	-
Joint Venture - Indian				
Energy Efficiency Services Limited	(2.02%)	1.17	0.27%	1.24
Associates - Indian	-	-	-	-
Adjustments or eliminations effect	-	-	-	-
Total	**100.00%**	**(57.90)**	**100.00%**	**457.76**

Share in Total Comprehensive Income

(₹ in Crores)

Name of the Entity	Year ended 31.03.2022		Year ended 31.03.2021	
	As % of Consolidated Total Comprehensive Income	Amount	As % of Consolidated Total Comprehensive Income	Amount
Parent				
REC Limited	100.09%	9,986.85	99.80%	8,818.30
Subsidiaries - Indian				
REC Power Development and Consultancy Limited (formerly REC Power Distribution Company Limited)	0.53%	53.03	0.29%	25.62
REC Transmission Projects Company Limited	0.00%	-	-	-
Joint Venture - Indian				
Energy Efficiency Services Limited	(0.11%)	(10.64)	(0.01%)	(0.73)

Consolidated Notes to Accounts

(₹ in Crores)

Name of the Entity	Year ended 31.03.2022		Year ended 31.03.2021	
	As % of Consolidated Total Comprehensive Income	Amount	As % of Consolidated Total Comprehensive Income	Amount
Associates - Indian	-	-	-	-
Adjustments or eliminations effect	(0.52%)	(51.44)	(0.08%)	(7.19)
Total	**100.00%**	**9,977.80**	**100.00%**	**8,836.00**

67 Amounts expected to be recovered/ settled within 12 months and beyond for each line item under asset and liabilities

(₹ in Crores)

	Particulars	As at 31.03.2022		As at 31.03.2021	
		Within 12 months	More than 12 months	Within 12 months	More than 12 months
	ASSETS				
(1)	**Financial Assets**				
(a)	Cash and cash equivalents	140.99	-	1,179.24	-
(b)	Bank balances other than (a) above	2,453.95	65.01	2,222.36	1.22
(c)	Trade receivables	94.55	-	140.07	-
(d)	Derivative financial instruments	343.37	5,166.80	258.94	2,052.28
(e)	Loans	39,144.60	3,32,785.94	36,576.91	3,28,684.58
(f)	Investments	62.11	2,128.33	38.10	1,685.58
(g)	Other financial assets	274.14	24,141.17	280.26	24,139.62
	Total - Financial Assets (1)	**42,513.71**	**3,64,287.26**	**40,695.88**	**3,56,563.28**
(2)	**Non-Financial Assets**				
(a)	Current tax assets (net)	-	191.56	-	168.92
(b)	Deferred tax assets (net)	-	3,160.12	-	2,461.03
(c)	Investment Property	-	-	-	0.01
(d)	Property, Plant & Equipment	-	624.04	-	260.70
(e)	Capital Work-in-Progress	(0.00)	6.07	-	335.67
(f)	Intangible Assets Under Development	-	-	-	0.77
(g)	Other Intangible Assets	-	4.28	-	6.15
(h)	Other non-financial assets	60.49	8.19	93.83	8.84
(i)	Investments accounted for using equity method	-	-	-	257.74
	Total - Non-Financial Assets (2)	**60.49**	**3,994.26**	**93.83**	**3,499.83**
(3)	**Assets classified as held for sale**	**4.38**	**-**	**14.05**	**-**
	Total ASSETS (1+2+3)	**42,578.58**	**3,68,281.52**	**40,803.76**	**3,60,063.11**
	LIABILITIES				
(1)	**Financial Liabilities**				
(a)	Derivative financial instruments	18.89	534.25	73.13	773.18
(b)	Trade Payables				
	(I) Trade payables				
	(i) total outstanding dues of MSMEs	-	-	0.01	-
	(ii) total outstanding dues of creditors other than MSMEs	36.48	-	61.84	-
	(II) Other payables				
	(i) total outstanding dues of MSMEs	-	-	-	-
	(ii) total outstanding dues of creditors other than MSMEs	-	-	-	-

Consolidated Notes to Accounts

(₹ in Crores)

Particulars		As at 31.03.2022		As at 31.03.2021	
		Within 12 months	More than 12 months	Within 12 months	More than 12 months
(c)	Debt Securities	29,637.91	1,89,936.70	45,055.83	1,92,213.28
(d)	Borrowings (other than debt securities)	22,529.92	84,121.67	27,509.52	57,997.84
(e)	Subordinated Liabilities	296.95	6,519.52	299.49	6,647.40
(f)	Other financial liabilities	1,598.01	24,110.63	2,102.37	24,110.63
	Total - Financial Liabilities (1)	**54,118.16**	**3,05,222.77**	**75,102.19**	**2,81,742.33**
(2)	**Non-Financial Liabilities**				
(a)	Current tax liabilities (net)	10.25	-	14.40	-
(b)	Provisions	57.60	48.07	71.82	41.87
(c)	Other non-financial liabilities	59.63	29.50	97.89	32.36
	Total - Non-Financial Liabilities (2)	**127.48**	**77.57**	**184.11**	**74.23**
(3)	**Liabilities directly associated with assets classified as held for sale**	0.01	-	0.08	-
	Total LIABILITIES (1+2+3)	**54,245.65**	**3,05,300.34**	**75,286.39**	**2,81,816.55**

Previous year figures have been reclassified/ regrouped to conform to the current classification.

68 There are no Off-Balance Sheet SPVs sponsored by the Company, which need to be consolidated as per accounting norms.

69 The Company does not have any Overseas Assets in the form of Joint Ventures/Subsidiaries abroad.

70 The disclosures as required under Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 have been made in Note No. 3, 9, 10, 11, 22.1, 29.1, 48, 51, 52.1.3 (N), 52.1.3 (O), 52.1.3 (R), 52.1.3 (S), 52.1.3 (T), 52.1.3 (U), 52.2.2, 52.2.4, 52.3, 53,55, 58, 62, 63, 68, 69, 71, 72.

71 No penalties have been levied on the Company by any regulator during the year ended 31st March 2022 (previous year Nil).

However, the Company has received notices from the National Stock Exchange of India Ltd. (NSE) and BSE Ltd. (BSE) imposing a total fine of ₹ 75,59,080 (inclusive of GST) for non-compliance for the quarters ended 30th June 2021, 30th September 2021 and 31st December 2021 on the corporate governance requirements of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 regarding the position/quorum requirements of Board/ Committees.

The Company has requested the Stock Exchanges to waive the fine since the power to appoint Independent Directors is vested with President of India through the administrative Ministry as per Articles of Association of the Company and the Board of Directors or the Company cannot appoint Independent Directors on the Board of the Company. As such, there is no violation on the part of the Company in the appointment of Independent Directors. While the reply of the Stock Exchanges is still awaited, the Company is hopeful of favorable outcome of its request to the Stock Exchanges in line with the earlier waivers of fine by the Stock Exchanges for similar reasons.

72 No complaints have been received by the company from the borrowers under the Fair Practices Code during the year ended 31st March 2022 (previous year Nil).

73 Figures in Rupees have been rounded off to the nearest crores with two decimals, unless expressly stated.

The Notes to Accounts 1 to 73 are an integral part of Balance Sheet and Statement of Profit & Loss.

For and on behalf of the Board

J.S. Amitabh
ED & Company Secretary

Ajoy Choudhury
Director (Finance)
DIN - 06629871

R.S. Dhillon
Chairman & Managing Director
DIN - 00278074

In terms of our Audit Report of even date

For S.K. Mittal & Co.
Chartered Accountants
Firm Reg. No.: 001135N

For O.P. Bagla & Co. LLP.
Chartered Accountants
Firm Reg. No.: 000018N/N500091

S. Murthy
Partner
M.No. : 072290

Atul Aggarwal
Partner
M.No. : 092656

Place : Gurugram
Date : 13th May 2022

REC Limited

Registered Office - Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi - 110003, CIN: L40101DL1969GOI005095

Annexure to be enclosed with Consolidated Balance Sheet as at 31st March 2022

(As prescribed by Reserve Bank of India)

(Particulars as required in terms of Paragraph 18 of Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, in so far as they are applicable to REC Ltd.)

(₹ in Crores)

	Particulars	As at 31.03.2022		As at 31.03.2021	
		Amount Outstanding	Amount Overdue	Amount Outstanding	Amount Overdue
	LIABILITIES SIDE:				
(1)	**Loans and advances availed by the NBFC**				
	inclusive of interest accrued thereon but not paid:				
	(a) Debentures/ Bonds :				
	- Secured	40,597.85	-	35,534.72	-
	- Unsecured	1,86,643.60	-	2,09,508.98	-
	(b) Deferred Credits	-	-	-	-
	(c) Term Loans				
	- Secured Loans from Financial Institutions	-	-	-	-
	- Unsecured Loans from Govt. of India	10,325.12	-	10,325.12	-
	- Unsecured Loans from Banks	42,919.86	-	29,953.76	-
	- Unsecured Loans from Financial Institutions	6,800.00	-	5,800.00	-
	(d) Inter-corporate Loans and Borrowing	-	-	-	-
	(e) Commercial Paper	-	-	-	-
	(f) Other Loans	-	-	-	-
	- Foreign Currency Borrowings	35,687.77	-	21,060.17	-
	- FCNR(B) Loans	9,861.13	-	5,335.01	-
	- Short Term Loans/ Loans Repayable on Demand	1,415.58	-	10,201.99	-
	- Unsecured Loans from Holding Company	-	-	3,000.49	-
	- Finance Lease Obligations	0.03	-	0.05	-
	- Loans Repayable on Demand from Banks & FIs				

(₹ in Crores)

	Particulars	As at 31.03.2022	As at 31.03.2021
	ASSETS SIDE :		
(2)	**Break-up of Loans and Advances including bills receivables**		
	(a) Secured	2,13,512.93	2,47,657.93
	(b) Unsecured	1,57,153.67	1,16,554.11
(3)	**INVESTMENTS :**		
	Current Investments:		
	Quoted:		
	(i) Shares : Equity	49.52	23.60
	Unquoted:		
	(i) Shares : (a) Preference	-	69.08
	(ii) Debentures and Bonds	238.76	292.16
	Long Term Investments:		
	Quoted:		
	(i) Shares : Equity	53.52	430.13
	(ii) Debentures and Bonds	259.39	259.63
	(iii) Government Securities	1,374.51	649.08
	Unquoted:		
	(i) Shares : (a) Equity	214.74	257.74
	(ii) Units of mutual funds	-	-

(4) Borrower Group-wise classification of assets financed in (2) above :

(₹ in Crores)

Particulars	AMOUNT NET OF PROVISIONS	
	Secured	Unsecured
As at 31.03.2022		
1. Related Parties		
(a) Subsidiaries	-	-
(b) Companies in the same Group	-	-
(c) Other related Parties	-	-
2. Other than Related Parties	2,13,512.93	1,57,153.67
Total	**2,13,512.93**	**1,57,153.67**
As at 31.03.2021		
1. Related Parties		
(a) Subsidiaries	-	-
(b) Companies in the same Group	-	-
(c) Other related Parties	-	-
2. Other than Related Parties	2,47,657.93	1,16,554.11
Total	**2,47,657.93**	**1,16,554.11**

(5) Investor group-wise classification of investments (current and long term) in shares and securities (both quoted and unquoted) :

(₹ in Crores)

Category	As at 31.03.2022		As at 31.03.2021	
	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
1. Related Parties				
(a) Companies in the same Group	-	-	257.74	257.74
2. Other than Related Parties	2,190.44	2,190.44	1,723.68	1,723.68
Total	**2,190.44**	**2,190.44**	**1,981.42**	**1,981.42**

(6) Other Information

(₹ in Crores)

Particulars	As at 31.03.2022	As at 31.03.2021
(i) Gross Credit-impaired Assets		
(a) Related Parties	-	-
(b) Other than related Parties	17,159.89	18,256.93
(ii) Net Credit-impaired Assets		
(a) Related Parties	-	-
(b) Other than related Parties	5,594.16	6,465.62
(iii) Asset acquired in satisfaction of debts	-	349.28

For and on behalf of the Board

J.S. Amitabh
ED & Company Secretary

Ajoy Choudhury
Director (Finance)
DIN - 06629871

R.S. Dhillon
Chairman & Managing Director
DIN - 00278074

In terms of our Audit Report of even date

For S.K. Mittal & Co.
Chartered Accountants
Firm Reg. No.: 001135N

S. Murthy
Partner
M.No. : 072290

For O.P. Bagla & Co. LLP.
Chartered Accountants
Firm Reg. No.: 000018N/N500091

Atul Aggarwal
Partner
M.No. : 092656

Place : Gurugram
Date : 13th May 2022

Form AOC-1

Statement containing salient features of the financial statements of Subsidiaries/ Associates/ Joint Ventures for the Year 2021-22

Part A: Subsidiaries

(₹ in Crores)

	Particulars	(I)
1	**Name of the Subsidiary**	**REC Power Development and Consultancy Limited (formerly REC Power Distribution Company Limited)**
2	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	Not Applicable
3	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.	Not Applicable
4	Share capital	0.09
5	Reserves & Surplus	328.50
6	Total assets	518.61
7	Total Liabilities	190.02
8	Investments	91.52
9	Turnover	177.20
10	Profit/ (Loss) Before Taxation	68.88
11	Provision for Taxation	15.85
12	Profit/ (Loss) After Taxation	53.03
13	Proposed Dividend	8.91
14	% Shareholding	100.00%

(1) Name of subsidiaries which are yet to commence operations - Nil

(2) Names of subsidiaries which have been liquidated or sold during the year - Nil

Part B: Associates and Joint Ventures

Details of Associates

(₹ in Crores)

	Name of Associates	Bidar Transmission Limited*	Chandil Transmission Limited #	Dumka Transmission Limited #	ER NER Transmission Limited *	Koderma Transmission Limited *	Mandar Transmission Limited #	MP Power Transmission Package I Limited *	Rajgarh Transmission Limited *
1	Latest audited Balance Sheet Date	31-Mar-22	31-Mar-22	31-Mar-22	31-Mar-22	31-Mar-22	31-Mar-22	31-Mar-22	31-Mar-22
2	Shares of Associate/Joint Ventures held by the company on the year end								
	Number	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
	Amount of Investment in Associates/ Joint Venture	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
	Extent of Holding (%)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
3	Description of how there is significant influence	Refer Note 1							
4	Reason why the associate/ joint venture is not consolidated	NA	NA	NA	NA	NA	NA	NA	NA
5	Networth attributable to Shareholding as per latest audited Balance Sheet	0.07	(2.15)	(2.10)	(0.26)	(1.92)	(1.87)	(1.62)	(0.10)
6	Profit / (Loss) for the year	(0.01)	-	-	(0.31)	-	-	(0.80)	(0.20)
i.	Considered in Consolidation **	-	-	-	-	-	-	-	-
ii.	Not Considered in Consolidation	(0.01)	-	-	(0.31)	-	-	(0.80)	(0.20)

** The latest audited Balance Sheet available for associates have been prepared on the basis of IND-AS.*

 # The latest management certified Balance Sheet available for associates have been prepared on the basis of IND-AS.

***Associates classified under held for sale and valued at cost or fair market value (less cost to sales) whichever is less, hence profit not considered.*

Note : 1. The Group is holding 100% of shares but these investments are managed as per the mandate from Government of India and Group does not have the practical ability to direct the relevant activities of these companies unilaterally, hence treated as associate company.

Note : 2. Five associates were transferred during FY 2021-22 whose details are as follows:

Name of SPV	Date of transfer
Fatehgarh Bhadla Transco Limited	04.06.2021
Sikar New Transmission Limited	04.06.2021
MP Power Transmission Package II Limited	01.11.2021
Kallam Transmission Limited	28.12.2021
Gadag Transmission Limited	17.03.2022

Detail of joint Venture

During the year, pursuant to agreement executed amongst the Joint venture partners i.e. NTPC Limited, Power Finance Corporation Limited, REC Limited and Power Grid Corporation of India Limited, EESL ceased to be a jointly controlled entity of the company with effect from September 01, 2021.

(1) Names of associates or joint ventures which are yet to commence operations - NIL

(2) Names of associates or joint ventures which have been liquidated or sold during the year.x

The following associates have been sold during the year, as a part of business process:

Name of subsidiary	Date of Sale
Fatehgarh Bhadla Transco Limited	04.06.2021
Sikar New Transmission Limited	04.06.2021
MP Power Transmission Package II Limited	01.11.2021
Kallam Transmission Limited	28.12.2021
Gadag Transmission Limited	17.03.2022

For and on behalf of the Board

J.S. Amitabh
ED & Company Secretary

Ajoy Choudhury
Director (Finance)
DIN - 06629871

R.S. Dhillon
Chairman & Managing Director
DIN - 00278074

In terms of our Audit Report of even date

For S.K. Mittal & Co.
Chartered Accountants
Firm Reg. No.: 001135N

S. Murthy
Partner
M.No. : 072290

For O.P. Bagla & Co. LLP.
Chartered Accountants
Firm Reg. No.: 000018N/N500091

Atul Aggarwal
Partner
M.No. : 092656

Place : Gurugram
Date : 13th May 2022

Independent Auditors' Report

To the Members of
REC Limited

Report on the Audit of the Consolidated Ind AS Financial Statements

Opinion

We have audited the accompanying consolidated Ind AS financial statements of REC Limited (hereinafter referred to as "the Holding Company") and its subsidiary (Holding Company and its subsidiary together referred to as "the Group") which comprise the Consolidated Balance Sheet as at 31st March, 2022, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement for the year then ended, and notes to the consolidated Ind AS financial statements, including a summary of significant accounting policies (hereinafter referred to as "the Consolidated Ind AS Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated Ind AS financial statements give the information required by the Companies Act, 2013, ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of their consolidated state of affairs of the Group as at 31st March, 2022, of consolidated Profit (including other comprehensive Income), consolidated changes in equity and its consolidated cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Ind AS Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by ICAI, and we have fulfilled our other ethical responsibilities in accordance with the provisions of the Act, 2013. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

1. We draw attention to Note No. 52.1.3 of the consolidated Ind AS financial statements regarding, the provision of impairment allowance in respect of its loan assets and Letters of Comfort. In this regard, we have relied upon the basis of determination of impairment allowance, in so far as it relates to technical aspects/parameters considered by independent agency and management judgement for ascertaining impairment allowance as management overlay.
2. We draw attention to Note No. 54 of the consolidated Ind AS financial statements regarding the impact of COVID-19 pandemic on the Company. Management is of the view that there are no reasons to believe that the pandemic will have any significant impact on the ability of the company to continue as a going concern. Nevertheless, the impact in sight of evolvement of pandemic in future period is uncertain and could impact the impairment allowance in future years.

Our opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters ("KAM") are those matters that, in our professional judgment, were of most significance in our audit of the consolidated Ind AS financial statements of the current period. These matters were addressed in the context of our audit of the consolidated Ind AS Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the following matters described below to be the key audit matters to be communicated in our report:

S. No.	Key Audit Matter	Auditor's Response
1.	**Impairment allowance of Loan Assets –** (Refer Note Note No. 52.1.3 to the Standalone Ind AS Financial Statements read with accounting policy No. 3.14) The Company follows a Board approved methodology wherein assessment for allowance is carried out by an external agency for impairment based on certain criterion/framework classifying the assets into various stages depending upon credit risk and level of evidence of impairment. Impairment allowance is measured as product of the Probability of Default, Exposure at Default and Loss Given Default being the key parameters for assessing the impairment allowance.	**We have applied following audit procedures in this regard** a). According to the provisions of Ind AS 109 "Financial Instruments", we have obtained the report of the external agency and verified the criterion/framework with various regulatory updates alongwith Company's internal guidelines and procedures in respect of the impairment allowance. b) Verification of loan assets on test check basis covering substantial part of total loans with respect to monitoring thereof for recovery/performance aspects and assessment of the loan impairment considering management perception on the same. c) Recoveries are verified applying the standard audit procedures. Loan balances are confirmed and quality of the borrower is evaluated and tested with key control parameters.

S. No.	Key Audit Matter	Auditor's Response
	The key indicators underlying for assessment of impairment allowance are appraised on an ongoing basis by the management. Further the management has adopted a methodology which in addition to the model adopted as above is further analyzed on case to case basis and wherever impairment impact need to be changed the same is considered in the financial statements. Since the company is a Non-Banking Finance Company (NBFC) involved in business of financing and if any of the key parameter/criteria/assumptions mentioned as above is applied improperly, it can result in impacting the carrying value of loan assets materially either individually or collectively. In view of the significance of the amount of loan assets in the standalone Ind AS Financial Statements i.e. 90.52% of total assets, the audit procedure for impairment of loan assets has been considered as Key Audit Matter in our audit.	d) Assessment of impairment based upon performance of the loan assets is carried out on the basis of available documents comprising loan papers, financial data, valuation reports, progress report, periodical financial information, information on public domain, procedure applied by the management e.g. inspection of loans, physical verification, assessing borrower past records etc. Recoveries in the loan assets are verified to ascertain level of stress thereon and impact as impairment allowance on financial statement. e) We have discussed with the management wherever underlying weakness is observed and management assessment is carried out in detail in such cases. f) Components and calculations in the study for impairment allowance carried out by external agency are relied upon by us and test checks are carried out for the same. Such components are credit rating of borrowers, calculation of probability of default/loan given defaults etc. Our audit procedure in the same are limited in view of reliance on report of the external agency. g) Further, the Management, pursuing a Board approved methodology reviews the impairment allowance in the report of the external agency and enhanced/reduced the impairment on case to case basis as management overlay. We have obtained a detailed analysis from the management for such changes. Our audit procedure in this regard is constrained by the management appraisal and we have relied upon the same. h) Comparison of ECL with the amount of provisioning as required in terms of Income Recognition, Assets classification and provisioning norms (IRACP) of Reserve Bank of India in pursuance of RBI Notification No. DOR (NBFC).CC.PD. No.109/22.10.106/2019-20 dated 13th March 2020.
2.	**Fair valuation of Derivative Financial Instruments** (Refer Note No. 9 to the standalone Ind AS Financial Statements read with accounting policy No. 3.13) To mitigate the Company's exposure to foreign currency risk and interest rate risk, non-INR cash flows are monitored and derivative contracts are entered into in accordance with the Company's board approved risk management policies and RBI guidelines. The Company has applied hedge accounting requirements as per Ind AS 109 'Financial Instruments' wherein certain derivative contracts have been designated as hedging instruments in 'Cash flow hedge' relationships. These arrangements have been entered into to mitigate foreign currency exchange risk and interest rate risk arising from certain debt instruments denominated in foreign currency. The derivatives are measured at fair value as per Ind AS 109. Mark to market gain/loss on these derivatives are recognised in the other comprehensive income for cash flow hedges. In view of significance and impact on financial statements we have identified it as a key audit matter.	**We have applied following audit procedure in this regard** a) Discussing and understanding management's perception and studying policy of the company for risk management. Motive of derivative transactions are studied and observed underlying exposure is not more than the volume of derivatives. b) Verification of fair value of derivative in terms of Ind AS 109. c) Testing the accuracy and completeness of derivative transactions. d) Evaluation of management's key internal controls over classification, valuation, and valuation models of derivative instruments. e) Obtained details of various financial derivative contracts as outstanding as on 31st March 2022. f) Verification of underlying assumptions in estimating the fair valuation arrived at for those financial derivative contracts. g) We also obtained confirmations from the banks with whom such financial derivative contracts have been entered into and independently compared the valuation so arrived at by the contracting banks. h) Additionally, we have verified the accounting of gain/loss on mark to market basis in the other comprehensive income for cash flow hedges. i) Assessing whether the financial statement disclosures appropriately reflect the Company's exposure to derivatives valuation risks with reference to the requirements of the prevailing accounting standards and Reserve Bank of India Guidelines.

The following key audit matters with respect audit opinion on the financial statement of REC Power Development and Consultancy Limited (formerly known as REC Power Distribution Company Limited), a wholly owned subsidiary company has been reported by the component auditors vide their report dated 11.05.2022 and has been reproduced by us as under :

S. No.	Key Audit Matter	Auditor's Response
1.	**Valuation of account Receivable in view of risk of credit loss** (Refer to Note no. 52.1.5 "Financial Instrument" and Note no. 8 "Trade Receivable" of) Accounts receivables is a significant item in the Company's financial statements as at March 31, 2022 and assumptions used for estimating the credit loss on receivables is an area which is influenced by management's judgment. The Company makes an assessment of the estimated credit losses basis credit risk, project status, past history, latest discussion/ correspondence with the customer. Given the relative significance of these receivables to the financial statements and the nature and extent of audit procedures involved to assess the recoverability of receivables, we determined this to be a key audit matter.	**Principal Audit Procedures** Our audit incorporated the following procedure with regards to provisioning of receivables: • Understood and evaluated the accounting policy of the company. • We evaluated the design and tested the operating effectiveness of key controls in relation to determination of estimated credit loss. • Inquired with senior management regarding status of collectability of the receivable • For material balances, the basis of provision was discussed with the management. Assessed and challenged the information used by the Management to determine the expected credit losses by considering credit risk of the customer, cash collection, performance against historical trends and the level of credit loss charges over time.
2.	**Accuracy of recognition, measurement, presentation and disclosures of revenues and other related balances in view of adoption of Ind AS 115 "Revenue from Contracts with Customers"** The application of the new revenue accounting standard involves certain key judgments relating to identification of distinct performance obligations, determination of transaction price of the identified performance obligations, the appropriateness of the basis used to measure revenue recognized over a period. Refer Notes 3.4 and 64.1 to the Financial Statements	**Principal Audit Procedures** We assessed the Company's process to identify the impact of adoption of the new revenue accounting standard. We carried out the following procedures: • Understand the design of internal controls relating to implementation of the new revenue accounting standard. • Selected a sample of continuing and new contracts, and tested the operating effectiveness of the internal control, relating to identification of the distinct performance obligations and determination of transaction price. We carried out a combination of procedures involving enquiry and observation, re-performance and inspection of evidence in respect of operation of these controls. • Regarding the stage of completion and revenue in respect of ongoing projects, we have relied upon the reports of the Technical Experts of the Company as we did not have that technical expertise with us. • Selected a sample of continuing and new contracts and performed the following procedures: • Read, analyzed and identified the distinct performance obligations in these contracts. • Compared these performance obligations with that identified and recorded by the Company. • Considered the terms of the contracts to determine the transaction price including any variable consideration to verify the transaction price used to compute revenue and to test the basis of estimation of the variable consideration. • Calculations in respect of unearned revenue were test-checked using reports provided by project experts with respect to the percentage of work completed. • In respect of samples relating to fixed price contracts, progress towards satisfaction of performance obligation used to compute recorded revenue was verified with the terms of contracts and status of work provided by the project experts of the company. • Sample of revenues disaggregated by type and service offerings was tested with the performance obligations specified in the underlying contracts. • Performed analytical procedures for reasonableness of revenues disclosed by type and service offerings

Information Other than the Consolidated Ind AS Financial Statements and Auditor's Report thereon

The Company's management and Board of Directors are responsible for the other information. The other information comprises the Directors' Report, Corporate Governance Report, Business Responsibility Report and Management Discussion and Analysis etc in the Annual report but does not include the consolidated Ind AS financial statements and our report thereon. Such other information is expected to be made available to us after the date of this Auditor's Report.

Our opinion on the consolidated Ind AS financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated Ind AS financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated Ind AS financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read such other information if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Management's Responsibility for the Consolidated Ind AS Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated Ind AS financial statements in term of the requirements of the Companies Act,2013 that give a true and fair view of the consolidated financial position, consolidated financial performance (including other comprehensive income), consolidated changes in equity and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended ,("Ind AS"). The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the Consolidated Ind AS Financial Statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated Ind AS financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group are responsible for overseeing the financial reporting process of the Group.

Auditor's Responsibilities for the Audit of the Consolidated Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the consolidated Ind AS financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated Ind AS financial statements, including the disclosures, and whether the consolidated Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated Ind AS financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated Ind AS financial statements of which we are the independent auditors. For the other entities included in the consolidated Ind AS financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated Ind AS financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated Ind AS financial statements of the current period and are therefore the key audit matters. We describe these matters in our Auditor's Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

We did not audit the financial statements of the subsidiary whose financial statements reflect total assets of ₹ 518.61 Crores (₹ 662.79 Crores as at 31st March 2021) as at 31st March 2022, total revenues of ₹ 177.20 Crores (Previous year ₹ 184.86 Crores) and net cash flows amounting to ₹ -24.16 Crores (Previous year ₹ -0.93 Crores) for the year ended on that date, as considered in the Consolidated Ind AS Financial Statements. The Consolidated Ind AS Financial Statements also include the subsidiary's share of net profit after tax of ₹ 53.03 crores (Previous Year ₹ 25.62 crores) and total comprehensive income of ₹ 53.03 crores (Previous Year ₹ 25.62 crores) as considered in the Consolidated Ind AS Financial Statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of the subsidiary, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary, is based solely on the reports of the other auditors.

Our opinion on the consolidated Ind AS financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements/financial information certified by the Management.

Report on Other Legal and Regulatory Requirements

1. As required by section 143(3) of the Act, we report, to the extent applicable, that:

    (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid Consolidated Ind AS Financial Statements.

    (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid Consolidated Ind AS Financial Statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.

    (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, Consolidated Changes in Equity and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the Consolidated Ind AS Financial Statements.

    (d) In our opinion, the aforesaid Consolidated Ind AS Financial Statements comply with the Accounting Standards specified under Section 133 of the Act.

    (e) Vide Notification No. G.S.R. 463(E) dated 5th June, 2015 issued by Ministry of Corporate Affairs, Government Companies have been exempted from applicability of the provisions of Section 164(2) of the Companies Act, 2013.

    (f) With respect to the adequacy of the internal financial controls over financial reporting of the company and operative effectiveness of such controls , refer to our separate report in "Annexure-A"; and

(g) Pursuant to Notification no. GSR463(E) dated dated 5th June 2015 issued by the Ministry of Corporate Affairs, provisions of Section 197 of the Act are not applicable to the holding/subsidiary company being government companies.

(h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of report of the other auditors on separate Ind AS financial statements as also the other financial information of the subsidiary:

i) The Consolidated Ind AS Financial Statements disclose the impact of pending litigations on the consolidated financial position of the Group - Refer Note 47 to the Consolidated Ind AS Financial Statements;

ii) According to the information and explanations given to us, The Group does did not have any long term contracts including derivative contracts for which there are any material foreseeable losses;

iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary company incorporated in India.

iv) (a) The Management of the group has represented (refer Note No. 10.5) that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been advancedor loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Group to or in any other person or entity, includin foreign entity ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Group ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

(b) The Management of the group has represented (refer Note No. 10.5), that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been received by the Group from any person or entity, including foreign entity ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Group shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

(c) Based on the audit procedures that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e) of the Companies (Audit and Auditors) Rules, 2014 as amended and provided under (a) and (b) above, contain any material misstatement.

(v) The dividends (Interim and Final) declared and paid during the year by the Group till the date of this report is in compliance with section 123 of the Companies Act, 2013

2. With respect to the matters specified in clause (xxi) of paragraph 3 of the Companies (Auditor's Report) Order, 2020 (the "Order"/ "CARO") issued by the Central Government in terms of Section 143(11) of the Act, to be included in the Auditor's Report, we report that according to the information and explanations given to us, and based on the CARO report issued by us for the Company and report issued by the auditor of its subsidiary included in the consolidated financial statements, there are no qualifications or adverse remarks in such reports.

M/s S.K. Mittal & Co.
Chartered Accountants,
ICAI Firm Registration: 001135N

Name : S. Murthy
Designation : Partner
Membership Number : 072290
UDIN : 22072290AIYJSC9493

M/s O.P. Bagla & Co. LLP.
Chartered Accountants,
ICAI Firm Registration: 000018N/N500091

Name : Atul Aggarwal
Designation : Partner
Membership Number : 092656
UDIN : 22092656AIYHFZ4536

Place : Gurugram
Date : 13th May 2022

Annexure-A to the Independent Auditors' Report of even date on the Consolidated Ind AS financial Statements of REC Limited

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated Ind AS financial statements of the Company as of and for the year ended 31st March 2022, we have audited the internal financial controls over financial reporting of REC Limited (hereinafter referred to as "the Holding Company") and its subsidiary company, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company, its subsidiary company, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Group and considering the essential components of internal control stated in the "Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI)". These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors of the subsidiary, incorporated in India, in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system with reference to consolidated Ind AS financial statements.

Meaning of Internal Financial Controls over Financial Reporting

A Group's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Group's internal financial control over financial reporting includes those policies and procedures that:

a. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Group;

b. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Group; and

c. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Group's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the holding company, its subsidiary, which are companies incorporated in India, have, in all material aspects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as of 31st March 2022, based on the internal control over financial reporting criteria established by the Group considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

We have considered the areas of improvement identified which needs further strengthening as reported above in determining the nature, timing, and extent of audit tests applied in our audit of the 31st March 2022 Consolidated Ind AS financial statements of the Group. However, these areas of improvement do not affect our opinion on the operating effectiveness of the Internal Financial Control over financial reporting of the Group.

Other Matters

Our aforesaid reports under Section 143(3) (i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to the subsidiary company which is incorporated in India, is based on the corresponding reports of the auditors of such company.

Further, we have considered the disclosure reported above in determining the nature, timing and extent of audit tests applied in our report of the financial statements of the Group, and the above disclosure does not affect our opinion on the operating effectiveness of the Internal Financial Control over financial reporting of the Group.

M/s S.K. Mittal & Co.
Chartered Accountants,
ICAI Firm Registration: 001135N

Name : S. Murthy
Designation : Partner
Membership Number : 072290
UDIN : 22072290AIYJSC9493

M/s O.P. Bagla & Co. LLP.
Chartered Accountants,
ICAI Firm Registration: 000018N/N500091

Name : Atul Aggarwal
Designation : Partner
Membership Number : 092656
UDIN : 22092656AIYHFZ4536

Place : Gurugram
Date : 13th May 2022

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) READ WITH SECTION 129(4) OF THE COMPANIES ACT, 2013 ON THE CONSOLIDATED FINANCIAL STATEMENTS OF REC LIMITED FOR THE YEAR ENDED 31 MARCH 2022.

The preparation of consolidated financial statements of REC Limited for the year ended 31 March 2022 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under section 139(5) read with section 129(4) of the Act are responsible for expressing opinion on the financial statements under section 143 read with section 129(4) of the Act, based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 13 May 2022.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the consolidated financial statements of REC Limited for the year ended 31 March 2022, under Section 143(6)(a) read with section 129(4) of the Act. We conducted a supplementary audit of the financial statements of REC Limited, REC Power Development and Consultancy Limited and Bidar Transmission Limited but did not conduct supplementary audit of the financial statements of subsidiaries, associate companies and jointly controlled entities listed in Annexure for the year ended on that date. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records.

On the basis of my supplementary audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to statutory auditors' report under section 143(6)(b) of the Act.

For and on behalf of the
Comptroller & Auditor General of India

(Deepak Kapoor)
Director General of Audit (Energy)
Delhi

Place: New Delhi
Dated: 22 July 2022

ANNEXURE

List of Subsidiaries, Associate Companies and Jointly Controlled Entities of REC Limited whose financial statements were not audited by the Comptroller and Auditor General of India

Associate Companies

1. Chandil Transmission Limited
2. Dumka Transmission Limited
3. ER NER Transmission Limited
4. Koderma Transmission Limited
5. Mandar Transmission Limited
6. MP Power Transmission Package-I Limited
7. Rajgarh Transmission Limited

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2021

(₹ in Crores)

S. No.	Particulars	Note No.	As at 31-03-2021	As at 31-03-2020
	ASSETS			
(1)	**Financial Assets**			
(a)	Cash and cash equivalents	6	1,179.24	1,717.71
(b)	Bank balances other than (a) above	7	2,223.58	2,257.45
(c)	Trade receivables	8	140.07	109.07
(d)	Derivative financial instruments	9	2,311.22	3,318.85
(e)	Loans	10	365,261.49	312,083.50
(f)	Investments	11	1,723.68	2,127.11
(g)	Other financial assets	12	24,419.88	22,101.32
	Total - Financial Assets (1)		**397,259.16**	**343,715.01**
(2)	**Non-Financial Assets**			
(a)	Current tax assets (net)	13	168.92	409.94
(b)	Deferred tax assets (net)	14	2,461.03	2,050.57
(c)	Investment Property	15	0.01	0.01
(d)	Property, Plant & Equipment	16	260.70	156.97
(e)	Capital Work-in-Progress	16	335.67	287.62
(f)	Intangible Assets Under Development	16	0.77	0.77
(g)	Other Intangible Assets	16	6.15	8.82
(h)	Other non-financial assets	17	102.67	132.37
(i)	Investments accounted for using equity method	11	257.74	258.47
	Total - Non-Financial Assets (2)		**3,593.66**	**3,305.54**
(3)	**Assets classified as held for sale**	18	**14.05**	**9.53**
	Total ASSETS (1+2+3)		**400,866.87**	**347,030.08**
	LIABILITIES AND EQUITY			
	LIABILITIES			
(1)	**Financial Liabilities**			
(a)	Derivative financial instruments	9	846.31	1,325.73
(b)	Trade Payables			
	(i) total outstanding dues of MSMEs	19	0.01	0.15
	(ii) total outstanding dues of creditors other than MSMEs	19	61.50	46.00
(c)	Debt Securities	20	237,269.11	219,918.25
(d)	Borrowings (other than debt securities)	21	85,507.36	61,550.66
(e)	Subordinated Liabilities	22	6,946.89	4,819.65
(f)	Other financial liabilities	23	26,222.35	23,782.21
	Total - Financial Liabilities (1)		**356,853.53**	**311,442.65**
(2)	**Non-Financial Liabilities**			
(a)	Current tax liabilities (net)	24	14.40	-
(b)	Provisions	25	104.68	107.09
(c)	Other non-financial liabilities	26	130.25	83.23
	Total - Non-Financial Liabilities (2)		**249.33**	**190.32**
(3)	**Liabilities directly associated with assets classified as held for sale**	18	**0.08**	**0.68**
(4)	**EQUITY**			
(a)	Equity Share Capital	27	1,974.92	1,974.92
(b)	Instruments Entirely Equity In Nature	28	558.40	-
(c)	Other equity	29	41,230.61	33,421.51
	Total - Equity (4)		**43,763.93**	**35,396.43**
	Total - LIABILITIES AND EQUITY (1+2+3+4)		**400,866.87**	**347,030.08**
	Company Overview and Significant Accounting Policies	1 to 5		

Accompanying Notes to Financial Statements **1 to 70**

For and on behalf of the Board

J.S. Amitabh
ED & Company Secretary

Ajoy Choudhury
Director (Finance)
DIN - 06629871

Sanjay Malhotra
Chairman & Managing Director
DIN - 00992744

In terms of our Audit Report of even date

For S.K. Mittal & Co.
Chartered Accountants
Firm Reg. No.: 001135N

Gaurav Mittal
Partner
M.No. : 099387

For O.P. Bagla & Co. LLP.
Chartered Accountants
Firm Reg. No.: 000018N/N500091

Atul Aggarwal
Partner
M.No. : 092656

Place : New Delhi
Date : 28th May 2021

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2021

(₹ in Crores)

S. No.	Particulars	Note No.	Year ended 31.03.2020	Year ended 31.03.2019
	Revenue from Operations			
(i)	Interest Income	**30**	34,693.35	29,671.78
(ii)	Dividend Income	**31**	27.97	36.94
(iii)	Fees and Commission Income	**32**	95.38	38.95
(iv)	Net gain/ (loss) on fair value changes	**38**	572.33	(25.85)
(v)	Sale of services	**33**	163.65	182.11
I.	**Total Revenue from Operations (i to v)**		**35,552.68**	**29,903.93**
II.	Other Income	**34**	22.72	77.27
III.	**Total Income (I+II)**		**35,575.40**	**29,981.20**
	Expenses			
(i)	Finance Costs	**35**	21,489.05	18,991.30
(ii)	Net translation/ transaction exchange loss	**36**	330.26	2,357.90
(iii)	Fees and commission Expense	**37**	9.95	25.44
(iv)	Impairment on financial instruments	**39**	2445.94	919.49
(v)	Cost of services rendered	**40**	88.51	71.61
(vi)	Employee Benefits Expenses	**41**	163.62	193.15
(vii)	Depreciation and amortization	**42**	10.86	11.77
(viii)	Corporate Social Responsibility Expenses	**43**	146.27	259.29
(ix)	Other Expenses	**44**	109.38	130.41
IV.	**Total Expenses (i to ix)**		**24,793.84**	**22,960.36**
V.	**Profit before Tax (III-IV)**		**10,781.56**	**7,020.84**
V.	**Share of Profit/Loss of Joint Venture accounted for using equity method**		**(1.97)**	**9.14**
VI.	**Profit before Tax (III-IV+V)**		**10,779.59**	**7,029.98**
VII.	**Tax Expense**	**45**		
(i)	Current tax		2,920.97	1,645.06
(ii)	Deferred Tax		(519.62)	412.65
	Total Tax Expense (i+ii)		**2,401.35**	**2,057.71**
VIII.	**Profit for the period**		**8,378.24**	**4,972.27**
IX.	**Other comprehensive Income/(Loss)**			
(i)	Items that will not be reclassified to profit or loss			
(a)	Re-measurement gains/(losses) on defined benefit plans		(14.26)	(2.87)
(b)	Changes in Fair Value of FVOCI Equity Instruments		166.53	(129.20)
(c)	Share of Other Comprehensive Income/ (loss) of Joint Venture accounted for using equity method		(0.05)	(0.12)
(d)	Income tax relating to these items			
	- Re-measurement gains/(losses) on defined benefit plans		3.59	0.72
	- Changes in Fair Value of FVOCI Equity Instruments		(6.01)	12.39
	Sub-Total (i)		**149.80**	**(119.08)**
(ii)	Items that will be reclassified to profit or loss			
(a)	Effective Portion of Cash Flow Hedges		80.81	(302.12)
(b)	Cost of hedging reserve		329.00	(273.61)
(c)	Share of Other Comprehensive Income/ (loss) of Joint Venture accounted for using equity method		1.29	(3.94)
(d)	Income tax relating to these items			
	-Effective Portion of Cash Flow Hedges		(20.34)	76.04
	- Cost of hedging reserve		(82.80)	68.86
	Sub-Total (ii)		**307.96**	**(434.77)**
	Other comprehensive Income/(Loss) for the period (i+ii)		**457.76**	**(553.85)**
X.	**Total comprehensive Income for the period (VIII+IX)**		**8,836.00**	**4,418.42**
XI.	**Basic & Diluted Earnings per Equity Share of ₹ 10 each (in ₹)**	**46**		
(1)	For continuing operations		**42.42**	**25.18**
(2)	For continuing and discontinued operations		**42.42**	**25.18**
	Company Overview and Significant Accounting Policies	**1 to 5**		

Accompanying Notes to Financial Statements **1 to 70**

For and on behalf of the Board

J.S. Amitabh
ED & Company Secretary

Ajoy Choudhury
Director (Finance)
DIN - 06629871

Sanjay Malhotra
Chairman & Managing Director
DIN - 00992744

In terms of our Audit Report of even date

For S.K. Mittal & Co.
Chartered Accountants
Firm Reg. No.: 001135N

Gaurav Mittal
Partner
M.No. : 099387

For O.P. Bagla & Co. LLP.
Chartered Accountants
Firm Reg. No.: 000018N/N500091

Atul Aggarwal
Partner
M.No. : 092656

Place : New Delhi
Date : 28th May 2021

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31ST MARCH 2021

A Equity share capital

(₹ in Crores)

Particulars	As at 31-03-2021	As at 31-03-2020
Opening Balance	1,974.92	1,974.92
Changes in equity share capital during the year	-	-
Closing Balance	1,974.92	1,974.92

Refer note 27 for detail

B Instruments entirely equity in nature

(₹ in Crores)

Particulars	As at 31-03-2021	**As at 31-03-2020**
Opening Balance	-	-
Changes in instruments entirely equity in nature during the year	558.40	-
Closing Balance	**558.40**	-

C Other Equity

(₹ in Crores)

Particulars	**Reserves & Surplus**														
	Special Reserve created u/s 36(1)(viii) of the Income Tax Act, 1961	**Reserve for Bad and doubtful debts u/s 36(1)(viia) of the Income Tax Act, 1961**	**Reserve Fund u/s 45-IC of Reserve Bank of India Act, 1934**	**Debenture Redemption Reserve**	**Securities Premium Account**	**Capital Reserve**	**Foreign Currency Monetary Item Translation Difference Account**	**General Reserve**	**Impairment Reserve**	**Retained Earnings**	**Share of Other Comprehensive Income/ (loss) of Joint Venture accounted for using equity method**	**FVOCI-Equity Instruments**	**Effective Portion of Cash Flow Hedges**	**Costs of Hedging reserve**	**Total**
Balance as at 31st March 2019	**15,136.78**	**3,034.72**	**1,153.00**	**1,318.13**	**2,236.54**	**-**	**(764.82)**	**5,230.54**	**-**	**5,088.19**	**1.46**	**136.88**	**-**	**-**	**32,571.42**
Profit for the period	-	-	-	-	-	-	-	-	-	4,972.27	-	-	-	-	4,972.27
Remeasurement of Defined Benefit Plans	-	-	-	-	-	-	-	-	-	(2.15)	-	-	-	-	(2.15)
Recognition through Other Comprehensive Income (net of taxes)	-	-	-	-	-	-	-	-	-	(0.12)	(3.94)	(116.81)	(226.08)	(204.75)	(551.70)
Total Comprehensive Income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,970.00**	**(3.94)**	**(116.81)**	**(226.08)**	**(204.75)**	**4,418.42**
Other adjustments															
Transferred to/ (from) Retained Earnings	1,522.32	336.52	978.00	49.15	-	-	-	-	793.29	(3,679.28)	-	-	-	-	-
Transferred to General Reserve	-	(378.41)	-	(1,367.28)	-	-	-	1,745.69	-	-	-	-	-	-	-
Reclassification of gain/ (loss) on sale/ extinguishment of FVOCI equity instrument (net of taxes)	-	-	-	-	-	-	-	-	-	(86.19)		86.19	-	-	-
Foreign Currency Translation Loss on long term monetary items during the year	-	-	-	-	-	-	(1,630.51)	-	-	-	-	-	-	-	(1,630.51)
Gain on increase in share in EESL	-	-	-	-	-	4.70	-	-	-	-	-	-	-	-	4.70
Amortisation during the year	-	-	-	-	-	-	675.95	-	-	-	-	-	-	-	675.95
Total- Other adjustments	**1,522.32**	**(41.89)**	**978.00**	**(1,318.13)**	**-**	**4.70**	**(954.56)**	**1,745.69**	**793.29**	**(3,765.47)**	**-**	**86.19**	**-**	**-**	**(949.86)**
Dividends	-	-	-	-	-	-	-	-	-	(2,172.41)	-	-	-	-	(2,172.41)
Dividend Distribution Tax	-	-	-	-	-	-	-	-	-	(446.06)	-	-	-	-	(446.06)
Total- Transaction with owners	-	-	-	-	-	-	-	-	-	(2,618.47)	-	-	-	-	(2,618.47)
Balance as at 31st March 2020	**16,659.10**	**2,992.83**	**2,131.00**	**-**	**2,236.54**	**4.70**	**(1,719.38)**	**6,976.23**	**793.29**	**3,674.25**	**(2.48)**	**106.26**	**(226.08)**	**(204.75)**	**33,421.51**
Profit for the period	-	-	-	-	-	-	-	-	-	8,378.24	-	-	-	-	8,378.24
Remeasurement of Defined Benefit Plans	-	-	-	-	-	-	-	-	-	(10.67)	-	-	-	-	(10.67)
Recognition through Other Comprehensive Income (net of taxes)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(0.05)**	**1.29**	**160.52**	**60.47**	**246.20**	**468.43**
Total Comprehensive Income	-	-	-	-	-	-	-	-	-	8,367.52	1.29	160.52	60.47	246.20	8,836.00
Transferred to/ (from) Retained Earnings	2,563.13	288.13	1,673.00	-	-	-	-	981.10	-	(5,505.36)	-	-	-	-	-
Transferred to/ (from) General Reserve	-	(1,152.55)	-	-	-	-	-	1,945.83	(793.29)	-	-	-	-	-	(0.01)
Reclassification of gain/ (loss) on sale/ extinguishment of FVOCI equity instrument (net of taxes)	-	-	-	-	-	-	-	-	-	242.71	-	(242.71)	-	-	-
Foreign Currency Translation Loss on long term monetary items during the year	-	-	-	-	-	-	437.65	-	-	-	-	-	-	-	437.65
Amortisation during the year	-	-	-	-	-	-	708.57	-	-	-	-	-	-	-	708.57
Issue expenses on Perpetual Debt Instruments	-	-	-	-	-	-	-	-	-	(0.70)	-	-	-	-	(0.70)
Total- Other adjustments	**2,563.13**	**(864.42)**	**1,673.00**	**-**	**-**	**-**	**1,146.22**	**2,926.93**	**(793.29)**	**(5,263.35)**	**-**	**(242.71)**	**-**	**-**	**1,145.51**
Dividends	-	-	-	-	-	-	-	-	-	(2,172.41)	-	-	-	-	(2,172.41)
Dividend Distribution Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total- Transaction with owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,172.41)**	**-**	**-**	**-**	**-**	**(2,172.41)**
Balance as at 31st March 2021	**19,222.23**	**2,128.41**	**3,804.00**	**-**	**2,236.54**	**4.70**	**(573.16)**	**9,903.16**	**-**	**4,606.01**	**(1.19)**	**24.07**	**(165.61)**	**41.45**	**41,230.61**

Refer Note No. 29.1 for details regarding drawdown/ transfers from Reserves and Note No. 29.8 for transfer from Impairment Reserve

Accompanying Notes to Financial Statements **1 to 70**

In terms of our Report of even date

For S.K. Mittal & Co.
Chartered Accountants
Firm Reg. No.: 001135N

Gaurav Mittal
Partner
M.No. : 099387

For O.P. Bagla & Co. LLP.
Chartered Accountants
Firm Reg. No.: 000018N/N500091

Atul Aggarwal
Partner
M.No. : 092656

For and on behalf of the Board

J.S. Amitabh
ED & Company Secretary

Ajoy Choudhury
Director (Finance)
DIN - 006629871

Sanjay Malhotra
Chairman & Managing Director
DIN - 00992744

Place : New Delhi
Date : 28th May 2021

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH 2021

(₹ in Crores)

PARTICULARS	Year Ended 31.03.2021		Year Ended 31.03.2020	
A. Cash Flow from Operating Activities :				
Net Profit before Tax	10,779.59		7,029.98	
Adjustments for:				
1. Loss on derecognition of Property, Plant and Equipment (net)	4.69		1.69	
2. Depreciation & Amortization	10.86		11.78	
3. Impairment losses on Financial Instruments	2,445.94		919.48	
4. Adjustments towards Effective Interest Rate in respect of Loans	32.61		53.02	
5. Adjustments towards Effective Interest Rate in respect of Borrowings	152.19		62.31	
6. Fair Value Changes in Derivatives	(545.92)		47.72	
7. Fair Value Changes in FVTPL Instruments	(2.43)		(6.40)	
8. Interest on Commercial Paper	35.32		463.66	
9. Interest Accrued on Zero Coupon Bonds	81.78		105.29	
10. Loss/ (Gain) on Exchange Rate fluctuation	526.71		2,342.27	
11. Loss/ (Gain) on sale of invetsments	-		(3.16)	
12. Provision made for Interest on Advance Income Tax	22.71		-	
13. Share of Profit/Loss of Joint Venture accounted for using equity method	1.97		(9.14)	
Operating profit before Changes in Operating Assets & Liabilities	**13,546.02**		**11,018.50**	
Inflow / (Outflow) on account of :				
1. Loan Assets	(56,522.42)		(41,664.59)	
2. Derivatives	711.20		(407.70)	
3. Other Operating Assets	(1,827.24)		(5,112.80)	
4. Operating Liabilities	3,264.58		5,485.70	
Cash flow from Operations	**(40,827.86)**		**(30,680.89)**	
1. Income Tax Paid (including TDS)	(2,696.20)		(1,777.35)	
2. Income Tax refund	11.73		16.67	
Net Cash Flow from Operating Activities		**(43,512.33)**		**(32,441.57)**
B. Cash Flow from Investing Activities				
1. Sale of Property, Plant & Equipment	0.35		0.11	
2. Investment in Property, Plant & Equipment (incl. CWIP & Capital Advances)	(73.30)		(97.51)	
3. Investment in Intangible Assets (including intangible assets under development)	(0.95)		(2.75)	
4. Finance Costs Capitalised	(22.04)		(15.79)	
5. Investment in Equity Shares of Joint Venture (EESL)	-		(71.60)	
6. Sale of Equity Shares of Indian Energy Exchange Limited	249.92		4.23	
7. Sale/(Investment) of/in shares of associate companies (Net)	(0.40)		0.30	
8. Redemption/ (Investment) in Debt Securities (net)	1,357.65		50.31	
9. Redemption/ (Investment) in Government Securities (net)	(647.78)		-	
10. Maturity/(Investment) of/in Corporate and Term deposits	(2.93)		(18.31)	
11. Realisation of investments accounted for using equity method	-		2.10	
Net Cash Flow from Investing Activities		**860.52**		**(148.91)**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH 2020 (CONTD.)

(₹ in Crores)

PARTICULARS	Year Ended 31.03.2021		Year Ended 31.03.2020	
C. Cash Flow from Financing Activities				
1. Issue/ (Redemption) of Rupee Debt Securities (Net)	15,499.66		21,293.39	
2. Issue/ (Redemption) of Commercial Paper (net)	(2,925.00)		(5,270.30)	
3. Raising/ (Repayments) of Rupee Term Loans/ WCDL from Govt./ Banks/ FIs (net)	26,270.47		7,904.65	
4. Raising/ (Repayments) of Foreign Currency Debt Securities and Borrowings (net)	2,884.39		12,617.57	
5. Raising/ (Redemption) of Subordinated Liabilities (net)	1,999.50		-	
6. Issue of Perpetual Debt Instruments entirely equity in nature	558.40		-	
7. Issue Expenses on Perpetual Debt Instruments entirely equity in nature	(0.94)		-	
8. Payment of Dividend on Equity Shares	(2,172.41)		(2,172.41)	
9. Payment of Corporate Dividend Tax	-		(446.06)	
10. Repayment towards Lease Liability	(0.73)		(0.64)	
Net Cash flow from Financing Activities		**42,113.34**		**33,926.20**
Net Increase/Decrease in Cash & Cash Equivalents		**(538.47)**		**1,335.72**
Cash & Cash Equivalents as at the beginning of the year		**1,717.71**		**381.99**
Cash & Cash Equivalents as at the end of the year		**1,179.24**		**1,717.71**

During the year, the Group has received Dividend of ₹ 27.97 crores (previous year ₹ 36.94 crores). Further, during the year, the Company has paid an amount of ₹ 150.31 crores (previous year ₹ 259.29 crores) towards Corporate Social Responsibility.

Components of Cash & Cash Equivalents as at end of the year are:

(₹ in Crores)

PARTICULARS	Year Ended 31.03.2021	Year Ended 31.03.2020
- Cash in Hand (including postage & imprest)	0.12	0.06
- Balances with Banks	247.82	1,195.40
- Short-term Deposits with Scheduled Banks	931.30	522.25
Total Cash & Cash Equivalents	**1,179.24**	**1,717.71**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH 2020 (CONTD.)

Reconciliation of liabilities arising from financing activities

(₹ in Crores)

Particulars	Opening Balance	Cash Flows during the period (net)	Movements in Interest Accrued *	Other Adjustments		Closing Balance
				Exchange Differences	EIR Adjust-ments	
Year ended 31-03-2021						
Rupee Debt Securities	194,964.01	15,499.66	657.70	-	87.34	**211,208.71**
Commercial Paper	2,889.68	(2,925.00)	-	-	35.32	**-**
Rupee Term Loans/ WCDL	32,983.45	26,270.47	27.44	-	-	**59,281.36**
Foreign Currency Debt Securities & other Borrowings	50,629.65	2,884.39	16.81	(1,392.24)	147.74	**52,286.35**
Subordinated Liabilities	4,819.65	1,999.50	128.90	-	(1.16)	**6,946.89**
Total	**286,286.44**	**43,729.02**	**830.85**	**(1,392.24)**	**269.24**	**329,723.31**
Year ended 31-03-2020						
Rupee Debt Securities	172,899.12	21,293.39	729.78	-	41.72	**194,964.01**
Commercial Paper	7,696.32	(5,270.30)	-	-	463.66	**2,889.68**
Rupee Term Loans/ WCDL	24,884.25	7,904.65	194.55	-	-	**32,983.45**
Foreign Currency Debt Securities & Bonds	33,950.25	12,617.57	73.78	3,930.12	57.93	**50,629.65**
Subordinated Liabilities	4,818.76	-	0.61	-	0.28	**4,819.65**
Total	**244,248.70**	**36,545.31**	**998.72**	**3,930.12**	**563.59**	**286,286.44**

Movement in Interest Accrued has been considered in 'Operating Liabilities' as Cash Flow from Operating Activities.

Note : Previous year figures have been rearranged and regrouped wherever necessary.

For and on behalf of the Board

J.S. Amitabh
ED & Company Secretary

Ajoy Choudhury
Director (Finance)
DIN - 06629871

Sanjay Malhotra
Chairman & Managing Director
DIN - 00992744

In terms of our Audit Report of even date

For S.K. Mittal & Co.
Chartered Accountants
Firm Reg. No.: 001135N

For O.P. Bagla & Co. LLP.
Chartered Accountants
Firm Reg. No.: 000018N/N500091

Gaurav Mittal
Partner
M.No. : 099387

Atul Aggarwal
Partner
M.No. : 092656

Place : New Delhi
Date : 28th May 2021

CONSOLIDATED NOTES TO ACCOUNTS

1. Company Overview

REC Limited ("REC" or the "Company" or the "holding company") was incorporated in the year 1969. The Company is domiciled in India and is limited by shares, having its registered office and principal place of business at Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi-110003, India. The books of accounts and financial statements are maintained at Plot no. I-4, Sector-29, Gurugram, Haryana, in addition to the registered office of the Company. The Company has offices spread across the country, mainly in the State Capitals and one training centre at Hyderabad.

The Company is a Government Company engaged in extending financial assistance across the power sector value chain and is a Systemically Important (Non-Deposit Accepting or Holding) Non-Banking Finance Company (NBFC) registered with Reserve Bank of India (RBI).

REC is a leading Infrastructure Finance Company in India and the principal products of REC are interest-bearing loans to State Electricity Boards, State Power utilities/State Power Departments and Private sector for all segments of Power infrastructure.

The shares of the Company are listed on National Stock Exchange of India Limited and BSE Limited. Further, various debt securities of the Company are also listed on the Stock Exchanges.

The Company together with its subsidiaries is hereinafter referred to as 'the Group'.

2. Statement of Compliance and Basis of Preparation

These Consolidated Financial Statements comply with Ind AS notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended), applicable provisions of the Companies Act, 2013 and other applicable regulatory norms / guidelines.

The consolidated financial statements for the period ended 31st March 2021 were authorized and approved for issue by the Board of Directors on 28th May 2021.

These consolidated financial statements have been prepared on going concern basis following accrual system of accounting and are in accordance with the Indian Accounting Standards (referred to as "Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended), applicable provisions of the Companies Act, 2013 and other applicable regulatory norms/ guidelines.

3. Significant Accounting Policies

The significant accounting policies applied in preparation of the consolidated financial statements are as given below:

3.1 Basis of consolidation

Subsidiary

Subsidiary is the entity controlled by the Group. The Group controls an entity when it has power over the investee, is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiary are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The Group combines the financial statements of the holding company and its subsidiary line by line adding together like items of assets, liabilities, equity, income and expenses.

Equity accounted investees

The Group's interests in equity accounted investees comprise of the interests in associates and joint venture.

An associate is an entity, including an unincorporated entity, over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Interests in associates are accounted for using the equity method. These interests are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of Profit and Loss and Other Comprehensive Income (OCI) of equity-accounted investees until the date on which significant influence ceases. However, in case where it is assessed that the investment/ interest in associates is held for sale, the interest in associates is accounted for under Ind AS 105.

A joint venture is an arrangement in which the Group has joint control and has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in joint venture are accounted for using the equity method. They are initially recognised at cost which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of Profit and Loss and Other Comprehensive Income (OCI) of equity-accounted investees until the date on which significant influence or joint control ceases.

CONSOLIDATED NOTES TO ACCOUNTS

Transactions eliminated on consolidation

3.2 Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that here is no evidence of impairment.

3.3 Basis of Preparation and Measurement

The consolidated financial statements have been prepared on historical cost basis except for certain financial assets and financial liabilities which are measured at fair values as explained in relevant accounting policies. These policies have been applied consistently for all the periods presented in the consolidated financial statements.

Functional and presentation currency

The consolidated financial statements are presented in Indian Rupee ('INR') which is also the functional currency of the Group.

3.4 Income recognition

Interest income

Interest income is recognized on time proportion basis taking into account the amount outstanding and rate applicable.

Unless otherwise specified, the recoveries from the borrowers are appropriated in the order of (i) costs and expenses of REC (ii) delayed and 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, except for credit impaired loans and recalled loans, where principal amount is appropriated only after the complete recovery of other costs, expenses, delayed and penal interest and overdue interest including interest tax, if any. The recovery under One Time Settlement (OTS)/ Insolvency and Bankruptcy Code (IBC) proceedings is appropriated first towards the principal outstanding and remaining recovery thereafter, towards interest and other charges, if any.

For all financial assets measured at amortized cost, interest income is recorded using the effective interest rate (EIR), i.e. the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial assets.

Interest on financial assets subsequently measured at fair value through profit and loss is recognized on an accrual basis in accordance with the terms of the respective contract and is disclosed separately under the head interest income.

Rebate on account of timely payment of interest by borrowers is recognized on receipt of entire interest amount due in time, in accordance with the terms of the respective contract and is netted against the corresponding interest income.

Income from Government schemes

Income of agency fee on Government schemes is recognized on accrual basis based on the services rendered.

Dividend income

Income from dividend on shares of corporate bodies and units of mutual funds is taken into account on accrual basis when REC's right to receive payment is established.

Provided that in case of final dividend, the right to receive payment shall be considered as established only upon approval of the dividend by the shareholders in the Annual General Meeting.

Dividend on financial assets subsequently measured at fair value through profit and loss is recognised separately under the head 'Dividend Income'.

Other services

Fees/ charges on loan assets, other than those considered an adjustment to EIR, are accounted for on accrual basis. Pre-payment premium is accounted for by the Group in the year of receipt.

Revenue from sale of services

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

The Group uses the principles laid down by the Ind AS 115 to determine that how much and when revenue is recognized, what is the nature, amount, timing and uncertainty of revenues etc. In accordance with the same, revenue is recognised through a five-step approach:

CONSOLIDATED NOTES TO ACCOUNTS

(i) Identify the contract(s) with customer;

(ii) Identify separate performance obligations in the contract;

(iii) Determine the transaction price;

(iv) Allocate the transaction price to the performance obligations; and

(v) Recognise revenue when a performance obligation is satisfied.

Revenues are measured at the fair value of the consideration received or receivable, net of discounts and other indirect taxes.

In Cost Plus Contracts - Revenue is recognised by including eligible contractual items of expenditures plus proportionate margin as per contract;

In Fixed Price Contracts – Revenue is recognised on the basis of stage of completion of the contract. The Group has assessed that the stage of completion is determined as the proportion of the total time expected to complete the performance obligation to that has lapsed at the end of the reporting period, which is an appropriate measure of progress towards complete satisfaction of these performance obligations under Ind AS 115.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Professional charges to be charged from the selected bidders/developers for transmission projects put on tariff based bidding is accounted for in the year in which it is reasonably certain that the ultimate collection of the professional charges will be made.

Sale proceeds of Request for Proposal (RFP) documents is credited to the respective SPV and sale proceeds of Request for Qualification (RFQ) documents is retained by the Group and accounted as income of the Group.

3.5 Borrowing costs

Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds. Borrowing costs that are directly attributable to the acquisition and/ or construction of a qualifying asset, till the time such a qualifying asset becomes ready for its intended use sale, are capitalized. A qualifying asset is one that necessarily takes a substantial period to get ready for its intended use.

All other borrowing costs are charged to the Statement of Profit and Loss on an accrual basis as per the effective interest rate method.

3.6 Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period.

To calculate diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

3.7 Foreign Currency Translation

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the Group using the exchange rates prevailing on the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of such transactions and the re-measurement of monetary items denominated in foreign currency at period-end exchange rates are recognized in the Statement of Profit or Loss. However, for the long-term monetary items recognized in the consolidated financial statements before 01st April 2018, such gains and losses are accumulated in a “Foreign Currency Monetary Item Translation Difference Account” and amortized over the balance period of such long term monetary item, by recognition as income or expense in each of such periods.

Non-monetary items are not retranslated at period-end and are measured at historical cost (translated using the exchange rates at the transaction date).

3.8 Intangible assets

Recognition and initial measurement

Intangible assets mainly comprise of computer software which is initially measured at cost. Such assets are recognized where it is probable that the future economic benefits attributable to the assets will flow to the Group.

CONSOLIDATED NOTES TO ACCOUNTS

Subsequent measurement (amortization method, useful lives and residual value)

All intangible assets with finite useful life are amortized on a straight line basis over the estimated useful lives, and a possible impairment is assessed if there is an indication that the intangible asset may be impaired. Residual values and useful lives for all intangible assets are reviewed at each reporting date. Changes, if any, are accounted for as changes in accounting estimates. Management estimates the useful life of intangible assets to be five years.

Intangible Assets under Development

Expenditure incurred which are eligible for capitalization under intangible assets is carried as 'Intangible assets under development' till they are ready for their intended use. Advances paid for the acquisition/ development of intangible assets which are outstanding at the balance sheet date are classified under 'Capital Advances'.

Derecognition of Intangible Assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognized in the Statement of Profit and Loss when the asset is derecognized.

3.9 Property, Plant and Equipment (PPE)

Recognition and initial measurement

Land

Land held for use is initially recognized at cost. For land, as no finite useful life can be determined, related carrying amounts are not depreciated.

Land also includes land treated as a Right of Use asset under lease agreement earlier classified as finance lease and is amortised over the lease term.

Other Tangible assets

PPE other than land is initially recognized at acquisition cost or construction cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group beyond one year. Maintenance or servicing costs of PPE are recognized in the Statement of Profit and Loss as incurred.

Subsequent measurement (depreciation method, useful lives, residual value, and impairment)

PPE are subsequently measured at cost less accumulated depreciation and impairment losses. Depreciation on PPE is provided on the straight-line method over the useful life of the assets as prescribed under Part 'C' of Schedule II of the Companies Act, 2013.

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. Depreciation on assets purchased during the year up to ₹ 5,000/- is provided @ 100%.

The residual values, useful lives, and method of depreciation are reviewed at the end of each financial year. PPE other than land is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

De-recognition

An item of PPE and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of an item of PPE is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in the Statement of Profit and Loss.

Capital Work-in-Progress

The cost of PPE under construction at the reporting date is disclosed as 'Capital work-in-progress.' The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price. Advances paid for the acquisition/ construction of PPE which are outstanding at the balance sheet date are classified under 'Capital Advances.'

CONSOLIDATED NOTES TO ACCOUNTS

3.10 Lease accounting:

The Group recognises a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as short-term or low-value lease.

The Group assesses at contract inception whether a contract is, or contains, a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

3.11 Investment property

Investment properties are the assets which have undetermined future use. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, the investment properties are stated at cost less accumulated depreciation. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group beyond one year. All other repair and maintenance costs are recognized in the Statement of Profit and Loss as incurred.

Subsequent measurement (depreciation and useful lives)

The Group only has land as an investment property, which is not depreciated.

De-recognition

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

3.12 Financial Instruments

A Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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Initial recognition and measurement

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- Amortized cost
- Financial assets at fair value through profit or loss (FVTPL)
- Financial assets at fair value through other comprehensive income (FVOCI)

All financial assets except for those at FVTPL or equity instruments at FVOCI are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied to each category of financial assets, which are described below.

Amortized cost

A financial asset is measured at amortized cost using Effective Interest Rate (EIR) if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A loss allowance for expected credit losses is recognized on financial assets carried at amortized cost.

Modification of cash flows

When the contractual cash flows of a financial asset are renegotiated or otherwise modified, and the renegotiation or modification does not result in derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset and recognizes a modification gain or loss in profit or loss. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets that are either do not meet the criteria for amortized cost classification or are equity instruments held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments also fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements may apply. Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Embedded derivatives

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, foreign exchange rate, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract.

Derivatives embedded in all host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts or if the embedded derivative feature leverages the exposure and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss, unless designated as effective hedging instruments.

Financial assets at FVOCI

FVOCI financial assets comprise of equity instruments measured at fair value. An equity investment classified as FVOCI is initially measured at fair value plus transaction costs. Gains and losses are recognized in other comprehensive income and

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reported within the FVOCI reserve within equity, except for dividend income, which is recognized in profit or loss. There is no recycling of such gains and losses from OCI to Statement of Profit & Loss, even on the derecognition of the investment. However, the Group may transfer the same within equity.

De-recognition of financial assets

De-recognition of financial assets due to a substantial modification of terms and conditions

The Group derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded.

De-recognition of financial assets other than due to substantial modification

Financial assets (or where applicable, a part of financial asset or part of a group of similar financial assets) are derecognized (i.e. removed from the Group's balance sheet) when the contractual rights to receive the cash flows from the financial asset have expired, or when the financial asset and substantially all the risks and rewards are transferred. The Group also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

Classification and subsequent measurement of financial liabilities

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognized in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Hedge accounting

To qualify for hedge accounting, the hedging relationship must meet all of the following requirements:

- there is an economic relationship between the hedged item and the hedging instrument
- the effect of credit risk does not dominate the value changes that result from that economic relationship
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

All derivative financial instruments designated under hedge accounting are recognised initially at fair value and reported subsequently at fair value at each reporting date. To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income.

At the inception of each hedging relationship, the Group formally designates and documents the hedge relationship, in accordance with the Group's risk management objective and strategies. The documentation includes identification of the hedged item, hedging instrument, the nature of risk(s) being hedged, the hedge ratio and how the hedging relationship meets the hedging effectiveness requirements.

3.13 Impairment of financial assets

Loan assets

The Group follows a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- Stage 1 includes loan assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date.

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- Stage 2 includes loan assets that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment.
- Stage 3 includes loan assets that have objective evidence of impairment at the reporting date.

The Expected Credit Loss (ECL) is measured at 12-month ECL for Stage 1 loan assets and lifetime ECL for Stage 2 and Stage 3 loan assets. ECL is the product of the Probability of Default, Exposure at Default and Loss Given Default, defined as follows:

Probability of Default (PD) - The PD represents the likelihood of the borrower defaulting on its obligation either over next 12 months or over the remaining lifetime of the instrument.

Loss Given Default (LGD) – LGD represents the Company's expectation of loss given that a default occurs. LGD is expressed in percentage and it shows the proportion of the amount that will actually be lost post recoveries in case of a default.

Exposure at Default (EAD) – EAD represents the amounts, including the principal outstanding, interest accrued and outstanding Letters of Comfort that the Company expects to be owed at the time of default.

Forward-looking economic information is included in determining the 12-month and lifetime PD, EAD and LGD. The assumptions underlying the expected credit loss are monitored and reviewed on an ongoing basis.

Financial assets other than Loans

In respect of its other financial assets, the Group assesses if the credit risk on those financial assets has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the Group measures the loss allowance at an amount equal to 12-month expected credit losses, else at an amount equal to the lifetime expected credit losses.

To make that assessment, the Group compares the risk of a default occurring on the financial asset as at the balance sheet date with the risk of a default occurring on the financial asset as at the date of initial recognition. The Group also considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. The Group assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the balance sheet date.

Write-offs

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery.

3.14 Assets/ Disposal Groups held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and the sale is highly probable. A sale is considered as highly probable when such assets have been decided to be sold by the Group; are available for immediate sale in their present condition; are being actively marketed for sale at a price and the sale has been agreed or is expected to be concluded within one year of the date of classification. Such non-current assets are measured at lower of carrying amount or fair value less selling costs.

Non-current assets held for sale are presented separately from other assets in the Balance Sheet and are not depreciated or amortised while they are classified as held for sale.

Where the Group is committed to a sale plan involving loss of control of an entity, it classifies investment in the entity (i.e. all the assets and liabilities of that entity) as held for sale.

3.15 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments (original maturity less than three months) that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.16 Dividend and Other Payments to holders of Instruments classified as Equity

Proposed dividends and interim dividends payable to the shareholders are recognized as changes in equity in the period in which they are approved by the shareholders' meeting and the Board of Directors respectively. Liability for the payments to the holders of instruments classified as equity are recognized in the period when such payments are authorized for payment by the Group.

3.17 Material prior period errors

Material prior period errors are corrected retrospectively by restating the comparative amounts for the prior periods presented

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in which the error occurred. If the error occurred before the earliest period presented, the opening balances of assets, liabilities and equity for the earliest period presented, are restated.

3.18 Prepaid Expenses

A prepaid expense up to ₹ 1,00,000/- is recognized as expense upon initial recognition.

3.19 Taxation

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax. It is recognized in Statement of Profit and Loss, except when it relates to an item that is recognised in OCI or directly in equity, in which case, the tax is also recognised in OCI or directly in equity.

Current tax is determined as the tax payable in respect of taxable income for the year, using tax rates enacted or substantively enacted and as applicable at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable income.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided those rates are enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

Deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deductible temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

3.20 Employee benefits

Short-term employee benefits

Short-term employee benefits including salaries, short term compensated absences (such as a paid annual leave) where the absences are expected to occur within twelve months after the end of the period in which the employees render the related service, profit sharing and bonuses payable within twelve months after the end of the period in which the employees render the related services and non-monetary benefits for current employees are estimated and measured on an undiscounted basis.

Post-employment benefit plans are classified into defined benefits plans and defined contribution plans as under:

Defined contribution plan

A defined contribution plan is a plan under which the Group pays fixed contributions in respect of the employees into a separate fund. The Group has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution. The contributions made by the Group towards defined contribution plans are charged to the profit or loss in the period to which the contributions relate.

Defined benefit plan

The Group has an obligation towards gratuity, Post-Retirement Medical Facility (PRMF) and Other Defined Retirement Benefit (ODRB) which are being considered as defined benefit plans covering eligible employees. Under the defined benefit plans, the amount that an employee will receive on retirement is defined by reference to the employee's length of service, final salary, and other defined parameters. The legal obligation for any benefits remains with the Group, even if plan assets for funding the defined benefit plan have been set aside.

The Group's obligation towards defined benefit plans is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. The liability recognized in the statement of financial position for defined benefit plans is the present value of the Defined Benefit Obligation (DBO) at the reporting date less the fair value of plan assets. Management estimates the DBO annually with the assistance of independent actuaries.

Actuarial gains/losses resulting from re-measurements of the liability/asset are included in Other Comprehensive Income.

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Other long-term employee benefits:

Liability in respect of compensated absences becoming due or expected to be availed more than one-year after the balance sheet date is estimated on the basis of actuarial valuation performed by an independent actuary using the projected unit credit method.

Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged to statement of profit and loss in the period in which such gains or losses are determined.

Loan to employees at concessional rate

Loans given to employees at concessional rate are initially recognized at fair value and subsequently measured at amortised cost. The difference between the initial fair value of such loans and transaction value is recognised as deferred employee cost, which is amortised on a straight-line basis over the expected remaining period of the Loan. In case of change in expected remaining period of the Loan, the unamortised deferred employee cost on the date of change is amortised over the updated expected remaining period of the loan on a prospective basis.

3.21 Provisions, Contingent Liabilities, and Contingent Assets

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values, where the time value of money is material.

A contingent liability is disclosed for:

- Possible obligations which will be confirmed only by future events not wholly within the control of the Group or
- Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

In those cases, where the outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized or disclosure is made.

Any reimbursement that the Group can be virtually certain to collect from a third party concerning the obligation (such as from insurance) is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

Contingent assets are not recognized. However, when the inflow of economic benefits is probable, the related asset is disclosed.

3.22 Fair value measurement

The Group measures financial instruments, such as derivatives at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1 -** Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- **Level 2 -** Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- **Level 3 -** Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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For assets and liabilities that are recognized in the consolidated financial statements regularly, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3.23 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

4. Implementation of New/ Modified Standards

During the year, the Ministry of Corporate Affairs (MCA) has issued amendments to certain Ind AS. The Group has analysed the impact of these amendments which is not material to the Group, except for certain amendments as mentioned below:

Amendment to Ind AS 107 and Ind AS 109 with respect to Interest rate benchmark reform

It aims to modify some specific hedge accounting requirements to provide relief from the potential effects of uncertainty caused by the interest rate benchmark (IBOR) reform. Further details on Interest Rate Benchmark Reform and its impact on the Group are available in the financial statements.

5. Significant management judgment in applying accounting policies and estimation of uncertainty

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the related disclosures. Actual results may differ from these estimates.

Significant management judgments

Recognition of deferred tax assets/ liability – The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the future taxable income against which the deferred tax assets can be utilized. Further, the Management has no intention to make withdrawal from the Special Reserve created and maintained under section 36(1)(viii) of the Income tax Act, 1961 and thus, the special reserve created and maintained is not capable of being reversed. Hence, the Group does not create any deferred tax liability on the said reserve.

Recognition of Deferred Tax Liability on Undistributed Reserves of Group Companies – The applicable tax laws provide for tax deduction in respect of dividend income from equity investments, to the extent of dividend declared by the Company to its shareholders during the year. Considering the historical information and dividend distribution policy of the Company, the Company does not expect any tax liability on the undistributed reserves of the Group Companies, as and when such reserves are distributed. Hence, the Company does not create any deferred tax liability on undistributed reserves of Group Companies.

Evaluation of indicators for impairment of assets – The evaluation of the applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets.

Investment in SPVs – Transmission projects are managed as per the mandate from Government of India and the Group does not have the practical ability to direct the relevant activities of these projects unilaterally. The Group therefore considers its investment in respective SPVs as associates having significant influence despite the Company holding 100% of their paid-up equity share capital.

Non recognition of Interest Income on Credit Impaired Loans - Interest income on credit-impaired loan assets is not being recognised as a matter of prudence, pending the outcome of resolutions of stressed assets.

Significant estimates

Impact of Covid-19 Outbreak - The Group has considered the possible impacts of COVID-19 in preparation of these financial statements, including but not limited to its assessment of, liquidity and going concern assumption, recoverable values of its financial and non-financial assets, impact on revenue recognition and impact on effectiveness of its hedges. The Group has carried out this assessment based on available internal and external sources of information upto the date of approval of these consolidated financial statements and believes that the impact of COVID-19 is not material to these financial statements and expects to recover the carrying amount of its assets. The impact of COVID-19 on the consolidated financial statements may differ from that estimated as at the date of approval of these consolidated financial statements owing to the nature and duration of COVID-19. The extent to which the Covid-19 pandemic will impact the Group will depend on future developments, which are uncertain, including, among other things, any new information concerning the severity of the Covid-19 pandemic and any further action by the Government or the Group to contain its spread or mitigate its impact.

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Useful lives of depreciable/amortizable assets – Management reviews its estimate of the useful lives of depreciable/ amortizable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of assets.

Defined benefit obligation (DBO) – Management's estimate of the DBO is based on a number of underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

Fair value measurements – Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. In case of non-availability of market-observable data, Level 2 & Level 3 hierarchy is used for fair valuation.

Income Taxes – Significant estimates are involved in determining the provision for income taxes, including amount expected to be paid/recovered for uncertain tax positions and also in respect of expected future profitability to assess deferred tax asset.

Expected Credit Loss ('ECL') – The measurement of an expected credit loss allowance for financial assets measured at amortized cost requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g., likelihood of customers defaulting and resulting losses). The Group makes significant judgments about the following while assessing expected credit loss to estimate ECL:

- Determining criteria for a significant increase in credit risk;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/ market and the associated ECL; and
- Establishing groups of similar financial assets to measure ECL.
- Estimating the probability of default and loss given default (estimates of recoverable amounts in case of default)

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6. Cash and Cash Equivalents

(₹ in Crores)

Particulars	As at 31-03-2021	As at 31-03-2020
- Cash in Hand (including postage & imprest)	0.12	0.06
- Balances with Banks		
- in current accounts	247.82	1,195.40
- deposits with original maturity less than 3 months*	931.30	522.25
Total (Cash & Cash Equivalents)	**1,179.24**	**1,717.71**

* includes High Quality Liquid Assets (HQLAs) of ₹ 262.00 crores (previous year Nil) maintained as per RBI Circular dated November 4th, 2019. (Refer Note 47.2.4)

7 Bank Balances (other than Cash and Cash Equivalents)

(₹ in Crores)

Particulars	As at 31-03-2021	As at 31-03-2020
- Earmarked Balances with Banks		
- For unpaid dividends	5.79	4.75
- For govt. funds for onward disbursement as grant	1,323.55	1,817.72
- Earmarked Term Deposits		
- For govt. funds for further disbursement	-	32.98
- Deposits in Compliance of Court Order	0.56	0.53
- Term Deposit held as Margin Money against Bank Guarantee	0.25	-
- Balances with banks not available for use pending allotment of securities	856.62	400.19
- Other Term deposits	36.81	1.28
Total (Other Bank Balances)	**2,223.58**	**2,257.45**
- Term Deposits with remaining maturity more than 3 months but less than 12 months	70.02	33.90
- Term Deposits with original maturity more than 12 months	0.97	0.36

7.1 There are no repatriation restrictions with respect to Cash & Cash Equivalents and Bank balances (other than Cash & Cash Equivalents) as at 31st March 2021 (Previous year Nil).

8. Trade Receivables

(₹ in Crores)

Particulars		As at 31-03-2021	As at 31-03-2020
(A)	Unsecured, Considered good	124.45	86.27
	Less: Allowance for Expected Credit Loss	(19.12)	(13.66)
		105.33	**72.61**
(B)	Trade receivables which have significant increse in credit risk	55.32	52.01
	Less: Allowance for Expected Credit Loss	(20.58)	(15.55)
		34.74	**36.46**
(C)	Credit impaired receivables	46.80	33.60
	Less: Allowance for Expected Credit Loss	(46.80)	(33.60)
		-	-
	Total Trade Receivables (A+B+C)	**140.07**	**109.07**

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9. Derivative Financial Instruments

The Company enters into derivatives for hedging foreign exchange risks and interest rate risks. Derivatives held for risk management purposes include hedges that are either designated as effective hedges under the hedge accounting requirements or hedges that are economic hedges. The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts.

Refer Note 51 for Risk Management Disclosures in respect of the derivatives.

Part I

(₹ in Crores)

	Particulars	As at 31-03-2021			As at 31-03-2020		
		Notional Amounts	Fair Value - Assets	Fair Value - Liabilities	Notional Amounts	Fair Value - Assets	Fair Value - Liabilities
(i)	**Currency Derivatives**						
	- Spot and forwards	-	-	-	565.39	27.62	-
	- Currency swaps	2,854.54	43.07	121.08	3,094.32	432.94	-
	- Others						
	- Call Spread	4,263.27	271.36	-	6,068.56	504.12	-
	- Seagull Options	20,482.08	1,657.19	43.25	22,321.22	2,212.46	-
	Sub-total (i)	**27,599.89**	**1,971.62**	**164.33**	**32,049.49**	**3,177.14**	**-**
(ii)	**Interest Rate Derivatives**						
	- Forward Rate Agreements and Interest Rate Swaps	25,035.68	339.60	403.65	29,056.52	141.71	586.06
	Sub-total (ii)	**25,035.68**	**339.60**	**403.65**	**29,056.52**	**141.71**	**586.06**
(iii)	**Other derivatives**						
	- Reverse cross currency swaps	4,547.00	-	278.33	4,347.00	-	739.67
	Total - Derivative Financial Instruments (i + ii+iii)	**57,182.57**	**2,311.22**	**846.31**	**65,453.01**	**3,318.85**	**1,325.73**

Part II

Included in Part I are derivatives held for hedging and risk management purposes as below:

(₹ in Crores)

	Particulars	As at 31-03-2021			As at 31-03-2020		
		Notional Amounts	Fair Value - Assets	Fair Value - Liabilities	Notional Amounts	Fair Value - Assets	Fair Value - Liabilities
(i)	**Cash Flow Hedging**						
	- Currency Derivatives						
	- Currency Swaps	2,756.43	23.86	121.08	8,638.68	2.32	303.14
	- Others						
	- Call Spread	1,837.62	77.74	-	1,884.65	97.16	-
	- Seagull Options	20,482.08	1,657.19	43.25	11,348.70	1,662.20	-
	- Interest Rate Derivatives						
	- Forward Rate Agreements and Interest Rate Swaps	13,055.84	-	318.18	9,498.62	5.24	134.45
	Sub-total (i)	**38,131.97**	**1,758.79**	**482.51**	**31,370.65**	**1,766.92**	**437.59**
(ii)	Undesignated Derivatives	19,050.60	552.43	363.80	34,082.36	1,551.93	888.14
	Total - Derivative Financial Instruments (i+ii)	**57,182.57**	**2,311.22**	**846.31**	**65,453.01**	**3,318.85**	**1,325.73**

Derivative financial instruments are measured at fair value at each reporting date. The changes in the fair value of derivatives designated as hedging instruments in effective cash flow hedges are recognised in OCI. For undesignated derivatives, the changes in the fair value are recognised in the Statement of Profit & Loss.

CONSOLIDATED NOTES TO ACCOUNTS

10. Loans

The Company has categorised all loans at Amortised Cost in accordance with the requirements of Ind AS 109.

(₹ in Crores)

Particulars		As at 31-03-2021		As at 31-03-2020	
		Principal O/s	Amortised Cost	Principal O/s	Amortised Cost
(A)	**Loans**				
(i)	Term Loans	377,041.98	378,090.36	321,526.76	323,177.53
(ii)	Working Capital Loans	376.17	377.24	897.92	902.01
	Total (A) - Gross Loans	**377,418.15**	**378,467.60**	**322,424.68**	**324,079.54**
	Less: Impairment loss allowance	(13,206.11)	(13,206.11)	(11,996.04)	(11,996.04)
	Total (A) - Net Loans	**364,212.04**	**365,261.49**	**310,428.64**	**312,083.50**
(B)	**Security Details**				
(i)	Secured by tangible assets	256,744.52	257,329.46	244,034.67	245,113.22
(ii)	Secured by intangible assets	-	-	-	-
(iii)	Covered by Bank/ Govt. Guarantees	101,071.53	101,456.48	58,166.76	58,684.29
(iv)	Unsecured	19,602.10	19,681.67	20,223.25	20,282.03
	Total (B) - Gross Loans	**377,418.15**	**378,467.60**	**322,424.68**	**324,079.54**
	Less: Impairment loss allowance	(13,206.11)	(13,206.11)	(11,996.04)	(11,996.04)
	Total (B) - Net Loans	**364,212.04**	**365,261.49**	**310,428.64**	**312,083.50**
(C)(I)	**Loans in India**				
(i)	Public Sector	338,810.31	339,877.44	284,644.05	286,210.40
(ii)	Private Sector	38,607.84	38,590.16	37,780.63	37,869.14
	Total (C)(I) - Gross Loans	**377,418.15**	**378,467.60**	**322,424.68**	**324,079.54**
	Less: Impairment loss allowance	(13,206.11)	(13,206.11)	(11,996.04)	(11,996.04)
	Total (C)(I) - Net Loans	**364,212.04**	**365,261.49**	**310,428.64**	**312,083.50**
(C)(II)	**Loans outside India**	-	-	-	-
	Less: Impairment loss allowance	-	-	-	-
	Total (C)(II) - Net Loans	**-**	**-**	**-**	**-**
	Total (C) (I) and (C) (II)	**364,212.04**	**365,261.49**	**310,428.64**	**312,083.50**

10.1 Reconciliation between the figures reported under Ind-AS and contractual amounts outstanding in respect of Loans:

(₹ in Crores)

Particulars	As at 31-03-2021	As at 31-03-2020
Net Loans	**365,261.49**	**312,083.50**
Less: Interest accrued and due on Loans classified under the same head as per Ind-AS	(504.10)	(1,351.75)
Less: Interest accrued and not due on Loans classified under the same head as per Ind-AS	(635.00)	(382.63)
Add: Allowance for Expected Credit Loss netted off as per Ind-AS	13,206.11	11,996.04
Add: Ind-AS Adjustments in respect of fees based income at Effective Interest Rate (EIR)	89.65	79.52
Gross Loans	**377,418.15**	**322,424.68**

CONSOLIDATED NOTES TO ACCOUNTS

10.2 Movement of Impairment Loss Allowance in respect of Loans:

(₹ in Crores)

Particulars	Year ended 31-03-2021	Year ended 31-03-2020
Opening Balance	**11,996.04**	**11,497.93**
Add: Impairment loss allowance provided during the year (Refer Note 39)	2,362.62	876.52
Less: Allowance utilised towards write-off of loans	(1,152.55)	(378.41)
Closing Balance	**13,206.11**	**11,996.04**

10.3 In terms of the settlement under Insolvency and Bankruptcy Code (IBC) proceedings/ One Time Settlement (OTS)/ Restructuring, the Company has written off loans amounting to ₹ 1,152.55 crores (Previous year ₹ 378.41 crores). The details of write-offs for the current year are as below:

(i) During the current year

(a) Pursuant to the restructuring executed on 4th June, 2020, in respect of Essar Power Transmission Corporation Ltd, the Company has written off an amount of ₹ 65.25 crores after appropriating the recoveries of ₹ 979.56 crores (Term Loan of ₹ 830.00 crores and Optionally convertible debentures of ₹ 149.56 crores).

(b) Pursuant to the Resolution Plan approved under IBC proceedings executed on 21st September, 2020 in respect of Facor Power Ltd, the Company has wriiten-off an amount of ₹181.86 crores after appropriating the recoveries of ₹ 329.12 crores (Cash ₹ 102.27 crores, Non-convertible debentures of ₹ 199.72 crores and amount recoverable of ₹ 27.13 crores).

(c) Pursuant to the restructuring executed on 4th December, 2020 in respect of R.K.M PowerGen Private Ltd, the Company has wriiten-off an amount of ₹905.44 crores after appropriating the recoveries of ₹ 1,396.55 crores (Term Loan of ₹ 1,396.55 crores and Optionally convertible debentures Nil).

The instruments received upon restructuring/ settlement have been classified under the head 'Investments' (Note No. 11).

(ii) During the previous year

(a) Pursuant to the approval of Resolution Plan passed by the Hon'ble National Company Law Tribunal (NCLT), Hyderabad Bench dated 26th July, 2019 in respect of Lanco Teesta Hydro Power Ltd, the Company has written off the loan amount of ₹112.67 crore (net of recoveries of ₹124.12 crore) and equity investment of ₹102 crore (10.20 crore equity shares of ₹10 each) upon extinguishment of such equity shares as per the Order.

(b) Pursuant to the One Time Settlement arrangement executed on 23rd December 2019 in respect of Rattan India Power Ltd, the Company has wriiten-off an amount of ₹265.74 crores after appropriating the recoveries of ₹ 478.09 crores (Cash ₹ 405.90 crore, Equity Shares ₹ 17.59 crore, Redeemable Preference Shares ₹22.18 crore and Optionally covertible cumulative Redeemable Preference Shares ₹32.42 crore).

The instruments received upon restructuring/ settlement have been classified under the head 'Investments' (Note No. 11).

10.4 The Company obtains balance confirmation from the borrowers for the balances standing as on the Balance Sheet date. The summary of the balance confirmations received from the borrowers is as under:

(₹ in Crores)

Particulars	As at 31-03-2021		As at 31-03-2020	
	%	Amount	%	Amount
Gross Loan Book of the Company		377,418.15		322,424.68
Loan Assets for which balance confirmations have been received from borrowers	92%	348,293.80	88%	285,183.96
Loan Assets for which balance confirmations is yet to be received from borrowers	8%	29,124.35	12%	37,240.72
of which,				
Loans secured by tangible assets	*71%*	*20,597.00*	*67%*	*25,015.01*
Loans covered by Government Guarantee/ Loans to Government	*10%*	*2,848.13*	*21%*	*7,685.39*
Unsecured loans	*19%*	*5,679.22*	*12%*	*4,540.32*

CONSOLIDATED NOTES TO ACCOUNTS

11. Investments

(A) Investments

(₹ in Crores)

Particulars	Amortised Cost	At fair value			Sub-total	Others (At Cost)	Total
		Through Other Comprehensive Income	Through profit or loss	Designated at fair value through profit or loss			
	(1)	(2)	(3)	(4)	(5= 1+2+3+4)	(6)	(7)
As at 31st March, 2021							
Govt. Securities	649.08	-	-	-	649.08	-	649.08
Debt Securities	408.73	-	143.06	-	551.79	-	551.79
Equity Instruments	-	430.13	23.60	-	453.73	-	453.73
Preference Shares	26.09	-	42.99	-	69.08	-	69.08
Others	-	-		-	-	-	-
Total - Gross (A)	1,083.90	430.13	209.65	-	1,723.68	-	1,723.68
Investments outside India	-	-	-	-	-	-	-
Investments in India	1,083.90	430.13	209.65	-	1,723.68	-	1,723.68
Total - Gross (B)	1,083.90	430.13	209.65	-	1,723.68	-	1,723.68
Total Investments	1,083.90	430.13	209.65	-	1,723.68	-	1,723.68
Less: impairment loss allowance (C)	-	-	-	-	-	-	-
Total - Net (D=A-C)	1,083.90	430.13	209.65	-	1,723.68	-	1,723.68
As at 31st March, 2020							
Govt. Securities	-	-	-	-	-	-	-
Debt Securities	32.10	-	1,500.62	-	1,532.72	-	1,532.72
Equity Instruments	-	507.43	12.50	-	519.93	-	519.93
Preference Shares	22.93	-	45.41	-	68.34	-	68.34
Others	-	6.12		-	6.12	-	6.12
Total - Gross (A)	55.03	513.55	1,558.53	-	2,127.11	-	2,127.11
Investments outside India	-	-	-	-	-	-	-
Investments in India	55.03	513.55	1,558.53	-	2,127.11	-	2,127.11
Total - Gross (B)	55.03	513.55	1,558.53	-	2,127.11	-	2,127.11
Total Investments	55.03	513.55	1,558.53	-	2,127.11	-	2,127.11
Less: impairment loss allowance (C)	-	-	-	-	-	-	-
Total - Net (D=A-C)	55.03	513.55	1,558.53	-	2,127.11	-	2,127.11

(B) Investments accounted for using equity method

(₹ in Crores)

Particulars	As at 31.03.2021	As at 31.03.2020
Investment in Joint Ventures		
- Energy Efficiency Services Ltd. (21,81,00,000 Equity shares of ₹ 10 each)	257.74	258.47
Total	**257.74**	**258.47**

CONSOLIDATED NOTES TO ACCOUNTS

11.1 Details of investments

(₹ in Crores)

Particulars	Investment measured at	As at 31-03-2021		As at 31-03-2020	
		Number	Amount	Number	Amount
Government Securities					
- 5.77% GSEC 2030	Amortised Cost	5,000,000	49.95	-	-
- 7.17% GSEC 2028	Amortised Cost	5,000,000	54.64	-	-
- 7.27% GSEC 2026	Amortised Cost	5,000,000	55.98	-	-
- 5.22% GSEC 2025	Amortised Cost	5,000,000	50.99	-	-
- 7.29% Karnataka SDL 2039	Amortised Cost	10,000,000	100.97	-	-
- 7.24% Karnataka SDL 2037	Amortised Cost	5,000,000	50.30	-	-
- 6.48% Karnataka SDL 2031	Amortised Cost	4,000,000	41.26	-	-
- 6.95% Tamil Nadu SDL 2031	Amortised Cost	2,500,000	25.02	-	-
- 6.85% Rajasthan SDL 2031	Amortised Cost	3,000,000	29.95	-	-
- 6.60% Uttar Pradesh SDL 2030	Amortised Cost	2,000,000	19.74	-	-
- 6.60% Himachal Pradesh SDL 2030	Amortised Cost	5,000,000	51.28	-	-
- 8.35% Kerala SDL 2029	Amortised Cost	1,000,000	10.86	-	-
- 8.44% Jharkhand SDL 2029	Amortised Cost	3,000,000	32.53	-	-
- 8.57% Rajasthan SDL 2028	Amortised Cost	1,000,000	11.02	-	-
- 8.60% Gujarat SDL 2028	Amortised Cost	2,000,000	22.70	-	-
- 6.20% Rajasthan SDL 2027	Amortised Cost	2,000,000	20.36	-	-
- 7.20% Maharashtra SDL 2027	Amortised Cost	2,000,000	21.53	-	-
Sub-total - Government Securities			649.08		-
Debt Securities					
- 5.78% Bonds of Chennai Petroleum Corporation Limited	Amortised Cost	150	15.63	-	-
- 6.11% Bonds of Bharat Petroleum Corporation Limited	Amortised Cost	100	10.52	-	-
- 7.30% Bonds of NMDC Limited	Amortised Cost	200	21.71	-	-
- 7.30% Bonds of Power Grid Corporation of India Limited	Amortised Cost	200	22.65	-	-
- 8.69% Bonds of Damodar Valley Corporation	Amortised Cost	200	21.88	-	-
- 7.05% Bonds of Mahanagar Telephone Nigam Limited	Amortised Cost	850	88.18	-	-
- 6.65% Bonds of Food Corporation of India	Amortised Cost	200	20.62	-	-
- 7.19% Bonds of THDC India Limited	Amortised Cost	250	26.33	-	-
- 11.15% Perpetual Bonds of Indian Bank	Fair value through profit or loss	-	-	5,000	500.31
- 11.25% Perpetual Bonds of Bank of Baroda	Fair value through profit or loss	-	-	5,000	500.00
- 11.25% Perpetual Bonds of Syndicate Bank	Fair value through profit or loss	-	-	5,000	500.31
- 7.39% Tax Free 15 years Secured Redeemable Non Convertible Bonds of Housing and Urban Development Corporation(HUDCO)	Amortised Cost	86,798	8.81	86,798	8.81
- 7.35% Tax Free Bonds of National Highway Authority of India Ltd. (NHAI)	Amortised Cost	42,855	4.60	42,855	4.60
- 7.39% Tax Free of National Highway Authority of India Ltd. (NHAI)	Amortised Cost	35,463	3.67	35,463	3.67

CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

Particulars	Investment measured at	As at 31-03-2021		As at 31-03-2020	
		Number	Amount	Number	Amount
- 7.49% Tax Free Bonds of Indian Renewable Energy Development Agency (IREDA)	Amortised Cost	61,308	6.22	61,308	6.22
- 7.35% Tax Free Bonds of Indian Railway Finance Corporation (IRFC)	Amortised Cost	22,338	2.31	22,338	2.31
- 7.35% Tax Free Bonds of National Bank for Agriculture and Rural Development (NABARD)	Amortised Cost	14,028	1.41	14,028	1.40
- 8.76% Tax Free Bonds of Housing and Urban Development Corporation (HUDCO)	Amortised Cost	50,000	5.09	50,000	5.09
- 3% Optionally convertible debentures- Series A of Essar Power Transmission Co. Ltd.	Fair value through profit or loss	228,525,079	99.33	-	-
- 3% Optionally convertible debentures- Series B of Essar Power Transmission Co. Ltd.	Fair value through profit or loss	100,612,911	43.73	-	-
- Optionally convertible debentures- Series C of Essar Power Transmission Co. Ltd.	Fair value through profit or loss	18,635,162	-	-	-
- 0% Non- Convertible Debentures (NCDs) of Ferro Alloys Corporation Limited	Amortised Cost	25,291,783	149.10	-	-
- 0.01% Optionally convertible Debentures (OCD) Series A of R.K.M PowerGen Private Ltd.	Fair value through profit or loss	213,803,170	-	-	-
- 0.01% Optionally convertible Debentures (OCD) Series B of R.K.M PowerGen Private Ltd.	Fair value through profit or loss	6,303,032	-	-	-
- 0.01% Optionally convertible Debentures (OCD) Series Ai of R.K.M PowerGen Private Ltd.	Fair value through profit or loss	10,474,150	-	-	-
Sub-total - Debt Securities			551.79		1,532.72
Equity Instruments					
- NHPC Ltd.	Fair value through other comprehensive income	175,302,206	428.61	175,302,206	349.73
- Indian Energy Exchange Ltd.	Fair value through other comprehensive income	-	-	12,271,211	157.01
- HUDCO Ltd.	Fair value through other comprehensive income	347,429	1.52	347,429	0.69
- Universal Commodity Exchange Ltd.	Fair value through other comprehensive income	16,000,000	-	16,000,000	-
- Rattan India Power Ltd.	Fair value through profit or loss	92,568,105	23.60	92,568,105	12.50
- R.K.M PowerGen Private Ltd.	Fair value through profit or loss	181,790,667	-	-	-
Sub-total - Equity Instruments			453.73		519.93
Preference Shares (PS)					
- Redeemable PS of Rattan India Power Ltd.	Amortised cost	28,720,978	26.09	28,720,978	22.93
- Optionally Convertible PS of Rattan India Power Ltd.	Fair value through profit or loss	43,303,616	42.99	43,303,616	45.41
Sub-total - Preference Shares			69.08		68.34
Others					
- Units of 'Small is Beautiful' Venture Capital Fund	Fair value through other comprehensive income	6,152,200	-	6,152,200	6.12
Sub-total - Others			-		6.12
Total Investments			1,723.68		2,127.11

Refer note 55.1 for valuation technique of the investments shown at fair value

CONSOLIDATED NOTES TO ACCOUNTS

11.2 During the year, the Ministry of Corporate Affairs vide its order dated February 5, 2021 has accorded its approval to the scheme of amalgamation of REC Transmission Projects Company Limited (RECTPCL) ("Transferor Company") with REC Power Distribution Company Limited (RECPDCL) ("Transferee Company") with appointed date as April 1, 2020. Pursuant to such scheme, RECPDCL has allotted 35,500 fully paid-up equity shares of ₹ 10 each to the Company against 50,000 fully paid equity shares of ₹ 10 each of RECTPCL.

11.3 In terms of the settlement under Insolvency and Bankruptcy Code (IBC) proceedings/ One Time Settlement (OTS)/ Restructuring, the Company has received the following Investments:

(i) <u>During the current year:</u>

(a) Pursuant to the restructuring in respect of Essar Power Transmission Corporation Ltd, the company has been allotted 22,85,25,079 no. of optionally convertible debentures (3%) Series- A, 10,06,12,911 no. of optionally convertible debentures (3%) Series- B and 1,86,35,162 no. of optionally convertible debentures (0%) Series- C.

(b) Pursuant to the One Time Settlement arrangement executed on 21st September 2020 in respect of Facor Power Ltd, the Company has been allotted 2,52,91,783 no. of zero coupon non-convertible debentures of Ferro Alloys Corporation Limited.

(c) Pursuant to the restructuring in respect of R.K.M PowerGen Private Ltd, the company has been allotted 21,38,03,170 no. of optionally convertible debentures (0.01%) Series- A, 63,03,032 no. of optionally convertible debentures (0.01%) Series- B and 1,04,74,150 no. of optionally convertible debentures (0.01%) Series- Ai.

Refer note 10.3 for further details.

(ii) <u>During the previous year:</u>

(a) Pursuant to the One Time Settlement arrangement executed on 23rd December 2019 in respect of RattanIndia Power Ltd, the Company has been allotted 9,25,68,105 no of equity shares, 2,87,20,978 no of redeemable preference shares and 4,33,03,616 no. of optionally convertible cumulative redeemable preference shares. Refer note 10.3 for further details.

11.4 The Company has elected an irrevocable option to designate some of the equity instruments at FVOCI (Fair Value through Other Comprehensive Income). The Company's main operation is to provide financial assistance to power sector. Thus, in order to isolate Standalone Statement of Profit & Loss from price fluctuations of these instruments, management believes that this provides a more meaningful presentation, rather than classifying them at FVTPL (Fair Value through Profit & Loss).

Details of FVOCI investments derecognised during the year

(₹ in Crores)

Name of the company	FY 2020-21			FY 2019-20		
	No. of shares derecognised	Fair Value as on de-recognition	Cumulative Gain/ loss on de-recognition	No. of shares derecognised	Fair Value as on de-recognition	Cumulative Gain/ loss on de-recognition
Indian Energy Exchange Limited	12,271,211.0	249.92	248.69	228,789.00	4.23	4
Lanco Teesta Hydro Power Limited	-	-	-	102,000,000.00	-	(102.00)

During the year, the Company has sold 1,22,71,211 equity shares of Indian Energy Exchange Limited considering the market scenerio for a consideration of ₹ 249.92 crores through stock exchange. The shares have thus been derecognised and the cumulative gain (net of tax) on such sale has been transferred from other comprehensive income to retained earnings.

12 Other financial assets

The Company has categorised all the components under 'Other Financial Assets' at Amortised Cost in accordance with the requirements of Ind AS 109.

(₹ in Crores)

Particulars		As at 31-03-2021	As at 31-03-2020
(A)	**Loans to Employees (Refer Note no 12.1)**	39.94	34.61
(B)	**Advances to Employees**	0.41	0.30
(C)	**Loans & Advances to Subsidiaries**	-	-
(D)	**Security Deposits**	1.45	1.88
(E)	**Recoverable from Govt. of India**		
	- Towards GoI Fully Serviced Bonds -(Refer Note no 23.5)	24,314.48	21,931.30

CONSOLIDATED NOTES TO ACCOUNTS

Particulars		As at 31-03-2021	As at 31-03-2020
(F)	**Other Amounts Recoverable**	152.13	164.08
	Less: Impairment loss allowance (Refer Note no 12.2)	(88.53)	(30.85)
	Other Amounts Recoverable (Net)	**63.60**	**133.23**
	Total (A to F)	**24,419.88**	**22,101.32**

12.1 Details of Loans to Employees

The Company has categorised all loans to employees at Amortised Cost in accordance with the requirements of Ind AS 109.

(₹ in Crores)

Particulars	As at 31-03-2021	As at 31-03-2020
(A) Secured Loans		
- To employees Other than Key Managerial Personnel	7.39	7.29
Sub-total (A)	**7.39**	**7.29**
(B) Unsecured Loans		
- To Key Managerial Personnel	0.28	0.33
- To Others	32.27	26.99
Sub-total (B)	**32.55**	**27.32**
Total (A+B)	**39.94**	**34.61**

The figures above include interest accrued on such loans amounting to ₹ 8.16 crores (Previous year ₹ 6.59 crores).

12.2 Movement of impairment loss allowance on other financial assets

(₹ in Crores)

Particulars	As at 31-03-2021	As at 31-03-2020
Opening balance	**30.85**	**26.69**
Add: Created during the year	64.35	5.78
Less: Reversed/ Adjusted during the year	(6.67)	(1.62)
Closing balance	**88.53**	**30.85**

13 Current tax assets (net)

(₹ in Crores)

Particulars	As at 31-03-2021	As at 31-03-2020
Advance Income-tax & TDS	**236.26**	**1,889.71**
Less: Provision for Income Tax	(72.35)	(1,613.59)
Sub-Total (1)	**163.91**	**276.12**
Tax Deposited on income tax demands under contest	5.26	201.11
Provision for income tax for demand under contest	(0.25)	(67.29)
Sub-Total (2)	**5.01**	**133.82**
Current tax assets (Net)	**168.92**	**409.94**

14 Deferred tax assets (net)

(₹ in Crores)

Particulars	As at 31-03-2021	As at 31-03-2020
Deferred Tax Assets (Net)	**2,461.03**	**2,050.57**

CONSOLIDATED NOTES TO ACCOUNTS

14.1 Significant components of net deferred tax assets and liabilities for the year ended 31st March 2021 are as follows

(₹ in Crores)

Particulars	Opening balance	Recognised in Profit or Los	Recognised in OCI	Others	Closing balance
Deferred Tax Assets					
Expected Credit Loss	2,291.73	473.43	-	-	2,765.16
Provision for Earned Leave	4.13	0.58	-	-	4.71
Provision for Medical Leave	5.51	(0.25)	-	-	5.26
Provision for Other Expenses	-	0.72	-	-	0.72
Fair Valuation of Invetments	10.00	(0.42)	(6.01)	-	3.57
Fair Valuation of Derivatives	439.65	(308.70)	(103.14)	-	27.81
Right of Use asset (Net of lease liability)	0.04	(0.04)	-	-	-
Others	-	-	-	-	-
Total Deferred Tax Assets	**2,751.06**	**165.32**	**(109.15)**	**-**	**2,807.23**
Deferred Tax Liabilities					
Due to different tax base of Property, Plant & Equipment	1.52	0.09	-	-	1.61
Unamortised Foreign Currency Exchange Fluctuations	448.95	(295.69)	-	-	153.26
Financial assets and liabilities measured at amortised cost	237.45	(46.13)	-	-	191.33
Others	12.57	(12.57)	-	-	-
Total Deferred Tax Liabilities	**700.49**	**(354.30)**	**-**	**-**	**346.20**
Total Deferred Tax Assets (Net)	**2,050.57**	**519.62**	**(109.15)**	**-**	**2,461.03**

Significant components of net deferred tax assets and liabilities for the year ended 31st March 2020 are as follows

(₹ in Crores)

Particulars	Opening balance	Recognised in Profit or Loss	Recognised in OCI	Others	Closing balance
Deferred Tax Assets					
Expected Credit Loss	2,977.79	(686.06)	-	-	2,291.73
Provision for Earned Leave	4.19	(0.06)	-	-	4.13
Provision for Medical Leave	7.57	(2.06)	-	-	5.51
Provision for Other Expenses	-	-	-	-	-
FVOCI Investments	(0.78)	(1.61)	12.39	-	10.00
OCI Hedge Reserve	-	-	-	-	-
Fair Valuation of Derivatives	(12.04)	306.79	144.90	-	439.65
Right of Use asset (Net of lease liability)	-	0.04	-	-	0.04
Total Deferred Tax Assets	2,976.73	(382.96)	157.29	-	2,751.06
Deferred Tax Liabilities					
Due to different tax base of Property, Plant & Equipment	2.82	(1.30)	-	-	1.52
Unamortised Foreign Currency Exchange Fluctuations	267.26	181.69	-	-	448.95
Financial assets and liabilities measured at amortised cost	336.89	(99.44)	-	-	237.45
Share of undistributed profit of subsidiaries consolidated	56.35	(56.35)	-	-	-
Share of undistributed profit of JV accounted for using equity method	7.48	(7.48)	-	-	-
Others	-	12.57	-	-	12.57
Total Deferred Tax Liabilities	670.80	29.69	-	-	700.49
Total Deferred Tax Assets (Net)	2,305.93	(412.65)	157.29	-	2,050.57

CONSOLIDATED NOTES TO ACCOUNTS

15 Investment Property

(₹ in Crores)

Particulars	Opening Balance	Additions during the year	Sales/ adjustment during the year	Closing Balance
As at 31.03.2021	**0.01**	**-**	**-**	**0.01**
As at 31.03.2020	**0.01**	**-**	**-**	**0.01**

15.1 The company has classified the land held for undeterminable future use as investment property and is not earning any rental income on it.

15.2 Fair value of investment property:

(₹ in Crores)

Particulars	As at 31-03-2021	As at 31-03-2020
Carrying Value	0.01	0.01
Fair Value	0.90	0.6 1

The Company obtains independent valuations for its investment properties at least annually. The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available, the Company consider information from variety of sources including:

- current prices in an active market of similar properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences.
- current circle rates in the jurisdiction where the investment property is located.

The fair values of investment property has been determined by an independent valuer and the main inputs used are circle rates and current prices of similar properties. All resulting fair value estimates for investment property are included in Level 3.

16. Property, Plant & Equipment and Intangible Assets

(₹ in Crores)

Particulars	Property, Plant & Equipment										Capital Work-in-Progress	Intangible Assets under Development	Other Intangible Assets
	Freehold Land	Right-of-Use Land	Buildings	Right-of-Use Building	Furniture & Fixtures	EDP Equipments	**Office** Equipments	Vehicles	Leasehold Improvements	Total	Immovable Property	Computer Software	Computer Software
Gross carrying value													
As at 31.03.2019	110.39	1.59	31.74	-	10.99	22.45	19.90	0.40	2.48	199.94	196.94	1.59	17.38
Additions	-	-	-	2.65	1.84	2.84	3.30	-	-	10.63	74.89	-	3.57
Borrowings Cost Capitalised	-	-	-	-	-	-	-	-	-	-	15.79	-	-
Disposals	-	-	-	-	0.84	2.35	2.22	-	-	5.41	-	0.82	7.21
As at 31.03.2020	110.39	1.59	31.74	2.65	11.99	22.94	20.98	0.40	2.48	205.16	287.62	0.77	13.74
Additions	-	-	98.66	0.24	9.65	4.80	5.12	-	-	118.47	131.70	-	0.07
Borrowings Cost Capitalised	-	-	-	-	-	-	-	-	-	-	22.04	-	-
Disposals/ Adjustments	-	-	-	2.89	0.75	3.41	8.24	-	2.48	17.77	105.69	-	0.01
As at 31.03.2021	110.39	1.59	130.40	-	20.89	24.33	17.86	0.40	-	305.86	335.67	0.77	13.80
Accumulated depreciation/ amortisation													
As at 31.03.2019	-	0.31	8.58	-	6.53	15.35	11.34	0.30	0.90	43.31	-	-	8.83
Charge for the year	-	0.01	0.48	0.77	0.73	3.25	2.78	0.02	0.44	8.48	-	-	3.30
Adjustment for disposals	-	-	-	-	0.35	2.04	1.21	-	-	3.60	-	-	7.21
As at 31.03.2020	-	0.32	9.06	0.77	6.91	16.56	12.91	0.32	1.34	48.19	-	-	4.92
Charge for the year	-	0.03	0.75	0.54	0.99	2.93	2.50	0.02	0.36	8.12	-	-	2.74
Adjustment for disposals	-	-	-	1.31	0.22	2.72	5.20	-	1.70	11.15	-	-	0.01
As at 31.03.2021	-	0.35	9.81	0.00	7.68	16.77	10.21	0.34	-	45.16	-	-	7.65
Net block as at 31.03.2020	110.39	1.27	22.68	1.88	5.08	6.38	8.07	0.08	1.14	156.97	287.62	0.77	8.82
Net block as at 31.03.2021	110.39	1.24	120.59	-	13.21	7.56	7.65	0.06	-	260.70	335.67	0.77	6.15

CONSOLIDATED NOTES TO ACCOUNTS

16.1 As on 31st March 2021, the formalities regarding registration of conveyance deed in respect of certain immovable properties acquired by the Company are yet to be executed. The details are as below:

(₹ in Crores)

Particulars	As at 31-03-2021		As at 31-03-2020	
	Land	Building	Land	Building
Gross Carrying Value	-	4.59	68.31	4.59
Net Carrying Value	-	2.07	68.31	2.14

16.2 As on 31st March 2021, certain Property, Plant & Equipment has been pledged as security against secured borrowings of the Company as per the details below:

(₹ in Crores)

Particulars	As at 31-03-2021	As at 31-03-2020
Gross Carrying Value	3.30	3.45
Net Carrying Value	2.31	2.41

16.3 In the opinion of management, there are no events or changes in circumstances that indicate the impairment of PPE and Intangible Assets in terms of Ind AS 36 'Impairment of Assets'. Accordingly, no provision for impairment has been made.

16.4 While the Company has not made any specific borrowings for construction of a qualifying asset, the Company has capitalised certain borrowing costs on account of general borrowings at an average rate of borrowings of 8% (previous year 8.04%) for the Company in terms of Ind AS 23 'Borrowing Costs'. In line with the applicable accounting guidance, the Company has not capitalised the borrowings costs for the period during which the construction work has been suspended owing to Covid-19 disruptions.

16.5 Disclosure in respect of Intangible Assets as required under Ind-AS 38 "Intangible Assets"

Amortisation Rate 20% (100% in case the total cost of the asset is ₹ 5,000 or less)

16.6 "With a view to monetise its idle assets, the Company has decided to sell certain residential building units with carrying value ₹ 0.10 crores included under Property, Plant and Equipment, for which further actions have been taken to dispose off, subsequent to 31st March 2021. Accordingly, the assets will be classified as "Non-Current Assets Held for Sale" post the date of initiation of such actions as required under Ind-AS 105. The process is expected to be completed during the year 2021-22 through e-auction process."

17. Other non-financial assets

(₹ in Crores)

Particulars		As at 31-03-2021	As at 31-03-2020
	Unsecured, considered good		
(A)	Capital Advances	8.84	50.38
(B)	Other Advances	3.34	5.75
(C)	Balances with Govt. Authorities	68.06	59.58
(D)	Pre-Spent Corporate Social Responsibility (CSR) Expenses	4.03	-
(E)	Prepaid Expenses	4.29	0.22
(F)	Deferred Employee Cost	14.09	13.21
(G)	Deferred Expenses	-	3.19
(H)	Other Assets	0.02	0.04
	Total (A to H)	**102.67**	**132.37**

CONSOLIDATED NOTES TO ACCOUNTS

18. Disposal Group

(₹ in Crores)

Particulars	As at 31-03-2021	As at 31-03-2020
Assets classified as held for sale		
(A) Investment in associates	0.60	0.20
(B) Loans to associates	13.45	9.33
Total (A+B)	**14.05**	**9.53**
Liabilities directly associated with assets classified as held for sale		
(C) Payable to associates	0.08	0.68
Total (C)	**0.08**	**0.68**
Disposal group -Net assets (A+B-C)	**13.97**	**8.85**

18.1 Investments in associates

(₹ in Crores)

Particulars	As at 31-03-2021	As at 31-03-2020
Investments in Equity Instruments of associates (fully paid up)		
equity shares of ₹ 10/- each		
Chandil Transmission Limited	0.05	0.05
Dumka Transmission Limited	0.05	0.05
Koderma Transmission Limited	0.05	0.05
Mandar Transmission Limited	0.05	0.05
Bidar Transmission Limited	0.05	-
Fatehgarh Badla Transco Limited	0.05	-
Gadag Transmission Limited	0.05	-
Kallam Transmission Limited	0.05	-
MP Power Transmission Package I Limited	0.05	-
MP Power Transmission Package II Limited	0.05	-
Rajgarh Transmission Limited	0.05	-
Sikar Transmission Limited	0.05	-
Total	**0.60**	**0.20**

18.2 Loans to Associates

(₹ in Crores)

Particulars	As at 31-03-2021	As at 31-03-2020
Chandil Transmission Limited	2.53	2.49
Dumka Transmission Limited	2.47	2.18
Mandar Transmission Limited	2.21	2.43
Koderma Transmission Limited	2.27	2.23
Fatehgarh Bhadla Transco Limited	0.91	-
Kallam Transmission Limited	0.11	-
MP Power Transmission Package II Limited	1.09	-
MP Power Transmission Package I Limited	1.07	-
Ramgarh New Transmission Limited	0.00	-
Sikar New Transmission Limited	0.77	-
Gadag Transmission Limited	0.02	
Total	**13.45**	**9.33**

CONSOLIDATED NOTES TO ACCOUNTS

18.3 Liabilities directly associated with assests classified as held for sale

(₹ in Crores)

Particulars	As at 31-03-2021	As at 31-03-2020
Bidar Karnataka Line	-	0.10
Gadag Karnataka Part A Line	-	0.10
Solar Energy Rajasthan Part A Line	-	0.11
Solar Energy Rajasthan Part B Line	-	0.06
Solar Energy Rajasthan Part C Line	-	0.16
Bidar Transmission Limited	0.03	
Rajgarh Transmission Limited	0.05	
Rajgarh Madhya Pradesh Line	-	0.15
Total	**0.08**	**0.68**

Management had incorporated these entities with a view to sell them off as per the guidelines of Ministry of Power, through the bid process prescribed by Ministry of Power. There is no possibility that management will have benefits from these entities other than selling them off, hence all these investments (along with the related assets and liabilities) has been classified as 'held for sale'.

19. Trade Payables

(₹ in Crores)

Particulars	As at 31-03-21	As at 31-03-20
Trade Payables		
Total outstanding dues of MSMEs	0.01	0.15
Total outstanding dues of creditors other than MSMEs	61.50	46.00
Total	**61.51**	**46.15**

20. Debt Securities

The Company has categorised all debt securities at amortised cost in accordance with the requirements of Ind AS 109.

(₹ in Crores)

	Particulars	As at 31-03-2021		As at 31-03-2020	
		Face Value	Amortised Cost	Face Value	Amortised Cost
(A)	**Secured Long-Term Debt Securities**				
(i)	Institutional Bonds	3,470.00	3,679.52	3,470.00	3,679.51
(ii)	54EC Capital Gain Tax Exemption Bonds	17,264.97	17,901.65	21,976.14	22,781.73
(iii)	Tax Free Bonds	12,602.97	13,044.23	12,602.97	13,041.35
(iv)	Bond Application Money	856.62	854.71	400.19	399.41
	Sub-total (A)	**34,194.56**	**35,480.11**	**38,449.30**	**39,902.00**
(B)	**Unsecured Long-Term Debt Securities**				
(i)	Institutional Bonds	169,856.60	175,707.24	148,650.20	153,672.91
(ii)	Infrastructure Bonds	11.07	21.36	16.46	25.19
(iii)	Zero Coupon Bonds	-	-	1,364.85	1,363.91
(iv)	Foreign Currency Bonds	26,461.71	26,060.40	22,615.78	22,064.56
	Sub-total (B)	**196,329.38**	**201,789.00**	**172,647.29**	**177,126.57**
(C)	**Unsecured Short-Term Debt Securities**				
(i)	Commercial Paper	-	-	2,925.00	2,889.68
	Sub-total (C)	**-**	**-**	**2,925.00**	**2,889.68**
	Total - Debt Securities (A+B+C)	**230,523.94**	**237,269.11**	**214,021.59**	**219,918.25**
	Debt Securities issued in/ outside India				
(i)	Debt Securities in India	204,062.23	211,208.71	191,405.81	197,853.69
(ii)	Debt Securities outside India	26,461.71	26,060.40	22,615.78	22,064.56
	Total - Debt Securities	**230,523.94**	**237,269.11**	**214,021.59**	**219,918.25**

Refer Note No. 22.2 for reconciliation between the figure represented in Face Value and Amortised Cost

CONSOLIDATED NOTES TO ACCOUNTS

20.1 Details of Secured Long-Term Debt Securities - *Refer Note 21.5 for details of the security*

(i) Institutional Bonds

(₹ in Crores)

Particulars	As at 31-03-21		As at 31-03-20	
	Face Value	Amortised Cost	Face Value	Amortised Cost
123-IIIB Series - 9.34% Redeemable at par on 23.08.2024	1,955.00	2,063.91	1,955.00	2,063.95
123-I Series - 9.40% Redeemable at par on 17.07.2021	1,515.00	1,615.61	1,515.00	1,615.56
Total - Institutional Bonds	**3,470.00**	**3,679.52**	**3,470.00**	**3,679.51**

(ii) 54EC Capital Gain Tax Exemption Bonds

(₹ in Crores)

Particulars	As at 31-03-21		As at 31-03-20	
	Face Value	Amortised Cost	Face Value	Amortised Cost
Series XIV (2020-21) - 5.75% and 5% Redeemable at par during financial year 2025-26	4,455.48	4,550.70	-	-
Series XIII (2019-20) - 5.75% Redeemable at par during financial year 2024-25	6,157.72	6,415.55	5,759.14	5,907.48
Series XII (2018-19) - 5.75% Redeemable at par during financial year 2023-24	6,651.77	6,935.40	6,651.77	6,934.10
Series XI (2017-18) - 5.25% Redeemed at par during financial year 2020-21	-	-	9,565.23	9,940.15
Total - 54EC Capital Gain Tax Exemption Bonds	**17,264.97**	**17,901.65**	**21,976.14**	**22,781.73**

(iii) Tax Free Bonds

(₹ in Crores)

Particulars	As at 31-03-2021		As at 31-03-2020	
	Face Value	Amortised Cost	Face Value	Amortised Cost
Series 2015-16 Tranche 1	696.56	699.67	696.56	710.38
Redeemable at par. Bonds amounting to ₹ 105.93 Crores are redeemable on 05.11.2025, ₹ 172.90 Crores are redeemable on 05.11.2030 and ₹ 417.73 Crores are redeemable on 05.11.2035 with interest rates varying from 6.89% to 7.43% payable annually				
Series 2015-16 Series 5A	300.00	317.75	300.00	306.98
7.17% Redeemable at par on 23.07.2025	-	-	-	-
Series 2013-14 Tranche 2	1,057.40	1,128.99	1,057.40	1,083.38
Redeemable at par. Bonds amounting to ₹ 419.32 Crores are redeemable on 22.03.2024, ₹ 528.42 Crores are redeemable on 23.03.2029 and ₹ 109.66 Crores are redeemable on 24.03.2034 with interest rates varying from 8.19% to 8.88% payable annually				
Series 2013-14 Series 4A & 4B	150.00	161.92	150.00	155.69
Redeemable at par. Bonds amounting to ₹ 105.00 Crores are redeemable on 11.10.2023 and ₹ 45.00 Crores are redeemable on 11.10.2028 with interest rates varying from 8.18% to 8.54% payable annually				
Series 2013-14 Tranche 1	3,410.60	3,499.86	3,410.60	3,494.00
Redeemable at par. Bonds amounting to ₹ 575.06 Crores are redeemable on 25.09.2023, ₹ 2,780.26 Crores are redeemable on 25.09.2028 and ₹ 55.28 Crores are redeemable on 26.09.2033 with interest rates varying from 8.01% to 8.71% payable annually				
Series 2013-14 Series 3A & 3B	1,350.00	1,358.55	1,350.00	1,415.07
Redeemable at par. Bonds amounting to ₹ 209.00 Crores are redeemable on 29.08.2023 and ₹ 1,141.00 Crores are redeemable on 29.08.2028 with interest rates varying from 8.01% to 8.46% payable annually				

CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

Particulars	As at 31-03-2021		As at 31-03-2020	
	Face Value	Amortised Cost	Face Value	Amortised Cost
Series 2012-13 Tranche 2	131.06	138.66	131.06	133.92
Redeemable at par. Bonds amounting to ₹ 81.35 Crores are redeemable on 27.03.2023 and bonds amounting to ₹ 49.71 Crores are redeemable on 27.03.2028 with interest rates varying from 6.88% to 7.54% payable annually				
Series 2012-13 Tranche 1	2,007.35	2,030.86	2,007.35	2,053.10
Redeemable at par. Bonds amounting to ₹ 1,165.31 Crores are redeemable on 19.12.2022 and bonds amounting to ₹ 842.04 Crores are redeemable on 20.12.2027 with interest rates varying from 7.22% to 7.88% payable annually				
Series 2012-13 Series 2A & 2B	500.00	531.26	500.00	513.01
Redeemable at par. Bonds amounting to ₹ 255.00 Crores are redeemable on 21.11.2022 and bonds amounting to ₹ 245.00 Crores are redeemable on 22.11.2027 with interest rates of 7.21% and 7.38% respectively payable annually				
Series 2011-12	3,000.00	3,176.71	3,000.00	3,175.82
Redeemable at par. Bonds amounting to ₹ 839.67 Crores are redeemable on 28.03.2022 and bonds amounting to ₹ 2,160.33 Crores are redeemable on 29.03.2027 with interest rates varying from 7.93% to 8.32% payable annually				
Total - Tax Free Bonds	**12,602.97**	**13,044.23**	**12,602.97**	**13,041.35**

(iv) Bond Application Money

(₹ in Crores)

Particulars	As at 31-03-21		As at 31-03-20	
	Face Value	Amortised Cost	Face Value	Amortised Cost
54EC Capital Gain Tax Exemption Bonds	856.62	854.71	400.19	399.41
5% Redeemable at par after 5 years from the deemed date of allotment				
Total - Bond Application Money	**856.62**	**854.71**	**400.19**	**399.41**

20.2 Details of Unsecured Long-Term Debt Securities

(i) Institutional Bonds

(₹ in Crores)

Particulars	As at 31-03-2021		As at 31-03-2020	
	Face Value	Amortised Cost	Face Value	Amortised Cost
208 Series - 7.40 % Redeemable at par on 15.03.2036	3,613.80	3,627.67	-	-
207 Series - 7.02 % Redeemable at par on 31.01.2036	4,589.90	4,644.40	-	-
183rd Series - 8.29% Redeemable at par on 16.09.2034	3,028.00	3,163.23	3,028.00	3,163.54
182nd Series - 8.18% Redeemable at par on 22.08.2034	5,063.00	5,314.66	5,063.00	5,315.09
201B Series - 6.90% Redeemable at par on 31.03.2031	1,300.00	1,360.02	-	-
204A Series - 6.90% Redeemable at par on 31.01.2031	2,500.00	2,527.31	-	-
203A Series - 6.80% Redeemable at par on 20.12.2030	5,000.00	5,142.50	-	-
202A Series - 7.25% Redeemable at par on 30.09.2030	3,500.00	3,649.96	-	-
198B Series - 7.79% Redeemable at par on 21.05.2030	1,569.00	1,673.70	-	-
197th Series - 7.55% Redeemable at par on 11.05.2030	3,740.00	3,989.76	-	-
189th Series - 7.92% Redeemable at par on 31.03.2030	3,054.90	3,054.85	3,054.90	3,054.80
188B Series - 7.89% Redeemable at par on 31.03.2030	1,100.00	1,100.08	1,100.00	1,100.07
192nd Series - 7.50% Redeemable at par on 28.02.2030	2,382.00	2,395.75	2,382.00	2,393.16

CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

Particulars	As at 31-03-2021		As at 31-03-2020	
	Face Value	Amortised Cost	Face Value	Amortised Cost
184-A Series - 8.25% Partly Paid Debentures Redeemable at par on 26.09.2029	580.40	604.76	290.20	302.31
180-B Series - 8.30% Redeemable at par on 25.06.2029	2,070.90	2,166.39	2,070.90	2,163.58
178th Series - 8.80% Redeemable at par on 14.05.2029	1,097.00	1,168.79	1,097.00	1,167.75
176th Series - 8.85% Redeemable at par on 16.04.2029	1,600.70	1,735.65	1,600.70	1,735.59
169th Series - 8.37% Redeemable at par on 07.12.2028	2,554.00	2,621.52	2,554.00	2,621.29
168th Series - 8.56% Redeemable at par on 29.11.2028	2,552.40	2,624.45	2,552.40	2,626.01
163rd Series - 8.63% Redeemable at par on 25.08.2028	2,500.00	2,627.99	2,500.00	2,628.20
162nd Series - 8.55% Redeemable at par on 09.08.2028	2,500.00	2,637.36	2,500.00	2,637.55
156th Series - 7.70% Redeemable at par on 10.12.2027	3,533.00	3,612.72	3,533.00	3,614.64
147th Series - 7.95% Redeemable at par on 12.03.2027	2,745.00	2,745.44	2,745.00	2,745.34
142nd Series - 7.54% Redeemable at par on 30.12.2026	3,000.00	3,055.87	3,000.00	3,056.26
140th Series - 7.52% Redeemable at par on 07.11.2026	2,100.00	2,151.65	2,100.00	2,152.27
205-B Series - 5.94 % Redeemable at par on 31.01.2026	2,000.00	2,024.68	-	-
204B Series - 5.81% Redeemable at par on 31.12.2025	2,082.00	2,116.78	-	-
203B Series - 5.85% Redeemable at par on 20.12.2025	2,777.00	2,844.16	-	-
136th Series - 8.11% Redeemable at par on 07.10.2025	2,585.00	2,671.10	2,585.00	2,671.22
95-II Series - 8.75% Redeemable at par on 14.07.2025	1,800.00	1,913.49	1,800.00	1,913.61
94th Series - 8.75% Redeemable at par on 09.06.2025	1,250.00	1,339.00	1,250.00	1,339.05
133rd Series - 8.30% Redeemable at par on 10.04.2025	2,396.00	2,453.28	2,396.00	2,452.91
201A Series - 5.90% Redeemable at par on 31.03.2025	900.00	935.50	-	-
190A Series - 6.88% Redeemable at par on 20.03.2025	2,500.00	2,513.83	2,500.00	2,523.03
131st Series - 8.35% Redeemable at par on 21.02.2025	2,285.00	2,304.22	2,285.00	2,304.14
130th Series - 8.27% Redeemable at par on 06.02.2025	2,325.00	2,493.14	2,325.00	2,493.00
129th Series - 8.23% Redeemable at par on 23.01.2025	1,925.00	2,063.52	1,925.00	2,063.40
128th Series - 8.57% Redeemable at par on 21.12.2024	2,250.00	2,418.67	2,250.00	2,418.53
186B Series - 7.40% Redeemable at par on 26.11.2024	1,500.00	1,537.78	1,500.00	1,537.86
191B Series - 6.99% Redeemable at par on 30.09.2024	1,100.00	1,106.18	1,100.00	1,107.13
180-A Series - 8.10% Redeemable at par on 25.06.2024	1,018.00	1,072.68	1,018.00	1,070.52
209 Series - 5.79 % Redeemable at par on 20.03.2024	1,550.00	1,552.62	-	-
205-A Series - 4.99 % Redeemable at par on 31.01.2024	2,135.00	2,157.04	-	-
202B Series - 5.69% Redeemable at par on 30.09.2023	2,474.00	2,556.56	-	-
184-B Series STRPP - D - 7.55% Redeemable at par on 26.09.2023**	298.00	309.46	298.00	309.47
200 Series PP-MLD - 5.36% Redeemable at par on 30.06.2023 *	500.00	518.94	-	-
191A Series - 6.80% Redeemable at par on 30.06.2023	1,100.00	1,106.06	1,100.00	1,106.95
195th Series - 6.92% Redeemable at par on 22.04.2023	2,985.00	3,179.21	-	-
114th Series - 8.82% Redeemable at par on 12.04.2023	4,300.00	4,666.94	4,300.00	4,666.58
188A Series - 7.12% Redeemable at par on 31.03.2023	1,400.00	1,400.17	1,400.00	1,400.13
159th Series - 7.99% Redeemable at par on 23.02.2023	950.00	957.57	950.00	957.40
187th Series - 7.24% Redeemable at par on 31.12.2022	2,090.00	2,127.24	2,090.00	2,129.37
185th Series - 7.09% Redeemable at par on 13.12.2022	2,759.00	2,816.25	2,759.00	2,816.83
155th Series - 7.45% Redeemable at par on 30.11.2022	1,912.00	1,958.74	1,912.00	1,959.12
111-II Series - 9.02% Redeemable at par on 19.11.2022	2,211.20	2,283.50	2,211.20	2,283.64

CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

Particulars	As at 31-03-2021		As at 31-03-2020	
	Face Value	Amortised Cost	Face Value	Amortised Cost
152nd Series - 7.09% Redeemable at par on 17.10.2022	1,225.00	1,264.18	1,225.00	1,264.12
184-B Series STRPP-C - 7.55% Redeemable at par on 26.09.2022**	300.00	311.56	300.00	311.56
150th Series - 7.03% Redeemable at par on 07.09.2022	2,670.00	2,775.38	2,670.00	2,775.25
186A Series - 6.90% Redeemable at par on 30.06.2022	2,500.00	2,629.63	2,500.00	2,559.27
107th Series - 9.35% Redeemable at par on 15.06.2022	2,378.20	2,554.56	2,378.20	2,554.46
179th Series - 8.15% Redeemable at par on 10.06.2022	1,000.00	1,065.70	1,000.00	1,065.61
167th Series - 8.45% Redeemable at par on 22.03.2022	2,571.80	2,577.65	2,571.80	2,577.54
198A Series - 6.60% Redeemable at par on 21.03.2022	2,596.00	2,600.39	-	-
173th Series - 8.35% Redeemable at par on 11.03.2022	2,500.00	2,509.41	2,500.00	2,510.23
132nd Series - 8.27% Redeemable at par on 09.03.2022	700.00	750.81	700.00	750.72
145th Series - 7.46% Redeemable at par on 28.02.2022	625.00	628.85	625.00	628.97
165th Series - 8.83% Redeemable at par on 21.01.2022	2,171.00	2,207.16	2,171.00	2,207.50
193th Series - 6.99% Redeemable at par on 31.12.2021	1,115.00	1,121.46	1,115.00	1,118.70
190B Series - 6.32% Redeemable at par on 31.12.2021	2,489.40	2,502.64	2,489.40	2,511.05
177th Series - 8.50% Redeemable at par on 20.12.2021	1,245.00	1,274.16	1,245.00	1,274.50
141st Series - 7.14% Redeemable at par on 09.12.2021	1,020.00	1,038.03	1,020.00	1,038.00
127th Series - 8.44% Redeemable at par on 04.12.2021	1,550.00	1,664.92	1,550.00	1,664.78
105th Series - 9.75% Redeemable at par on 11.11.2021	3,922.20	4,069.73	3,922.20	4,070.07
139th Series - 7.24% Redeemable at par on 21.10.2021	2,500.00	2,575.17	2,500.00	2,575.10
184-B Series STRPP-B - 7.55% Redeemable at par on 26.09.2021**	300.00	311.58	300.00	311.57
101-III Series - 9.48% Redeemable at par on 10.08.2021	3,171.80	3,364.42	3,171.80	3,364.34
100th Series - 9.63% Redeemable at par on 15.07.2021	1,500.00	1,602.90	1,500.00	1,603.01
174th Series - 8.15% Redeemable at par on 18.06.2021	2,720.00	2,894.23	2,720.00	2,894.03
161B Series - 7.73% Redeemable at par on 15.06.2021	800.00	849.11	800.00	849.01
154th Series - 7.18% Redeemable at par on 21.05.2021	600.00	637.16	600.00	637.04
157th Series - 7.60% Redeemable at par on 17.04.2021	1,055.00	1,131.66	1,055.00	1,131.47
158th Series - 7.70% Redeemed at par on 15.03.2021	-	-	2,465.00	2,473.46
98th Series - 9.18% Redeemed at par on 15.03.2021	-	-	3,000.00	3,012.79
153rd Series - 6.99% Redeemed at par on 31.12.2020	-	-	2,850.00	2,899.77
97th Series - 8.80% Redeemed at par on 30.11.2020	-	-	2,120.50	2,183.61
96th Series - 8.80% Redeemed at par on 26.10.2020	-	-	1,150.00	1,193.96
184-B Series STRPP-A - 7.55% Redeemed at par on 26.09.2020**	-	-	300.00	311.63
149th Series - 6.87% Redeemed at par on 24.09.2020	-	-	2,485.00	2,573.44
135th Series - 8.36% Redeemed at par on 22.09.2020	-	-	2,750.00	2,817.12
144th Series - 7.13% Redeemed at par on 21.09.2020	-	-	835.00	840.30
172nd Series - 8.57% Redeemed at par on 20.08.2020	-	-	1,790.00	1,884.21
134th Series - 8.37% Redeemed at par on 14.08.2020	-	-	2,675.00	2,740.31
143rd Series - 6.83% Redeemed at par on 29.06.2020	-	-	1,275.00	1,289.46
148th Series - 7.42% Redeemed at par on 17.06.2020	-	-	1,200.00	1,203.61
Total - Institutional Bonds	**169,856.60**	**175,707.24**	**148,650.20**	**153,672.91**

** PP-MLD- Principal Protected Market Linked Debentures*
*** STRPP- Separately Transferable Redeemable Principal Parts*

CONSOLIDATED NOTES TO ACCOUNTS

(ii) Infrastructure Bonds

(₹ in Crores)

Particulars	As at 31-03-2021		As at 31-03-2020	
	Face Value	Amortised Cost	Face Value	Amortised Cost
Series-II (2011-12) - Redeemable at par	11.07	21.36	11.07	19.80
Series-I (2010-11) - Redeemed at par	-	-	5.39	5.39
Total - Infrastructure Bonds	**11.07**	**21.36**	**16.46**	**25.19**

Details of Infrastructure Bonds issued are as under :

Series II (2011-12) allotted on 15.02.2012

(₹ in Crores)

Rate of Interest	As at 31.03.2021	As at 31.03.2020	Redemption Details
8.95% Cumulative	5.73	5.73	Redeemable on the date falling 10 years from the date of allotment
8.95% Annual	1.38	1.38	
9.15% Cumulative	2.83	2.83	Redeemable on the date falling 15 years from the date of allotment
9.15% Annual	1.13	1.13	
Total	**11.07**	**11.07**	

Amounts have been shown at face value

(iii) Zero Coupon Bonds

(₹ in Crores)

Particulars	As at 31-03-2021		As at 31-03-2020	
	Face Value *	Amortised Cost	Face Value *	Amortised Cost
ZCB - Series II	-	-	250.29	250.14
(Net of unamortised discount, 89,510 bonds with face value of ₹ 30,000 each redeemed at par on 03.02.2021)				
ZCB - Series I	-	-	1,114.56	1,113.77
(Net of unamortised discount, 3,92,700 bonds with face value of ₹ 30,000 each redeemed at par on 15.12.2020)				
Total - Zero Coupon Bonds	**-**	**-**	**1,364.85**	**1,363.91**

** represents the face value net of unamortised discount on issue of Zero Coupon Bonds*

(iv) Foreign Currency Bonds

(₹ in Crores)

Particulars	As at 31-03-2021		As at 31-03-2020	
	Face Value	Amortised Cost	Face Value	Amortised Cost
4.625% US $300 Mn Bonds - Redeemable at par on 22.03.2028	2,205.14	2,007.20	2,261.58	2,035.23
3.875% US $450 Mn Green Bonds - Redeemable at par on 07.07.2027	3,307.71	2,956.72	3,392.37	2,982.46
2.25% US $500 Mn Bonds - Redeemable at par on 01.09.2026	3,675.24	3,672.19	-	-
3.50% US $500 Mn Bonds - Redeemable at par on 12.12.2024	3,675.24	3,703.43	3,769.30	3,795.87
3.375% US $650 Mn Bonds - Redeemable at par on 25.07.2024	4,777.81	4,784.36	4,900.08	4,900.27
5.250% US $700 Mn Bonds - Redeemable at par on 13.11.2023	5,145.33	5,209.90	5,277.01	5,329.61
4.75% US $500 Mn Bonds - Redeemable at par on 19.05.2023	3,675.24	3,726.60	-	-
3.068% US $400 Mn Bonds - Redeemed at par on 18.12.2020	-	-	3,015.44	3,021.12
Total - Foreign Currency Bonds	**26,461.71**	**26,060.40**	**22,615.78**	**22,064.56**

CONSOLIDATED NOTES TO ACCOUNTS

Global Medium Term Note (GMTN) Programme

The Company has a Global Medium Term Note (GMTN) Programme of USD 7 Billion which is listed on SGX-ST (Singapore Stock Exchange - Securities Trading), LSE-ISM (London Stock Exchange – International Securities Market), Global Securities Market (GSM) of the India INX (India International Exchange) and NSE IFSC (NSE International Exchange). The summay of funds raised under the GMTN Programme is as below:

Particulars	For the year ended 31-03-2021	For the year ended 31-03-2020
Funds raised during the year under GMTN Programme	USD 1 Billion	USD 1 Billion
Cumulative amount raised under GMTN Programme	USD 4 Billion	USD 3 Billion
Outstanding amount out of funds raised under GMTN Programme	USD 3.6 Billion	USD 3 Billion

20.3 Details of Unsecured Short-Term Debt Securities

(i) Commercial Paper

(₹ in Crores)

Particulars	As at 31-03-2021		As at 31-03-2020	
	Face Value	Amortised Cost	Face Value	Amortised Cost
Commercial Paper	-	-	2,925.00	2,889.68

Details of Commercial Paper outstanding:

(₹ in Crores)

Particulars	As at 31-03-2021		As at 31-03-2020	
	Face Value	Amortised Cost	Face Value	Amortised Cost
63rd Series - 7.90% Repaid on 19.06.2020	-	-	675.00	664.69
64th Series - 5.48% Repaid on 15.06.2020	-	-	2,250.00	2,224.99
Total	**-**	**-**	**2,925.00**	**2,889.68**

21. Borrowings (Other than Debt Securities)

The Company has categorised all borrowings (other than debt securities) at Amortised Cost in accordance with the requirements of Ind AS 109.

(₹ in Crores)

	Particulars	As at 31-03-2021		As at 31-03-2020	
		Principal O/s	Amortised Cost	Principal O/s	Amortised Cost
(A)	**Unsecured Long-Term Borrowings**				
(i)	Term Loans from Banks	29,938.58	29,953.76	18,899.78	18,900.72
(ii)	Term Loans from Financial Institutions	5,800.00	5,800.00	1,000.00	1,000.00
(iii)	Foreign Currency Borrowings	21,024.72	20,890.94	21,762.71	21,579.29
(iv)	FCNR (B) Loans	-	-	1,017.71	1,020.89
(v)	Term Loans from Govt. of India	10,000.00	10,325.12	10,000.00	10,326.81
(vi)	Lease Liability	0.05	0.05	2.12	2.12
	Sub-total (A)	**66,763.35**	**66,969.87**	**52,682.32**	**52,829.83**
(B)	**Unsecured Short-Term Borrowings**				
(i)	FCNR (B) Loans	5,329.10	5,335.01	5,955.49	5,964.91
(ii)	Short Term Loans/ Loans repayable on demand from Banks	10,186.52	10,201.99	2,754.86	2,755.92
(iii)	Loans repayable on demand from Holding Company	3,000.00	3,000.49	-	-
	Sub-total (B)	**18,515.62**	**18,537.49**	**8,710.35**	**8,720.83**
	Total - Borrowings (other than Debt Securities) (A to B)	**85,278.97**	**85,507.36**	**61,392.67**	**61,550.66**

CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

Particulars		As at 31-03-2021		As at 31-03-2020	
		Principal O/s	Amortised Cost	Principal O/s	Amortised Cost
	Borrowings (other than Debt Securities) in/ outside India				
(i)	Borrowings in India	64,254.25	64,616.42	39,629.96	39,971.37
(ii)	Borrowings outside India	21,024.72	20,890.94	21,762.71	21,579.29
	Total - Borrowings (other than Debt Securities)	**85,278.97**	**85,507.36**	**61,392.67**	**61,550.66**

21.1 Details of Unsecured Long-term Borrowings

(i) Term Loans from Banks

(₹ in Crores)

Particulars	As at 31-03-2021		As at 31-03-2020	
	Principal O/s	Amortised Cost	Principal O/s	Amortised Cost
- Bank of Baroda	2,000.00	2,000.36	2,500.00	2,500.52
₹ 958.50 Crores repayable on 12.12.2021 and ₹ 1041.50 Crores repayable on 12.12.2022.				
- HDFC Bank	4,650.00	4,664.47	2,000.00	2,000.42
₹ 1000 Crores repayable on 24.02.2022 and ₹ 650 Crores repayable on 30.09.2022, ₹ 1500 Crores repayable on 19.06.2023, ₹ 300 Crores repayble on 29.09.2023, ₹ 350 Crores repayable on 11.10.2023, ₹ 350 Crores repayable on 05.11.2023 and ₹ 500 Crores repayable on 15.01.2024.				
- Punjab National Bank	4,396.84	4,396.84	2,399.87	2,399.87
₹ 1,999.98 Crores repayable in 3 annual instalments, first instalment due on 15.09.2021, ₹ 399.87 Crores repayable in 8 semi-annual instalments, first instalment due on 01.10.2021 and ₹ 1,996.99 Crores repayable in 3 annual instalments, first instalment due on 27.08.2023.				
- State Bank of India	10,839.90	10,839.90	7,299.92	7,299.92
₹ 1,839.97 Crores repayable in 4 annual instalments, first instalment due on 05.09.2021, ₹ 3,999.93 Crores repayable in 2 annual instalments, first instalment due on 15.10.2021 and ₹ 5,000 Crores repayable in 7 semi-annual instalments, first instalment due on 14.07.2022.				
- Union Bank of India	3,399.34	3,399.34	2,199.99	2,199.99
₹ 1,499.70 Crores repayable in 6 semi-annual instalments, first instalment due on 25.06.2022 and ₹ 1,899.64 Crores repayable in 6 semi-annual instalments, first instalment due on 20.02.2023.				
- Canara Bank	1,000.00	1,000.00	2,500.00	2,500.00
₹ 150 Crores repayable on 28.02.2023, ₹ 425 Crores repayable on 29.02.2024 and ₹ 425 Crores repayable on 28.02.2025				
- HSBC Bank	1,652.50	1,652.77	-	-
₹ 565 Crores repayable on 19.05.2025, ₹ 187.5 Crores repayable on 18.12.2025 and ₹ 900 Crores repayable on 25.03.2026.				
- Deutsche Bank	500.00	500.08	-	-
₹ 500 Crore repayable on 18.12.2023				
- JP Morgan	1,500.00	1,500.00	-	-
₹ 1,500 Crore repayable on 26.03.2024				
Total - Unsecured Term Loans from Banks	**29,938.58**	**29,953.76**	**18,899.78**	**18,900.72**

CONSOLIDATED NOTES TO ACCOUNTS

(ii) Term Loans from Others - Financial Institutions

(₹ in Crores)

Particulars	As at 31-03-2021		As at 31-03-2020	
	Principal O/s	Amortised Cost	Principal O/s	Amortised Cost
- Indian Infrastructure Finance Company Ltd. (IIFCL)	5,800.00	5,800.00	1,000.00	1,000.00
₹ 1,000 Crores repayable on 04.06.2022 and ₹ 800 Crores repayable on 25.06.2023, ₹ 1500 Crores repayable on 23.02.2024, ₹ 500 Crores repayable on 15.03.2024, ₹ 1000 Crores repayable on 26.03.2026 and ₹ 1000 Crores repayable on 30.03.2026				
Total - Term Loans from Others - Financial Institutions	**5,800.00**	**5,800.00**	**1,000.00**	**1,000.00**

(iii) Foreign Currency Borrowings

(₹ in Crores)

	Particulars	As at 31-03-2021		As at 31-03-2020	
		Principal O/s	Amortised Cost	Principal O/s	Amortised Cost
(1)	**ODA Loans - Guaranteed by Govt. of India**				
	JICA Loan - 0.65% JICA-II loan repayable in half-yearly instalments till 20.03.2023, next instalment falling due on 20.09.2021	50.06	50.07	99.46	99.48
	2.89% KfW-II Loan repaid on 30.12.2020	-	-	64.60	65.03
	1.86% KfW-III Loan - Repayable in equal half-yearly instalments of €5.26 Mn till 30.03.2024, next instalment falling due on 30.12.2020	317.22	317.87	393.41	393.52
	Sub-Total (1)	**367.28**	**367.94**	**557.47**	**558.03**
(2)	**ODA Loans - Without Govt. Guarantee**				
	6M USD Libor + 0.13% KfW-IV Loan - Repayable in equal half-yearly instalments of €12.00 till 15.11.2030 Mn, first instalment falling due on 15.11.2021	1,241.16	1,243.23	1,220.98	1,227.88
	Sub-Total (2)	**1,241.16**	**1,243.23**	**1,220.98**	**1,227.88**
(3)	**Bilateral/ Syndicated Loans**				
	US $300 Mn - Repayable on 02.06.2030	2,205.14	2,216.83	-	-
	US $425 Mn - Repayable on 16.03.2026	3,123.95	3,095.46	-	-
	US $170 Mn - $100 Mn repayable on 26.03.2025 and $ 70 Mn repayable on 06.10.2025	1,249.58	1,249.55	-	-
	¥ 10,519 Mn - Repayable on 25.09.2025	698.04	686.00	-	-
	US $75 Mn - Repayable on 30.03.2025	551.29	542.57	565.39	554.38
	SG $72.07 Mn - Repayable on on 30.03.2025	391.79	383.78	380.80	367.22
	US $100 Mn - Repayable on 01.07.2024	735.05	729.68	753.86	749.10
	US $150 Mn - Repayable on 29.03.2024	1,102.57	1,085.82	1,130.79	1,104.53
	US $250 Mn - Repayable on 27.03.2024	1,837.62	1,815.96	1,884.65	1,855.66
	¥ 10,327.12 Mn - Repayable on 08.08.2023	685.31	673.06	719.28	700.98
	US $250 Mn - Repayable on 29.08.2023	1,837.62	1,831.68	1,884.65	1,877.67

CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

Particulars	As at 31-03-2021		As at 31-03-2020	
	Principal O/s	Amortised Cost	Principal O/s	Amortised Cost
US $150 Mn - Repayable on 11.09.2022	1,102.57	1,097.49	1,130.79	1,121.92
US $200 Mn - Repayable on 28.07.2022	1,470.09	1,461.67	1,507.72	1,494.21
US $230 Mn - Repayable on 19.01.2022	1,690.61	1,676.86	1,733.88	1,702.97
US $100 Mn - Repayable on 05.10.2021	735.05	733.36	753.86	745.81
US $240 Mn - Repaid on 26.03.2021	-	-	1,809.26	1,793.23
US $160 Mn - Repaid on 26.03.2021	-	-	1,206.17	1,195.78
US $300 Mn - Repaid on 01.12.2020	-	-	2,261.58	2,260.75
US $300 Mn - Repaid on 29.07.2020	-	-	2,261.58	2,269.17
Sub-Total (3)	**19,416.28**	**19,279.77**	**19,984.26**	**19,793.38**
Total - Foreign Currency Borrowings (1+2+3)	**21,024.72**	**20,890.94**	**21,762.71**	**21,579.29**

(iv) FCNR (B) Loans

(₹ in Crores)

Particulars	As at 31-03-2021		As at 31-03-2020	
	Principal O/s	Amortised Cost	Principal O/s	Amortised Cost
US $135 Mn - $60 Mn repaid on 04.09.2021 and $75 Mn repaid on 22.10.2021	-	-	1,017.71	1,020.89
Total - FCNR (B) Loans	**-**	**-**	**1,017.71**	**1,020.89**

(v) Term Loans from Govt. of India

(₹ in Crores)

Particulars	As at 31-03-2021		As at 31-03-2020	
	Principal O/s	Amortised Cost	Principal O/s	Amortised Cost
- Loan from National Small Savings Fund (NSSF) *₹ 5000 Crores repayable on 13.12.2028 and ₹ 5000 Crores repayable on 04.10.2029*	10,000.00	10,325.12	10,000.00	10,326.81
Total - Term Loans from Govt.	**10,000.00**	**10,325.12**	**10,000.00**	**10,326.81**

21.2 Unsecured Short-Term Borrowings

(i) FCNR (B) Loans

(₹ in Crores)

Particulars	As at 31-03-2021		As at 31-03-2020	
	Principal O/s	Amortised Cost	Principal O/s	Amortised Cost
US$200 Mn - Repayable on 20.12.2021	1,470.09	1,470.15	-	-
US$100 Mn - Repayable on 30.12.2021	735.05	735.06	-	-
US$75 Mn - Repayable on 15.11.2021	551.29	551.29	-	-
US$200 Mn - Repayable on 30.12.2021	1,470.09	1,472.31	-	-
US$75 Mn - Repayable on 20.05.2021	551.29	553.11	-	-
US$75 Mn - Repayable on 22.04.2021	551.29	553.09	-	-

CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

Particulars	As at 31-03-2021		As at 31-03-2020	
	Principal O/s	Amortised Cost	Principal O/s	Amortised Cost
US$140 Mn - Repaid on 13.01.2021	-	-	1,055.40	1,055.51
US$100 Mn - Repaid on 21.12.2020	-	-	753.86	753.92
US$100 Mn - Repaid on 03.12.2020	-	-	753.86	753.93
US$200 Mn - Repaid on 21.09.2020	-	-	753.86	753.86
US$150 Mn - Repaid on 20.05.2020 and 25.06.2020	-	-	1,507.72	1,512.87
US$150 Mn - Repaid on 20.05.2020 and 25.06.2020	-	-	1,130.79	1,134.82
Total - FCNR (B) Loans	**5,329.10**	**5,335.01**	**5,955.49**	**5,964.91**

21.3 Term Loans from banks/ financial institutions/ Govt. as mentioned in Note No. 21.1 (i), (ii) and (v) have been raised at interest rates ranging from 5.15% to 8.29% payable on monthly/quarterly/semi annual rests.

21.4 Foreign Currency Borrowings in Note No. 21.1(iii)(3) have been raised at interest rates ranging from a spread of 20 bps to 210 bps over external benchmarks including 1/3/6 Months' USD/JPY LIBOR (London Inter Bank Offered Rate), 6 Months' SOR (Swap Offer Rate).

21.5 Security Details of Secured Debt Securities and Borrowings

For all the secured bonds issued by the Company and outstanding as at balance sheet date, 100% security cover has been maintained by way of mortgage on certain immovable properties and/or charge on the receivables of the Company.

The Bond Series 123-I and 123-IIIB of Institutional Bonds are secured by way of first pari passu charge on the specified immovable property and the book debts of the Issuer which are charged to other lender / trustee and as may be agreed between the Issuer and the Trustee, pursuant to the terms of the Bond Trust Deed with a minimum security cover of one time of the aggregate face value of amount of bonds outstanding at all times and amount of interest due thereon in favor of IDBI Trusteeship Services Ltd.

Tax Free Bonds issued during FY 2011-12 are secured by first pari passu charge on premises at Shop No. 12, Ground Floor, Block No. 35, Church Road, Mylapore, Chennai and hypothecation of receivables of ₹ 4,998.66 Crores of MSEDCL in favour of Vistra ITCL (India) Ltd. (formerly known as IL&FS Trust Company Ltd.).

Tax Free Bonds issued during FY 2013-14 are secured by first pari passu charge on the book debts (other than those that are exclusively charged/earmarked to lenders / other Trustees) of the Company in favour of SBICap Trustee Company Ltd.

The Bond Series XI, XII and XIII of 54EC Capital Gain Tax Exemption Bonds and Tax Free Bonds issued during FY 2012-13 & 2015-16 are secured by first pari passu charge on (a) mortgage of premises at Sub Plot No. 8, TPS No 2, FP No. 584P, situated at Village Subhanpura, Distt Vadodara and (b) hypothecation of receivables (other than those that are exclusively charged/ earmarked to lenders / other Trustees) in favour of SBICap Trustee Company Ltd.

The Bond Series XIV of 54EC Capital Gain Tax Exemption Bonds are secured by first pari passu charge on hypothecation of receivables (other than those that are exclusively charged/ earmarked to lenders / other Trustees) in favour of SBICap Trustee Company Ltd.

Refer Note No. 10 and 16.2 for the carrying value of receivables and Property, Plant and Equipment (PPE) pledged as security.

CONSOLIDATED NOTES TO ACCOUNTS

22 Subordinated Liabilities

The Company has categorised all debt securities at amortised cost in accordance with the requirements of Ind AS 109.

(₹ in Crores)

Particulars		As at 31-03-2021		As at 31-03-2020	
		Face Value	Amortised Cost	Face Value	Amortised Cost
(i)	**199th Series - Subordinate Tier-II Bonds -** 7.96% Redeemable at par on 15.06.2030	1,999.50	2,127.54	-	-
(ii)	**175th Series - Subordinate Tier-II Bonds -** 8.97% Redeemable at par on 28.03.2029	2,151.20	2,151.45	2,151.20	2,151.86
(iii)	**115th Series - Subordinate Tier-II Bonds -** 8.06% Redeemable at par on 31.05.2023	2,500.00	2,667.90	2,500.00	2,667.79
	Total - Subordinated Liabilities	**6,650.70**	**6,946.89**	**4,651.20**	**4,819.65**
	Subordinated Liabilities in/ outside India				
(i)	Borrowings in India	6,650.70	6,946.89	4,651.20	4,819.65
(ii)	Borrowings outside India	-	-	-	-
	Total - Subordinated Liabilities	**6,650.70**	**6,946.89**	**4,651.20**	**4,819.65**

22.1 Ratings assigned by credit rating agencies and migration of ratings during the year

Particulars	Rating
Domestic Long-term Borrowings	CRISIL AAA, ICRA AAA, CARE AAA, IND AAA
Domestic Long Term Principal Protected Market Linked Debentures	CRISIL PP-MLD AAAr, ICRA PP-MLD AAA
Domestic Perpetual Bonds	CRISIL AAA, CARE AA+
Domestic Short term Borowings	CRISIL A1+, ICRA A1+, CARE A1+, IND A1+
International Long-term Issuer Rating	BBB- (Fitch), Baa3 (Moody's)

There has been no migration of ratings during the year.

22.2 Reconciliation between carrying values and the contractual amounts outstanding in respect of Borrowings:

(₹ in Crores)

Particulars	Debt Securities	Other Borrowings	Subordinated Liabilities	Total
As at 31st March 2021				
Total Amount as per Ind-AS	**237,269.11**	**85,507.36**	**6,946.89**	**329,723.36**
Less: Interest accrued on Borrowings classified under the same head as per Ind-AS	(7,569.58)	(397.62)	(299.48)	(8,266.68)
Add: Ind-AS Adjustments in respect of transaction costs at Effective Interest Rate (EIR)	824.42	169.24	3.29	996.95
Total Borrowings Outstanding	**230,523.95**	**85,278.98**	**6,650.70**	**322,453.63**
As at 31st March 2020				
Total Amount as per Ind-AS	**219,918.25**	**61,550.66**	**4,819.65**	**286,288.56**
Less: Interest accrued on Borrowings classified under the same head as per Ind-AS	(6,872.67)	(392.52)	(170.57)	(7,435.76)
Add: Ind-AS Adjustments in respect of transaction costs at Effective Interest Rate (EIR)	976.01	234.53	2.12	1,212.66
Total Borrowings Outstanding	**214,021.59**	**61,392.67**	**4,651.20**	**280,065.46**

22.3 The Company raises funds in different currencies through a mix of term loans from banks/ financial institutions/ Govt. agencies and bonds of different tenors through private placement of debt securities. The amounts raised during the year have been utilized for the stated objects in the offer document/ information memorandum. Further, there has been no default as on the Balance Sheet date in the repayment of debt securities, borrowings and subordinated liabilities and the Company has met all its debt servicing obligations, whether principal or interest, during the year.

CONSOLIDATED NOTES TO ACCOUNTS

23 Other Financial Liabilities

(₹ in Crores)

Particulars		As at 31-03-2021	As at 31-03-2020
(A)	**Unpaid Dividends**	5.79	4.75
(B)	**Unpaid Principal & Interest on Bonds**		
	- Matured Bonds & Interest Accrued thereon	49.77	39.13
	- Interest on Bonds	18.95	17.97
	Sub-total (B)	**68.72**	**57.10**
(C)	**Funds Received from Govt. of India for Disbursement as Subsidy/ Grant (cumulative)**	91,398.16	85,431.74
	Add: Interest on such funds (net of refund)	28.96	31.96
	Less: Disbursed to Beneficiaries (cumulative)	(90,098.93)	(83,642.93)
	Undisbursed Funds to be disbursed as Subsidy/ Grant	**1,328.19**	**1,820.77**
(D)	**Payables towards Bonds Fully serviced by Govt. of India**	24,314.43	21,792.32
(E)	Payable towards funded staff benefits	9.00	0.38
(F)	Other Liabilities	496.21	106.89
	Total (A to F)	**26,222.35**	**23,782.21**

23.5 Unpaid dividends, unpaid principal and interest on bonds include the amounts which have either not been claimed by the investors or are on hold pending formalities pursuant to investors' claims etc. The amount due to be transferred to Investor Education and Protection Fund (IEPF) as at 31st March 2021 is ₹ 0.62 crores (₹ 0.47 crores as at 31st March 2020) which has been transferred within the prescribed time limit.

23.2 Subsidy Under Accelerated Generation & Supply Programme (AG&SP):

The Company is maintaining an Interest Subsidy Fund Account and was given AG&SP subsidy (for disbursement to the eligible borrowers) by Govt. of India at net present value calculated at indicative rates and year 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 07.03.2003 irrespective of the actual repayment schedule, moratorium year and duration of repayment of the eligible schemes. The impact of difference between the indicative rate and year considered at the time of drawl and the actual can be ascertained only after the end of the respective schemes.

Net amount of ₹ 0.71 Crores as at 31st March 2021 (₹ 0.69 Crores as at 31st March 2020) represents the balance amount of interest subsidy fund, which is to be passed on to the borrowers against their interest liability arising in future, under Accelerated Generation & Supply Programme (AG&SP), which comprises of the following :-

(₹ in Crores)

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
Opening Balance of Interest Subsidy Fund	**0.69**	**0.63**
Add: Interest earned during the year	0.02	0.06
Less: Interest subsidy passed on to the borrower	-	-
Closing Balance of Interest Subsidy Fund	**0.71**	**0.69**

23.3 Government of India has appointed the company as a nodal agency for implementation of Deen Dayal Upadhyaya Gram Jyoti Yojna (DDUGJY) and Pradhan Mantri Sahaj Bijli Har Ghar Yojana (SAUBHAGYA). The funds received for disbursement to various agencies under the scheme are kept in a separate bank account. The undisbursed funds for the scheme (including the funds received under erstwhile RGGVY Scheme) including interest earned thereto are classified under "Undisbursed Subsidy/ grant" under the head "Other Financial Liabilities".

23.4 The movement in Interest on Subsidy/ Grant is explained as under:

(₹ in Crores)

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
Opening Balance	**31.96**	**42.58**
Add: Interest earned/Adjustment during the year	30.48	50.09
Less: Amount refunded to Govt./Adjusted during the year	33.48	60.71
Closing Balance	**28.96**	**31.96**

CONSOLIDATED NOTES TO ACCOUNTS

23.5 For meeting GOI's funding requirement of DDUGJY Scheme, during the year, the Company has raised funds an aggregate amount of ₹ 2,500 crores (Previous year ₹ 3,782.30 crores) through unsecured, redeemable, non-convertible, taxable bonds in the nature of debentures of face value of ₹ 10 lacs at par on private placement basis. As per Ministry of Finance (MoF) letter dated 2nd December, 2020 and 3rd March, 2021, the repayment of principal and interest of the above bonds shall be made by GoI by making suitable budget provisions in the demand of Ministry of Power. Accordingly, the amount of such bonds along-with interest is also appearing as recoverable by the Company from Govt. of India (Note 12).

Details of the GoI Fully Serviced Bonds raised are as follows:

(₹ in Crores)

Particulars	Coupon Rate	Interest Frequency	Redemption Date	As at 31-03-2021	As at 31-03-2020
GoI-I Series	8.09%	Semi-annual	21/3/2028	1,837.00	1,837.00
GoI-II Series	8.01%	Semi-annual	24/3/2028	1,410.00	1,410.00
GoI-III Series	8.06%	Semi-annual	27/3/2028	753.00	753.00
GoI-IV Series	8.70%	Semi-annual	28/9/2028	3,000.00	3,000.00
GoI-V Series	8.54%	Semi-annual	15/11/2028	3,600.00	3,600.00
GoI-VI Series	8.80%	Semi-annual	22/1/2029	2,027.00	2,027.00
GoI-VII Series	8.60%	Semi-annual	8/3/2029	1,200.00	1,200.00
GoI-VIII Series	8.30%	Semi-annual	25/3/2029	4,000.00	4,000.00
GoI- IX Series	7.14%	Semi-annual	2/3/2030	1,500.00	1,500.00
GoI- X Series	8.25%	Semi-annual	26/3/2030	532.30	532.30
GoI- XI Series	7.20%	Semi-annual	31/3/2030	1,750.00	1,750.00
GoI- XII Series	6.45%	Semi-annual	7/1/2031	1,000.00	-
GoI- XIII Series	6.63%	Semi-annual	28/1/2031	1,000.00	-
GoI- XIV Series	6.50%	Semi-annual	26/3/2031	500.00	-
Total				**24,109.30**	**21,609.30**

24 Current tax liabilities (net)

(₹ in Crores)

Particulars	As at 31-03-2021	As at 31-03-2020
Provision for Income Tax	2,691.90	-
Less: Advance Income-tax & TDS	(2,677.50)	-
Current tax liabilities (Net)	**14.40**	**-**

25 Provisions

(₹ in Crores)

Particulars	As at 31-03-2021	As at 31-03-2020
Provisions for		
(A) Employee Benefits		
Earned Leave Liability	18.57	16.22
Medical Leave Liability	20.91	21.87
Settlement Allowance	1.89	1.60
Economic Rehabilitation Scheme	4.13	4.25
Long Service Award	2.02	1.89
Incentive	47.92	52.57
Loyalty Bonus	0.15	0.31
Sub-total (A)	**95.59**	**98.71**
(B) Others		
Expected Credit Loss on Letters of Comfort	9.09	8.38
Unspent Corporate Social Responsibility (CSR) Account	-	-
Sub-total (B)	**9.09**	**8.38**
Total (A+B)	**104.68**	**107.09**

CONSOLIDATED NOTES TO ACCOUNTS

25.1 Movement of Expected Credit Loss provision on Letters of comfort

(₹ in Crores)

Particulars	As at 31-03-2021	As at 31-03-2020
Opening balance	**8.38**	**-**
Add: Created during the year	0.75	8.38
Less: Reversed/ Adjusted during the year	(0.04)	0.00
Closing balance	**9.09**	**8.38**

25.2 The Company has maximum credit risk exposure of ₹ 2,608.85 crores (previous year ₹ 951.29 crores) related to Letters of Comfort issued to the banks, as a financial guarantee on behalf of the borrowers.

26 Other Non-Financial Liabilities

(₹ in Crores)

Particulars		As at 31-03-2021	As at 31-03-2020
(A)	Income Received in Advance	0.01	0.15
(B)	Sundry Liabilities Account (Interest Capitalisation)	5.07	6.57
(C)	Unbilled Liability towards Capital Account	28.53	-
(D)	Unamortised Fee on Undisbursed Loans	68.64	46.15
(E)	Advance received from Govt. towards Govt. Schemes	1.17	4.14
(F)	Statutory Dues	26.82	24.74
(G)	Other Liabilities	0.01	1.48
	Total (A to G)	**130.25**	**83.23**

27 Equity Share Capital

(₹ in Crores)

Particulars	As at 31-03-2021		As at 31-03-2020	
	No. of Shares	Amount	No. of Shares	Amount
Authorised :				
Equity shares of ₹ 10 each	5,000,000,000	5,000.00	5,000,000,000	5,000.00
Issued, Subscribed and Paid up :				
Fully paid up Equity shares of ₹ 10 each	1,974,918,000	1,974.92	1,974,918,000	1,974.92
Total	**1,974,918,000**	**1,974.92**	**1,974,918,000**	**1,974.92**

27.1 Reconciliation of the number of shares outstanding at the beginning and at the end of the period

(₹ in Crores)

Particulars	For the year ended 31-03-2021		For the year ended 31-03-2020	
	No. of Shares	Amount	No. of Shares	Amount
Share Capital at the beginning of the period	1,974,918,000	1,974.92	1,974,918,000	1,974.92
Add: Shares issued & allotted during the period	-	-	-	-
Share Capital at the end of the period	**1,974,918,000**	**1,974.92**	**1,974,918,000**	**1,974.92**

27.2 Allotment of Bonus Shares during the year and during preceding five years

During the current year and preceding five years, no bonus shares were issued by the Company except in the FY 2016-17, when the Company had allotted 98,74,59,000 Equity Shares as fully paid up by way of bonus shares.

CONSOLIDATED NOTES TO ACCOUNTS

27.3 The Company has neither issued any equity shares pursuant to contract without payment being received in cash nor has there been any buy-back of shares in the current year and five years immediately preceding the balance sheet date.

27.4 Rights, Preferences and Restrictions attached to Equity shares

The holders of the equity shares of the Company are entitled to receive dividends as and when declared by the Company and enjoy proportionate voting rights in case any resolution is put to vote. Further, the shareholders have all such rights, as may be available to a shareholder of a listed public company, under the Companies Act, 2013 and rules made thereunder, Companies Act, 1956 (to the extent applicable), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Memorandum of Association and Articles of Association of the Company.

27.5 Shareholders holding more than 5% of fully paid-up equity shares as at Balance Sheet date:

(₹ in Crores)

Name of the Shareholder	As at 31-03-2021		As at 31-03-2020	
	No. of Shares	Percentage	No. of Shares	Percentage
Power Finance Corporation Ltd.	1,039,495,247	52.63%	1,039,495,247	52.63%
HDFC Trustee Company Ltd. A/c HDFC Hybrid Debt Fund	167,255,577	8.47%	139,425,284	7.06%

27.6 Details of equity shares held by the Holding Company, including the subsidiaries and associates

Name of the Company	As at 31-03-2021		As at 31-03-2020	
	No. of Shares	Percentage	No. of Shares	Percentage
Power Finance Corporation Ltd.	1,039,495,247	52.63%	1,039,495,247	52.63%

28 Instruments entirely equity in nature

Particulars	As at 31-03-2021		As at 31-03-2020	
	Number	Amount	Number	Amount
Fully paid up Perpetual Debts Instrument entirely equity in nature of ₹ 10 lakhs each	5,584	558.40	-	-
Total	**5,584**	**558.40**	**-**	**-**

28.1 Reconciliation of the number of perpetual securities outstanding at the beginning and at the end of the year

(₹ in Crores)

Particulars	For the year ended 31-03-2021		For the year ended 31-03-2020	
	Number	Amount	Number	Amount
Balance at the beginning of the year	-	-	-	-
Increase/ (Decrease) during the year	5,584	558.40	-	-
Balance at the end of the year	**5,584**	**558.40**	**-**	**-**

28.2 Instrument holders holding more than 5% of Perpetual Debt Instruments entirely equity in nature as at Balance Sheet date:

Name of the Shareholder	As at 31-03-2021		As at 31-03-2020	
	Number	Percentage	Number	Percentage
HVPNL Employees Pension Fund Trust	665	11.91%	-	0.00%
HPGCL Employees Pension Fund Trust	500	8.95%	-	0.00%

CONSOLIDATED NOTES TO ACCOUNTS

28.3 During the year, Company has issued Perpetual Debt Instruments of face value of ₹ 10 lakhs each, with no maturity and callable only at the option of the Company after 10 years. The claims of the holders of the securities shall be (a) Superior to the claims of the holders of the equity shares issued by the Issuer; and (b) Subordinated to the claims of all other creditors of the Issuer. The instruments carry a step up provision if not called after 10 years. The payment of Coupons may be cancelled or suspended at the discretion of the Company. The coupon of the securities is not cumulative except where the Issuer shall not be liable to pay coupon and may defer the payment of coupon, if (i) The capital to risk assets ratio ("CRAR") of the Issuer is below the minimum regulatory requirement prescribed by RBI; or (ii) the impact of such payment results in CRAR of the Issuer falling below or remaining below the minimum regulatory requirement prescribed by RBI.

As these securities are perpetual in nature and the Company does not have any redemption obligation and discretion on payment of coupon, these have been classified as equity.

Details of the Perpetual Debt Instruments issued are as follows:

(₹ in Crores)

Particulars	Coupon Rate	Number of Bonds	Date of allotment	Year ended 31-03-2021	Year ended 31-03-2020
Series 206	7.97%	5584	22/Jan/21	558.40	-

29 Other Equity

(₹ in Crores)

Particulars		As at 31-03-2021	As at 31-03-2020
(A)	**Other Reserves**		
(i)	Special Reserve created u/s 36(1) (viii) of the Income Tax Act, 1961	19,222.23	16,659.10
(ii)	Reserve for Bad and doubtful debts u/s 36(1)(viia) of the Income Tax Act, 1961	2,128.41	2,992.83
(iii)	Reserve Fund u/s 45-IC of Reserve Bank of India Act, 1934	3,804.00	2,131.00
(iv)	Securities Premium	2,236.54	2,236.54
(v)	Foreign Currency Monetary Item Translation Difference Account	(573.16)	(1,719.38)
(vi)	Capital Reserve	4.70	4.70
(vii)	General Reserve	9,903.16	6,976.23
(viii)	Impairment Reserve	-	793.29
(B)	**Retained Earnings**	**4,606.01**	**3,674.25**
(C)	**Other Comprehensive Income (OCI)**		
	- Share of Other Comprehensive Income/ (loss) of Joint Venture accounted for using equity method	(1.19)	(2.48)
	- Equity Instruments through Other Comprehensive Income	24.07	106.26
	- Effective Portion of Cash Flow Hedges	(165.61)	(226.08)
	- Cost of Hedging reserve	41.45	(204.75)
	Total - Other Equity (A+B+C)	**41,230.61**	**33,421.51**

Additions and deductions to the components of 'Other Equity' has been disclosed in 'Statement of Changes in Equity'.

29.1 Pursuant to regulatory guidelines and utilisation of reserves created for specific purposes, the Company has transferred the following amounts from different reserves to General Reserve:

(i) <u>During the financial year 2020-21</u>

(a) ₹ 1,152.55 crores from Reserve for Bad & Doubtful Debts under Section 36(1)(viia)(c) of the Income Tax Act, 1961 on account of actual write-offs on loan assets

(b) ₹ 793.29 crores from Impairment Reserves has been transferred to the General Reserves in pursuance of RBI Guidelines

(ii) <u>During the financial year 2019-20</u>

(a) ₹ 378.41 crores from Reserve for Bad & Doubtful Debts under Section 36(1)(viia)(c) of the Income Tax Act, 1961 on account of actual write-offs on loan assets

CONSOLIDATED NOTES TO ACCOUNTS

(b) ₹ 1,367.27 crores from Debenture Redemption Reserve (DRR) persuant to the Notification No. G.S.R. 574(E) dated 16th August 2019 issued by the Ministry of Corporate Affairs (MCA)

29.2 Special Reserve created u/s 36(1) (viii) of the Income Tax Act, 1961

Special Reserve created u/s 36(1) (viii) of the Income Tax Act, 1961 is maintained by the Company in order to enable the Company to avail tax benefits. As per section 36(1)(viii) of the Income Tax Act, 1961, the company is eligible for deduction not exceeding 20% of profit derived from long term finance activity, provided such amount is transferred and maintained in special reserve account.

Detail of Movement during the year:

(₹ in Crores)

Particulars	**For the year ended 31st March, 2021**	**For the year ended 31st March, 2020**
Balance as at the begining of the year	**16,659.10**	**15,136.78**
Add: Transferred from Retained Earnings	2,563.13	1,522.32
Less: Transferred to General Reserve	-	-
Balance as at the end of the year	**19,222.23**	**16,659.10**

29.3 Reserve for Bad and doubtful debts u/s 36(1)(viia) of the Income Tax Act, 1961

Reserve for Bad and doubtful debts u/s 36(1)(viia) of the Income Tax Act, 1961 is maintained by the Company in order to enable the Company to avail tax benefits. As per Section 36(1)(viia) of the Income Tax Act, 1961, the Company is eligible to avail deduction in respect of any provision/ reserve made for bad and doubtful debts, not exceeding five per cent of the total income as per Income Tax Act. The reserve so maintained shall be primarily utilised for adjustment of actual bad debts or part thereof.

Detail of Movement during the year:

(₹ in Crores)

Particulars	**For the year ended 31st March, 2021**	**For the year ended 31st March, 2020**
Balance as at the begining of the year	**2,992.83**	**3,034.72**
Add: Transferred from Retained Earnings	288.13	336.52
Less: Transferred to General Reserve	(1,152.55)	(378.41)
Balance as at the end of the year	**2,128.41**	**2,992.83**

29.4 Reserve Fund u/s 45-IC of Reserve Bank of India Act, 1934

The Company is creating the Reserve Fund as required u/s 45IC of Reserve Bank of India Act, 1934, wherein at least 20% of net profit is required to be transferred before the declaration of dividend. No appropriation is allowed to be made from the reserve fund except for the purpose as may be specified by the Reserve Bank of India from time to time and further, any such appropriation is also required to be reported to the Reserve Bank of India within 21 days from the date of such withdrawal.

Detail of Movement during the year:

(₹ in Crores)

Particulars	**For the year ended 31st March, 2021**	**For the year ended 31st March, 2020**
Balance as at the begining of the year	**2,131.00**	**1,153.00**
Add: Transferred from Retained Earnings	1,673.00	978.00
Less: Transferred to General Reserve	-	-
Balance as at the end of the year	**3,804.00**	**2,131.00**

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29.5 Securities Premium

Securities Premium represents the premium received by the Company on issue of shares and debt securities. It is utilised in accordance with the provisions of the Companies Act, 2013.

Detail of Movement during the year:

Particulars	For the year ended 31st March, 2021	For the year ended 31st March, 2020
Balance as at the begining of the year	**2,236.54**	**2,236.54**
Add: Transferred from Retained Earnings	-	-
Less: Transferred to General Reserve	-	-
Balance as at the end of the year	**2,236.54**	**2,236.54**

29.6 Foreign Currency Monetary Item Translation Difference Account

The company had opted towards an irrevocable option for amortising the foreign exchange fluctuation loss/gain on the long term foreign currency monetary items over the balance period of such items in accordance with Para 46A of the erstwhile applicable Accounting Standard 11 'The Effects of Changes in Foreign Exchange Rates'. The Company opted to continue the policy of such amortisation as per the previous GAAP in respect of the exchange differences arising from translation of long-term foreign currency monetary items as on 31st March 2018 in line with the provisions of Ind-AS. The balance in this account represents the unamortised gain/ (loss) which will be amortised over the balance period of the eligible long term foreign currency monetary liabilities.

Detail of Movement during the year:

(₹ in Crores)

Particulars	For the year ended 31st March, 2021	For the year ended 31st March, 2020
Balance as at the begining of the year	**(1,719.38)**	**(764.82)**
Add: Foreign Currency Translation Gain/ Loss (-) on long term monetary items during the year	437.65	(1,630.51)
Less: Amortisation during the year	708.57	675.95
Balance as at the end of the year	**(573.16)**	**(1,719.38)**

29.7 General Reserve

General Reserve includes the amounts appropriated from the profits of the Company and also amounts transferred from Statutory Reserves.

Detail of Movement during the year:

(₹ in Crores)

Particulars	For the year ended 31st March, 2021	For the year ended 31st March, 2020
Balance as at the begining of the year	**6,976.23**	**5,230.54**
Add: Transferred from Retained Earnings	981.10	-
Add: Transferred from Reserve for Bad & Doubtful Debts u/s 36(1) (viia) of the Income Tax Act, 1961	1,152.55	378.41
Add: Transferred from Debenture Redemption Reserve	-	1,367.28
Add: Transferred from Impairment Reserve	793.29	-
Balance as at the end of the year	**9,903.17**	**6,976.23**

29.8 Impairment Reserve

As per the Reserve Bank of India (RBI) Guidelines, the Company is required to appropriate the difference from their net profit after tax to "Impairment Reserve" where the impairment allowance under Ind AS 109 is lower than the provisioning required under Income Recognition, Asset Classification and Provisioning (IRACP) Norms (including standard asset provisioning) issued by RBI. The Company reviews the requirement at each reporting date. In pursuance of the guidelines, an amount of ₹ 793.29 crores lying under Impairment reserve as on 31st March 2020 has been transferred to General Reserve during the current year.

CONSOLIDATED NOTES TO ACCOUNTS

Detail of Movement during the year:

(₹ in Crores)

Particulars	For the year ended 31st March, 2021	For the year ended 31st March, 2020
Balance as at the begining of the year	**793.29**	**-**
Add: Transferred from Retained Earnings	-	793.29
Less: Transferred to General Reserve	(793.29)	-
Balance as at the end of the year	**-**	**793.29**

29.9 Equity Instruments through Other Comprehensive Income (OCI)

The Group has elected to recognise changes in the fair value of certain investments in equity securities through other comprehensive income. These changes are accumulated within the OCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the related equity securities are derecognised.

Detail of Movement during the year:

(₹ in Crores)

Particulars	For the year ended 31st March, 2021	For the year ended 31st March, 2020
Balance as at the begining of the year	**106.26**	**136.88**
Add: Recognition through Other Comprehensive Income (net of taxes)	160.52	(116.81)
Add: Reclassification of gain/ (loss) on sale/ extinguishment of FVOCI equity instrument (net of taxes)	(242.71)	86.19
Balance as at the end of the year	**24.07**	**106.26**

29.10 Effective Portion of Cash Flow Hedges

The Company uses derivative instruments in pursuance of managing its foreign currency risk and interest rate risk associated on borrowings. For hedging foreign currency and interest rate risk, the Company uses foreign currency forward contracts, cross currency swaps, foreign currency option contracts and interest rate swaps. To the extent the derivative contracts designated under the hedge accounting are effective hedges, the change in fair value of the hedging instrument is recognised in 'Effective Portion of Cash Flow Hedges'. Amounts recognised in such reserve are reclassified to the Statement of Profit or Loss when the hedged item affects profit or loss.

Detail of Movement during the year:

(₹ in Crores)

Particulars	For the year ended 31st March, 2021	For the year ended 31st March, 2020
Balance as at the begining of the year	**(226.08)**	**-**
Add: Recognition through Other Comprehensive Income (net of taxes)	60.47	(226.08)
Balance as at the end of the year	**(165.61)**	**(226.08)**

29.11 Cost of Hedging Reserve

The Company designates the intrinsic value of foreign currency option contracts as hedging instruments in 'Cash Flow Hedge' relationships. The changes in fair value of the time value of an option are recognised in OCI and amortised to the Statement of Profit and Loss on a rational basis.

Detail of Movement during the year:

(₹ in Crores)

Particulars	For the year ended 31st March, 2021	For the year ended 31st March, 2020
Balance as at the begining of the year	**(204.75)**	**-**
Add: Recognition through Other Comprehensive Income (net of taxes)	246.20	(204.75)
Balance as at the end of the year	**41.45**	**(204.75)**

CONSOLIDATED NOTES TO ACCOUNTS

29.12 Detail of Movement in Capital Reserve during the year:

(₹ in Crores)

Particulars	For the year ended 31st March, 2021	For the year ended 31st March, 2020
Balance as at the begining of the year	**4.70**	**-**
Add: Gain on increase in share in EESL	-	4.70
Balance as at the end of the year	**4.70**	**4.70**

29.13 Detail of Movement in Share of Other Comprehensive Income/ (loss) of Joint Venture accounted for using equity method during the year:

(₹ in Crores)

Particulars	For the year ended 31st March, 2021	For the year ended 31st March, 2020
Balance as at the begining of the year	**(2.48)**	**1.46**
Add: Recognition through Other Comprehensive Income (net of taxes)	1.29	(3.94)
Balance as at the end of the year	**(1.19)**	**(2.48)**

29.14 Detail of Movement in Debenture Redemption Reserve during the year:

(₹ in Crores)

Particulars	For the year ended 31st March, 2021	For the year ended 31st March, 2020
Balance as at the begining of the year	**-**	**1,318.13**
Add: Transferred from Retained Earnings	-	49.15
Less: Transferred to General Reserve	-	(1,367.28)
Balance as at the end of the year	**-**	**-**

29.15 Detail of Movement in Retained Earnings during the year:

(₹ in Crores)

Particulars	For the year ended 31st March, 2021	For the year ended 31st March, 2020
Balance as at the begining of the year	**3,674.25**	**5,088.19**
Add: Profit for the year	8,378.24	4,972.27
Add: Remeasurement of Defined Benefit Plans (net of taxes)	(10.67)	(2.15)
Add: Recognition through Other Comprehensive Income (net of taxes)	(0.05)	(0.12)
Less: Transferred to General Reserve	(981.10)	-
Less: Transferred to Special Reserve created u/s 36(1) (viii) of the Income Tax Act, 1961	(2,563.13)	(1,522.32)
Less: Transferred to Reserve for Bad and doubtful debts u/s 36(1)(viia) of the Income Tax Act, 1961	(288.13)	(336.52)
Less: Transferred to Reserve Fund u/s 45-IC of Reserve Bank of India Act, 1934	(1,673.00)	(978.00)
Less: Transferred to Debenture Redemption Reserve	-	(49.15)
Less: Transferred to Impairment Reserve	-	(793.29)
Add: Reclassification of gain/ (loss) on sale/ extinguishment of FVOCI equity instrument	242.71	(86.19)
Less: Issue expenses on Perpetual Debt Instruments (net of taxes)	(0.70)	-
Less: Dividend paid during the year	(2,172.41)	(2,172.41)
Less: Dividend Distribution Tax	-	(446.06)
Balance as at the end of the year	**4,606.01**	**3,674.25**

CONSOLIDATED NOTES TO ACCOUNTS

29.16 Dividend declared/ proposed by the Company for Equity Shares of ₹ 10/- each

(₹ in Crores)

Particulars	For the year ended 31st March, 2021		For the year ended 31st March, 2020	
	Dividend per Equity Share (₹ in Crores)	Dividend Amount (₹ in Crores)	Dividend per Equity Share (₹ in Crores)	Dividend Amount (₹ in Crores)
Interim Dividend	11.00	2,172.41	11.00	2,172.41
Total Dividend	**11.00**	**2,172.41**	**11.00**	**2,172.41**

30 Interest Income

(₹ in Crores)

Particulars	Year ended 31.03.2021			Year ended 31.03.2020		
	On Financial Assets measured at Fair Value through OCI	On Financial Assets measured at Amortised Cost	On Financial Assets measured at Fair Value **through Profit or** Loss	On Financial Assets measured at Fair Value through OCI	On Financial Assets measured at Amortised Cost	On Financial Assets measured at Fair Value **through Profit or** Loss
(A) Interest on Loan Assets						
(i) Long term financing	-	34,232.84	-	-	29,245.18	-
Less: Rebate for timely payments/completion etc	-	(0.06)	-	-	(0.08)	-
Long term financing (net)	-	34,232.78	-	-	29,245.10	-
(ii) Short term financing	-	69.98	-	-	177.23	-
Sub-total (A)	-	34,302.76	-	-	29,422.33	-
(B) Interest Income from Investments						
(i) Interest from CP/ ICD	-	-	-	-	0.21	-
(ii) Interest from Govt. Securities	-	7.16	-	-	1.89	-
(iii) Interest from Long Term Investments	-	18.34	195.30	-	3.14	169.75
(iv) Interest from Short Term Investments	-	3.90	-	-	-	-
Sub-total (B)	-	29.40	195.30	-	5.24	169.75
(C) Interest on Deposits with Banks						
(i) Interest from Deposits	-	161.44	-	-	66.27	-
Sub-total (C)	-	161.44	-	-	66.27	-
(D) Other Interest Income						
(i) Interest from Staff Advances	-	3.70	-	-	4.45	-
(ii) Interest on Mobilisation Advance	-	0.56	-	-	2.39	-
(iii) Unwinding of Discount of Security Deposits	-	0.03	-	-	0.08	-
(iv) Interest from SPVs	-	0.16	-	-	1.27	-
Sub-total (D)	-	4.45	-	-	8.19	-
Total - Interest Income (A to D)	-	34,498.05	195.30	-	29,502.03	169.75

31 Dividend Income

(₹ in Crores)

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
- Dividend from Long-Term Investments	27.97	36.94
Total - Dividend Income	**27.97**	**36.94**

CONSOLIDATED NOTES TO ACCOUNTS

31.1 Details of Dividend on FVOCI Equity Investments:

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
- Investments held at the end of the year	27.63	36.94
- Investments derecognized during the year	0.34	-
Total	**27.97**	**36.94**

32 Fees and Commission Income

(₹ in Crores)

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
Fees based Income	26.57	6.68
Prepayment Premium	35.14	12.75
Fee for Implementation of Govt. Schemes	33.67	19.52
Total - Fees and Commission Income	**95.38**	**38.95**

33 Sale of services

(₹ in Crores)

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
Consultancy Engineering Services	156.98	166.80
Execution of IT Implementation projects	1.56	7.68
Income from REC - UE Village Project	5.01	7.63
Documentation fees	0.10	-
Total	**163.65**	**182.11**

34 Other Income

(₹ in Crores)

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
Fees from Training Courses	2.77	6.38
Interest from Income Tax Refund	1.00	2.85
Miscellaneous Income	18.95	64.88
Total - Other Income	**22.72**	**77.27**

35 Finance Costs

Finance Costs have been incurred on financial liabilities measured at amortised cost.

(₹ in Crores)

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
(i) Interest on Borrowings		
- Loans from Govt. of India	820.81	612.97
- Loans from Banks/ Financial Institutions	2,091.00	1,725.10
- External Commercial Borrowings	643.83	917.26
- Lease Liability	0.11	0.29
Sub-Total (i)	**3,555.75**	**3,255.62**
(ii) Interest on Debt Securities		
- Domestic Debt Securities	15,418.64	13,923.95
- Foreign Currency Debt Securities	1,183.12	854.73
- Commercial Paper	35.32	463.66
Sub-Total (ii)	**16,637.08**	**15,242.34**
(iii) Interest on Subordinated Liabilities		
- Subordinate Bonds	394.15	395.36
Sub-Total (iii)	**394.15**	**395.36**

CONSOLIDATED NOTES TO ACCOUNTS

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
(iv) Other Interest Expense		
- Swap Premium	894.62	108.83
- Interest on Income Tax	22.71	0.21
- Interest on liability towards employee benefits	2.32	4.60
- Miscellaneous interest expense	4.37	0.13
Sub-Total (iv)	**924.11**	**113.77**
Total - Finance Costs	**21,511.09**	**19,007.09**
Less: Finance Costs Capitalised	(22.04)	(15.79)
Total - Finance Costs (Net)	**21,489.05**	**18,991.30**

36 Net translation/ transaction exchange loss/ (gain)

(₹ in Crores)

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
Net translation/ transaction exchange loss/ (gain)	330.26	2,357.90
Total	**330.26**	**2,357.90**

The figures above include amortisation of net translation/ transaction exchange loss/ (gain) on Long Term Foreign Currency Monetary Items recognised in the financial statements before 1st April 2018 amounting to ₹ 708.57 crores (Previous year ₹ 675.95 crores).

36.1 The foreign currency monetary items are translated at FBIL (Financial Benchmark India Private Ltd) reference rates prevailing at the end of each reporting period or where the FBIL reference rate is not available for any currency, the closing rate for the same date quoted on Bloomberg. The respective rates as on the reporting date are as below:

Exchange Rates	USD/INR	JPY/INR	Euro/INR	SGD/INR
As at 31st March 2021	73.5047	0.6636	86.0990	54.3581
As at 31st March 2020	75.3859	0.6965	83.0496	52.8342

37 Fees and commission expense

(₹ in Crores)

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
(i) Guarantee Fee	-	13.29
(ii) Listing and Trusteeship Fee	0.78	1.51
(iii) Agency Fees	3.01	1.66
(iv) Credit Rating Expenses	3.33	3.05
(v) Other Finance Charges	2.83	5.93
Total (i to v)	**9.95**	**25.44**

38 Net Gain/ (loss) on Fair Value Changes

(₹ in Crores)

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
(A) **Net gain/ (loss) on financial instruments at Fair Value through profit or loss**		
(i) On trading Portfolio		
(ii) Others	-	-
- Changes in fair value of Derivatives	545.92	(47.72)
- Changes in fair value of Long Term Investments	2.43	6.40
- Changes in fair value of Short-term MF investments	23.98	15.47
Sub-total (ii)	572.33	(25.85)
Total (A)	572.33	(25.85)
Breakup of Fair Value Changes		
- Realised	1,077.91	(60.07)
- Unrealised	(505.58)	34.22
Total Net Gain/ (loss) on Fair Value Changes	572.33	(25.85)

Fair value changes in this schedule are other than those arising on account of accrued interest income/ expense and represents changes in fair value of derivatives designated as economic hedges not designated under hedge accounting and ineffective hedge

CONSOLIDATED NOTES TO ACCOUNTS

39 Impairment on financial instruments

(₹ in Crores)

Particulars	Year ended 31.03.2021		Year ended 31.03.2020	
	On financial instruments measured at FVOCI	On financial instruments measured at Amortised Cost	On financial instruments measured at FVOCI	On financial instruments measured at Amortised Cost
(i) - Loans *	-	2,363.33	-	884.91
(ii) - Others	-	82.61	-	34.58
Total (i+ii)	**-**	**2,445.94**	**-**	**919.49**

** includes ₹ 0.71 crores (Previous year ₹ 8.38 crores) towards impairment allowance on Letters of Comfort.*

40 Cost of services rendered

(₹ in Crores)

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
Project Expenses	88.51	71.61
Total	**88.51**	**71.61**

41 Employee Benefits Expense

(₹ in Crores)

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
- Salaries and Allowances	119.67	145.83
- Contribution to Provident Fund and Other Funds	13.96	15.49
- Expenses towards Post Employment Benefits	4.87	5.07
- Rent towards Residential Accomodation for Employees	2.19	1.58
- Staff Welfare Expenses	22.93	25.18
Total	**163.62**	**193.15**

42 Depreciation and amortization

(₹ in Crores)

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
- Depreciation on Property, Plant & Equipment	8.12	8.48
- Amortization on Intangible Assets	2.74	3.29
Total	**10.86**	**11.77**

43 Corporate Social Responsibility Expenses

(₹ in Crores)

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
- Direct Expenditure	141.73	254.53
- Overheads	4.54	4.76
Total	**146.27**	**259.29**

43.1 Ministry of Corporate Affairs (MCA) has notified the Companies (Amendment) Act 2019 and Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 which require that any unspent CSR amount, other than for any ongoing project, must be transferred to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year. In case such unspent amount pertains to any ongoing project, it must be transferred to unspent CSR Account by 30th April of the next year. However, if such amount is not utilised within three financial years, it is required to be transferred to a Fund specified in Schedule VII, within a period of thirty days from the date of completion of the third financial year. The Company also carries the right to set-off any amount spent in excess of the requirement under the Act within three succeeding financial years against the amount to be spent.

CONSOLIDATED NOTES TO ACCOUNTS

During the year, Group has approved ₹ 146.27 crore as budget for CSR as per Section 135(5) of the Companies Act, against which has spent ₹ 150.31 crore towards CSR activities during the year. The excess amount of ₹ 4.04 crore spent during the year shall be carried forward and set off for next three succeeding financial years.

43.2 Details of Gross Amount required to be spent by the Group:

(a) Amount approved to be spent during the year is ₹ 146.27 crores

(b) Amount required to be spent on CSR activities as per Section 135 (5) of the Companies Act, 2013:

(₹ in Crores)

Particulars	Year ended 31.03.2021
Opening Balance	**-**
Amount required to be spent during the year	146.27
Amount spent during the year	150.31
Closing Balance*	**(4.04)**

** eligible to be set-off in the next three succeeding financial years*

Since the provisions of the Companies (Amendment) Act 2019 and Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 requiring specific treatment of unspent funds has been made applicable from the current year, the comparatives figures have not been provided.

43.3 Amount spent during the year (₹ in Crores) :

(₹ in Crores)

Particulars		Year ended 31.03.2021			Year ended 31.03.2020		
		In Cash	Yet to be paid	Total	In Cash	Yet to be paid	Total
(i)	Construction/ acquisition of any asset	-	-	-	-	-	-
(ii)	On purpose other than (i) above						
	Health/Sanitation / Waste Management / Drinking water	28.48	-	28.48	55.38	-	55.38
	Education/ Vocational/ Skill Development	18.20	-	18.20	41.63	-	41.63
	Environmental Sustainability (Solar Applications/ Afforestation/ Energy efficient LED lighting)	18.01	-	18.01	32.21	-	32.21
	Sports	-	-	-	0.02	-	0.02
	Contribution to PM CARES Fund	50.04	-	50.04	100.00	-	100.00
	Provision of food/ration to migrant workers due to COVID-19 and Providing Cold Chain equipment for COVID-19 vaccination	7.75	-	7.75	1.59	-	1.59
	Others	23.29	-	23.29	23.70	-	23.70
	Administrative overheads including training, impact assessment etc.	4.54	-	4.54	4.76	-	4.76
	Total (ii)	**150.31**	**-**	**150.31**	**259.29**	**-**	**259.29**

In support of the fight against the Covid-19 pandemic, the Group committed a total contribution of ₹ 150.04 crores to the Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund), of which ₹ 100 crores was contributed during the year 2019-20 and ₹ 50.04 crores contributed during the year 2020-21. Further, during the year, the Group has spent ₹ 7.03 crores for providing food, ration, sanitizers, masks, PPE kits etc. to migrant workers, poor people and health workers and ₹ 0.72 crores for providing Cold Chain Equipment to store COVID-19 vaccine in West Bengal, Nagaland and Dadra & Nagar Haveli. To express the solidarity with the Nation's fight against the pandemic outbreak, the employees of the Company also contributed a day's salary to PM CARES Fund in April 2020.

CONSOLIDATED NOTES TO ACCOUNTS

44 Other Expenses

(₹ in Crores)

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
- Travelling and Conveyance	9.56	15.80
- Publicity & Promotion Expenses	5.86	6.03
- Repairs and Maintenance	12.61	12.38
- Rent, taxes and energy costs	16.87	15.12
- Insurance Charges	0.10	0.13
- Communication costs	2.35	3.42
- Printing & stationery	0.99	2.92
- Director's sitting fees	0.10	0.19
- Auditors' fees and expenses	1.52	1.62
- Legal & Professional Charges	11.28	12.21
- Net Loss on Disposal of Property, Plant & Equipment	4.03	1.69
- Monitoring Expenses	17.20	12.49
- Miscellaneous Expenses	26.91	46.41
Total	**109.38**	**130.41**

44.1 Disclosure in respect of Auditors' fees and expenses

(₹ in Crores)

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
Fees paid to statutory auditors :		
- as auditor	0.74	0.50
- for taxation matters *	0.26	0.13
- for company law matters (includes limited review fees)	0.26	0.35
- for other services		
(i) Certification of MTN Offer Document/Comfort Letter	0.10	0.40
(ii) For Certifications	0.04	0.06
- for reimbursement of expenses	-	0.04
Sub-total	**1.40**	**1.48**
Non-recoverable tax credit in respect of fees paid to auditors	**0.12**	**0.14**
Total - Auditor's fees and expenses	**1.52**	**1.62**

** includes ₹ 0.12 crores (Previous year Nil) of fees for taxation matters pertaining to earlier years.*

45 Tax Expense

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
- Current tax expense	2,698.02	1,579.79
- Current tax expense/ (benefit) pertaining to earlier years	222.95	65.27
Sub-total - Current Tax	**2,920.97**	**1,645.06**
- Deferred tax expense/ (credit)	(519.62)	412.65
Total	**2,401.35**	**2,057.71**

45.1 During the year, the company has opted for settlement of eligible Income Tax disputes pertaining to the period from AY 1997-98 to AY 2017-18 as per the scheme introduced by Government of India vide The Direct Tax Vivad Se Vishwas Act 2020. Accordingly, an amount of ₹ 208.30 crores has been paid and accounted for as current tax expenses for the FY 2020-21.

CONSOLIDATED NOTES TO ACCOUNTS

45.2 Reconciliation of Effective Tax Rate

The reconciliation of estimated income tax expense at statutory income tax rate to income tax expense reported in statement of profit and loss is as follows:

(₹ in Crores)

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
Profit before Tax	**10,779.59**	**7,029.98**
Statutory income tax rate	**25.168%**	**25.168%**
Expected income tax expense	**2,713.01**	**1,769.31**
Tax effect of income tax adjustments:		
Benefit of deduction u/s 36(1)(viii) of Income Tax Act 1961	(645.09)	(383.14)
Non-allowability of CSR expenses & other adjustments	112.70	20.68
Other non-deductible tax expenses	6.16	1.94
Non Taxable Income	(8.57)	(11.28)
Tax Expense Earlier Years	222.95	65.27
Impact of change in tax rates	-	661.54
Impact of provisional expenditure for earlier year	-	(1.22)
Tax impact on undistributed profits of subsidiaries and Joint Ventures	-	(63.83)
Tax effect on JV profit accounted for using equity method	0.50	(1.56)
Tax effect of intra group revenue reversals	(0.31)	-
Tax expense	**2,401.35**	**2,057.71**

46 Earnings per Share

(₹ in Crores)

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
Numerator		
Profit for the year from continuing operations as per Statement of Profit and Loss (₹ in Crores)	8,378.24	4,972.27
Profit for the year from continuing and discontinued operations as per Statement of Profit and Loss (₹ in Crores)	8,378.24	4,972.27
Denominator		
Weighted average Number of equity shares	1,974,918,000	1,974,918,000
Basic & Diluted Earnings per Share (in ₹ for an equity share of ₹ 10 each) (for continuing operations)	42.42	25.18
Basic & Diluted Earnings per Share (in ₹ for an equity share of ₹ 10 each) (for continuing and discontinued operations)	42.42	25.18

47 Contingent Liabilities and Commitments :

47.1 Contingent Liabilities not provided for in respect of:

Particulars		As at 31-03-2021	As at 31-03-2020
(A)	**Claims against the Company not acknowledged as debts**	29.67	0.22
(B)	**Taxation Demands**		
	- Demands raised by the Income Tax Department	25.41	113.99
	- Demands against appeals filed by the Income Tax Department against the relief allowed to the Company	0.30	38.30
	- Demands raised in respect of Service Tax	-	-
(C)	**Other**		
	- Bank Guarantees	38.49	30.78

The amount referred to in 'A' above are in respect of cases pending in various courts and is dependent upon the verdict of the court.

CONSOLIDATED NOTES TO ACCOUNTS

The amount referred to in 'B' above are against various demands raised by the Income Tax Department/ GST Department including the cases pending in Delhi High Court. The company is contesting these tax demands and the management believes that its position will likely be upheld in the appellate process. Further, the ultimate outcome of these proceedings will not have a material adverse effect on the Company's financial position and results of operations.

47.2 Commitments not provided for in respect of:

Particulars	As at 31-03-2021	As at 31-03-2020
- Contracts remaining to be executed on capital account		
- Towards Property, Plant & Equipment	225.95	315.07
- Towards Intangible Assets	0.16	-
- Other Commitments		
- CSR Commitments	**260.85**	**291.44**

48. Details of Registration/ License/ authorisation obtained from financial sector regulators:

Particulars		Regulator Name	Registration Details
(i)	Corporate Identification Number	Ministry of Corporate Affairs	L40101DL1969GOI005095
(ii)	Registration Number	Reserve Bank of India	14.000011
(iii)	Legal Entity Identifier (LEI) Code	Global Legal Entity Identifier Foundation (GLEIF)	335800B4YRYWAMIJZ374

49 Implementation of Govt. Schemes

49.1 Pradhan Mantri Sahaj Bijli Har Ghar Yojana (SAUBHAGYA)

Government of India has launched a scheme "Pradhan Mantri Sahaj Bijli Har Ghar Yojana" - Saubhagya to achieve universal household electrification in the country. The scheme envisages to provide last mile connectivity and electricity connections to all remaining un-electrified households in rural areas and poor households in urban areas. The capital outlay of Saubhagya Scheme is ₹ 16,320 Crore including Gross Budgetary Support of ₹ 12,320 Crore during the entire implementation period. Ministry of Power designated REC as the Nodal agency for operationalization of Saubhagya Scheme.

49.2 Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY)

Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) is the flagship scheme of Government of India covering all aspects of rural power distribution. Under the scheme 60% of the project cost (85% for special States) is provided as grant by Government of India and additional grant upto 15% (5% for special States) on achievement of prescribed milestones. DDUGJY facilitates towards achievement of '24x7 Power for All' in the country through the following project components:

(i) Separation of agriculture and non-agriculture feeders facilitating adequate power supply to agriculture & continuous power supply to non-agricultural consumers in the rural areas;

(ii) Strengthening and augmentation of sub-transmission & distribution infrastructure in rural areas, including metering of distribution transformers/ feeders/ consumers;

(iii) Micro-grid and Off-grid distribution network;

(iv) Rural Electrification component under the RGGVY 12th and 13th plans, subsumed to DDUGJY.

The components at (i) and (ii) of the above scheme will have an estimated outlay of ₹ 43,033 Crore including budgetary support of ₹ 33,453 Crore from Government of India during the entire implementation period. The scheme of RGGVY as approved by CCEA for continuation in 12th and 13th plan have been subsumed in this scheme as a separate Rural Electrification (RE) component.

49.3 National Electricity Fund (NEF)

The National Electricity Fund (NEF), an interest subsidy scheme, has become operational since FY 2012-13. The scheme has been introduced by the Government of India to promote capital investment in the distribution sector. The scheme provides interest subsidy linked with reform measures, on the loans taken by public and private distribution power utilities for various capital works in the Distribution sector. NEF would provide interest subsidy aggregating up to ₹ 8,466 Crore (including interest subsidy to the borrowers, Service Charges to the Nodal Agency, payments to Independent Evaluators and other incidental expenses) spread over 14 years for loan disbursement against projects approved during 2012-13 and 2013-14. REC has been nominated as the Nodal Agency for operationalization of NEF scheme across the country.

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49.4 J&K Prime Minister's Development Plan (PMDP)

of Jammu & Kashmir, Power Development Department has appointed RECPDCL as a Project Implementing Agency (PIA) for design, engineering, procurement, supply, erection, testing and commsioning of all the material and services works to be taken-up for execution of transmission projects under PMDP in J&K state and Ladakh on nomination basis, as per actual cost to be discovered through competitive biddings.

49.5 11 kV Feeder Monitoring Scheme

Ministry of Power has appointed RECPDCL to implement 11 kV Feeder Monitoring Scheme. The scheme is to develop a Self-sustained independent web based system for automated 11 kV Rural Feeder Monitoring System through Data Logging of various essential parameters of all the Outgoing 11kV rural feeders from 66, 33/11 kV sub stations and make the information available online for various stake holders including public portal, on real time basis for power supply monitoring, alerts, meter data analysis, information dissemination and energy audit.

50 Capital management

The Company manages its capital to ensure that it will continue as going concern while maximizing the return to stakeholders. The capital structure of the Company consists of the equity and the long-term borrowings made by the Company.

Management assesses the Company's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. The Company manages the capital structure and raises funds through the suitable instruments, in light of the dynamic business environment and liquidity position within the sector. Further, with regard to capital restructuring, the Company is also guided, inter alia, by guidelines on "Capital Restructuring of Central Public Sector Enterprises" issued by Department of Investment and Public Asset Management (DIPAM), Ministry of Finance, Department of Public Enterprises in respect of issue of bonus shares, dividend distribution, buy back of equity shares etc. The Company has complied with all externally imposed capital requirements.

The debt-equity ratio of the Group is as below:

(₹ in Crores)

Particulars	As at 31-03-2021	As at 31-03-2020
Net debt	321,274.39	280,065.46
Net Worth	43,763.93	35,396.43
Debt-equity ratio	**7.34**	**7.91**

Net debt represents principal outstanding less cash and cash equivalents available.

Dividend Distribution Policy

BoD monitors the dividend pay-out to the shareholders of the Company. Dividend distribution policy of the Company focuses on various factors including but not limited to the present & future capital requirements, profits earned during the financial year, Capital to Risk-weighted Assets Ratio (CRAR), cost of raising funds from alternate sources, cash flow position and applicable taxes including tax on dividend, subject to the guidelines as applicable from time to time, cash flow position and net worth of the Company, subject to the guidelines as applicable from time to time.

As per the extant guidelines issued by DIPAM, Govt. of India, Company is required to pay a minimum annual dividend of 30% of PAT or 5% of the net-worth, whichever is higher. Though the Company endeavors to declare the dividend as per these guidelines, the Company may propose lower dividend after analysis of various financial parameters, cash flow position and funds required for future growth.

The Company has also adopted various policies for the management of the Company which inter-alia include Comprehensive Risk Management Policy, Whistle Blower Policy, Code for Prevention of Insider Trading in REC Equity Shares/Securities, Policy for prevention of Fraud, The Code of Business Conduct and Ethics for Board Members and Senior Management, Fair Practices Code, etc.

50.1 Capital to Risk-weighted Assets Ratio

The Company is complying with the Capital Adequacy requirements as prescribed by the Reserve Bank of India. Being an NBFC and Infrastructure Finance Company (NBFC-IFC), REC is required to maintain a Capital to Risk Weighted Assets Ratio (CRAR) of 15% (with a minimum Tier I Capital of 10%).

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redit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's exposure to credit risk is influenced mainly by cash and cash equivalents, other bank balances, investments, loan assets, trade receivables and other financial assets. The Group continuously monitors defaults of customers and other counterparties and incorporates this information into its credit risk controls.

(₹ in Crores)

Particulars		As at 31-03-2021	As at 31-03-2020
(i)	CRAR	19.72%	16.06%
(ii)	CRAR - Tier I Capital	16.31%	13.17%
(iii)	CRAR - Tier II Capital	3.41%	2.89%

The amount of Perpetual Debt Instrument of the Tier-I capital is 1.44% (previous year nil)

Details of Tier II capital and perpetual debt instruments raised during the year are as under:

(₹ in Crores)

Particulars	Year ended 31-03-2021	Year ended 31-03-2020
Amount of subordinated debt raised as Tier-II capital	1,999.50	-
Amount raised by issue of Perpetual Debt Instruments	558.40	-

52 Financial Risk Management

The Company's board of directors has overall responsibility for the establishment and oversight of the Company risk management framework. The Company has formulated a comprehensive Risk Management Policy, which covers, inter-alia, Credit Risk, Operational Risk and Market Risk of the organization. The Company's risk management policies are guided by well-defined policies appropriate for various risk categories, independent risk oversight and periodic monitoring. A Risk Management Committee (RMC) has also been constituted under the chairmanship of an Independent Director, whose main function is to identify and monitor various risks of the organization and to suggest actions for mitigation of the same.

This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the related impact in the financial statements.

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, loans, financial assets measured at amortised cost, investment in G-Sec, State development loans and debt securities	Ageing analysis	Bank deposits, liquid funds, diversification of asset base, credit limits and collateral.
Liquidity risk	Borrowings, debt securities, subordinated liabilities, and other financial liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities
Market risk - Currency risk	Recognised financial assets and liabilities not denominated in Indian Rupee (INR)	Cash flow forecasting	Derivative contracts
Market risk - interest rate risk	Borrowings, debt securities and subordinated liabilities at variable interest rates	Sensitivity analysis	Derivative contracts
Market risk - equity price risk	Investments in quoted equity securities	Sensitivity analysis	Diversification of portfolio, with focus on strategic investments

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

For managing these risks, the Company has put in place an integrated enterprise-wide risk management mechanism to ensure that these risks are monitored carefully and managed efficiently. Pursuant to RBI notification DNBR (PD) CC.NO/.099/03.10.001/2018-19, to augment risk management practices in the Company, the Board has also appointed a Chief Risk Officer (CRO) who is involved in the process of identification, measurement and mitigation of risks. The risk management approach i.e. Company's objectives, policies and processes for measuring and managing each of above risk is set out in the subsequent paragraphs.

52.1 Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's exposure to credit risk is influenced mainly by cash and cash equivalents, other bank balances, investments, loan assets, trade receivables and other financial assets. The Company continuously monitors defaults of customers and other counterparties and incorporates this information into its credit risk controls.

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52.1.1 Financial assets that expose the entity to credit risk

Particulars		As at 31-03-2021	As at 31-03-2020
(i)	**Low credit risk on financial reporting date**		
	Cash and cash equivalents	1,179.24	1,717.71
	Bank balances other than cash and cash equivalents	2,223.58	2,257.45
	Loans *	358,891.11	299,697.53
	Trade Receivables	124.45	86.27
	Investments **	1,269.95	1,601.06
	Other financial assets	24,419.88	22,101.32
(ii)	**Moderate credit risk**		
	Loans *	2,888.05	2,431.27
	Trade Receivables	55.32	52.01
(iii)	**High credit risk**		
	Loans *	18,256.93	21,255.55
	Trade Receivables	46.80	33.60
	Other financial assets	88.53	30.85

** Represents the principal outstanding (along with undisbursed amount towards Letters of Comfort) without deduction for expected credit losses*

*** This does not include investments in equity instruments and venture capital funds as they are carried at FVOCI or FVTPL.*

Cash and Cash Equivalents and Bank Deposits

Credit risk related to cash and cash equivalents and bank deposits is managed by parking funds in investment grade rated instruments and highly rated banks and also diversifying the deposit base by investing in different instruments/ banks across the country.

Loans

Credit risk related to borrowers are mitigated through adequate security arrangements for the loans by way of hypothecation of future project loan assets, receivables, inventories or any other assets, Govt. Guarantees, Corporate guarantees etc. and additionally Collaterals wherever required. The Company closely monitors the credit-worthiness of the promoters through well-defined entity appraisal guidelines that are configured from systematic institutional and project appraisal process analysis to assess the credit risk and define credit limits of borrower, thereby, limiting the credit risk to pre-calculated amounts. These processes include a detailed appraisal methodology, identification of risks and suitable structuring and credit risk mitigation measures in form of pre-disbursement conditions.

Trade Receivables

Credit risk related to Trade Receivables is mitigated by assessing the credit worthiness of debtors and is managed by monitoring the recoverability of such amounts continuously.

Other Financial Assets measured at Amortized Cost

Other financial assets measured at amortized cost includes loans and advances to employees and subsidiaries, security deposits and other amounts recoverable, including from Govt. of India. Credit risk related to these other financial assets is managed by monitoring the recoverability of such amounts continuously.

Investment in G-Sec, State Development loans and Debt Securities

Credit risk related to investment is managed by investment in Govt. Securities, State Development Loans and investment in PSU Bonds with sound financial health and also diversifying the investment portfolio in different maturity/sector and monitoring the financial health on regular basis.

52.1.2 Expected Credit Losses (ECL) for financial assets other than loans and trade receivables

Company provides for expected credit losses on financial assets other than loans by assessing individual financial instruments for expectation of any credit losses:

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- For cash and cash equivalents and bank balances (other than cash and cash equivalents) - Since the Company deals with only high-rated banks and financial institutions for banking operations and the liquid funds category in the debt funds with consistent track record for short term investment of surplus funds, credit risk in respect of cash and cash equivalents, other bank balances and bank deposits is evaluated as very low.

- For investments - Considering that the investments are in debt securities including Governemnet Securities/ minimum investment grade rated Government Companies, credit risk is considered low.

- For other financial assets - Credit risk is evaluated based on Company's knowledge of the credit worthiness of those parties and loss allowance is measured for 12 month expected credit losses upon initial recognition and provide for lifetime expected credit losses upon significant increase in credit risk.

Details of expected credit loss for financial assets other than loans and trade receivables is disclosed as follows:

(₹ in Crores)

Particulars	As at 31-03-2021			As at 31-03-2020		
	Gross Carrying Amount	ECL	Net Carrying amount	Gross Carrying Amount	ECL	Net Carrying amount
Cash and cash equivalents	1,179.24	-	1,179.24	1,717.71	-	1,717.71
Bank balances (other than cash and cash equivalents)	2,223.58	-	2,223.58	2,257.45	-	2,257.45
Investments	1,269.95	-	1,269.95	1,601.06	-	1,601.06
Other financial assets *	24,508.41	88.53	24,419.88	22,132.17	30.85	22,101.32

** The impairment allowance has been provided in full on 'Other financial assets' considered as credit-impaired.*

52.1.3 Expected Credit Loss for loans

For risk management reporting purposes, the Company considers and consolidates following elements of credit risk:

Credit default risk: The risk of loss arising from a debtor being unlikely to pay its loan obligations in full or the debtor is more than 90 days past due on any material credit obligation; default risk may impact all credit-sensitive transactions, including loans and securities.

Concentration risk: The risk associated with any single exposure or group of exposures with the potential to produce large enough losses to threaten Company's core operations.

(A) Credit Risk Management

The credit risk is managed at different levels including at appraisal, disbursements and post disbursement monitoring. The Company has "Integrated Rating Guidelines" and "Comprehensive Risk Management Policy". To mitigate credit risk, the company follows systematic institutional and project appraisal process to assess the credit risk. These processes include a detailed appraisal methodology, identification of risks and suitable structuring and credit risk mitigation measures. Further, on regular basis the projects risk are reviewed and categorized as High/Moderate/Low based on different risk parameters and exposure of the project as per Project Risk Categorization Frameworks. The process for Credit Risk Management are as under:

(i) The Company has "Integrated Rating Guidelines" covering credit assessment, risk grading, collateral requirements, reporting, monitoring of end utilisation of funds etc. Further, independent Lender legal counsels are appointed to ensure effective documentation and mitigation of legal risk

(ii) For all existing private sector projects, where the Company is Lead Financial Institution, the Company engages Lender's Independent Engineers (LIE), Lender's Financial Advisors (LFA) and Lender's Insurance Advisors (LIA), which are independent agencies who act on behalf of various lenders and consortium members. LIE conducts periodic site visits and submits reports on progress status of the project, after discussion with borrower and inspection/ review of relevant documents. LFA submit the statements of fund flow and utilization of funds in the project periodically. In cases where the Company is not the lead Financial Institution, the tasks related to LIE and LFA services are being coordinated with the lead lender.

The Company also endeavors to appoint a separate Project Management Agency (PMA) for new projects being financed, which subsumes the entire works of LIE /Project Management Consultant (PMC), LFA and LIA for better coordination among the agencies. PMA is stationed at project site to closely monitor various day to day project execution activities including

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monitoring of project progress, review of EPC/non-EPC contracts & invoices, fund utilization and insurance for the project. PMA also verifies the bills of original equipment manufacturer/ supplier, composite works contractor and give its recommendation for disbursement. Initial due diligence is also be performed by PMA taking the sanctity of technical and financial parameters including original project cost & COD.

Concurrent Auditors/Agencies for Specialized monitoring/Cash Flow monitoring agencies are being appointed by REC/Lenders on case to case basis for effective monitoring of Trust & Retention Account (TRA) for stressed projects.

(iii) The Company has an authorisation structure for the approval and renewal of credit facilities. Authorisation limits have been established commensurating with the size of business proposal at CMD/Executive Committee/Loan Committee/Board of Directors based on the recommendation of Screening Committee, as appropriate.

(iv) The Company has developed risk grading structure to categorise its exposures according to the degree of risk of default by charging appropriate interest rates and security package.

(v) Regular reports on the credit quality of loan portfolios are provided to Risk Management Committee and Board, which may require appropriate corrective action to be taken.

(vi) External agencies are appointed from time to time to review the guidelines, policy and existing practices being followed by business units along with providing the specialist skills to promote best practice throughout the Company for management of credit risk.

(vii) Individual and Group Credit Exposures are assessed against designated limits, before facilities are committed to borrowers by the business unit concerned. Sanction of additional facilities are also subject to the same review process.

(viii) The Company continuously monitors delays and/ or default of borrowers & other counterparties and their recoverability. On occurrence of default in the borrower's account, the Company initiates necessary steps to cure the default which may involve action(s) including, but not limited to, Special Mention Account (SMA) reporting to RBI, credit information reporting to Central Repository of Information on Large Credits (CRILC), etc., monitoring of the TRA account, conversion of loan into equity as per loan agreement, restructuring of loan account, formulating resolution plan with the borrower, change in ownership, Corporate Insolvency Resolution Process (CIRP), sale of the exposures to other entities/ investors and other recovery mechanisms including invocation of guarantees/ securities to recover the dues.

(B) Credit risk Measurement

The impairment loss allowance on loan assets is provided as per Ind AS 109 in accordance with a board-approved policy, which measures the credit risk on the basis of key financial and operational parameters to assess improvement/ deterioration in credit quality. Management overlays to the model output, if any, are duly documented and approved by the Audit Committee. The evaluation of Expected Credit Loss (ECL) is undertaken by an independent agency, ICRA Analytics Limited (formerly ICRA Online Limited).

The Company has an internal system of grading for State Governments, Public Sector Undertakings and State Power Utilities. However, for Distribution Companies (DISCOMs), the Company adopts the ratings by the Ministry of Power as and when they are updated. These ratings are mapped with external rating grades published by various credit rating agencies as part of rating transition matrix. For private borrowers, the Company uses the external rating as published by various credit rating agencies, or proxy risk score in case such rating is not available. The proxy risk score model considers following parameters :

Quantitative factors

Debt/ EBITDA (30% weightage)

Return on Capital Employed (15% weightage)

Interest Coverage (25% weightage)

Gearing (Debt/Equity) (30% weightage)

Qualitative Factors

Quarter wise Operational Parameters like PPA, PLF, ACS – ARR Gap, and LAF

Actual Default dates

Status of the Project

(C) Measurement of Expected Credit Loss (ECL)

Ind AS 109 outlines a "three stage" model for impairment based on changes in credit quality since initial recognition as summarised below:

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- A financial instrument that is not credit impaired on initial recognition and whose credit risk has not increased significantly since initial recognition is classified as “Stage 1”.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to “Stage 2” but is not yet deemed to be credit impaired.
- If a financial instrument is credit impaired, it is moved to “Stage 3”.
- Financial instrument in Stage 1 have their ECL measured at an amount equal to expected credit loss that results from default events possible within the next 12 months. Instruments in Stage 2 or Stage 3 criteria have their ECL measured on lifetime basis.

(D) Significant Increase in Credit Risk (SICR)

The Company considers a financial instrument to have experienced a significant increase in credit risk when on any financial instrument if the payment is more than 30 days past due on its contractual payments.

(E) Definition of default and credit-impaired assets

The Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when the loan account is more than 90 days past due on its contractual payments or or any such period allowed by the company in line with circular issued by the Reserve Bank of India.

(F) Measuring ECL - explanation of inputs, assumptions and estimation techniques

Expected credit losses are the product of the probability of default (PD), exposure at default (EAD) and loss given default (LGD), defined as follows:

- PD represents the likelihood of the borrower defaulting on its obligation either over next 12 months or over the remaining lifetime of the instrument.
- ‘EAD represents the amounts, including the principal outstanding, interest accrued and outstanding Letters of Comfort that the Company expects to be owed at the time of default.
- LGD represents the Company’s expectation of loss given that a default occurs. LGD is expressed in percentage and it shows the proportion of the amount that will actually be lost post recoveries in case of a default.

Determination of Probability of Default (PD)

The Company has analysed the available average annual rating transition matrices published by Credit Rating Agencies to arrive at annual transition matrix based PD. This annual transition matrix PD was extrapolated to arrive at the lifetime probability of default of various rating grades by loan tenure / maturity profile i.e. lifetime PD.

Loss Given Default (LGD) computation model

Based on the historical trend, research and industry benchmarking the Company has constructed a LGD model. Factors reviewed in the LGD model include Project cost per unit, PPA status, FSA status etc. Based on internal research the company has benchmarked these factors for Thermal, Renewable in Private Sector. In case of Private sector borrowers, the realizable value of the assets were arrived at using suitable assumptions, including valuation on outcome of the resolution process etc., to arrive at LGD. For State Government and Public sector projects, the Company has factored in the state support and assumed that the State/Central governments would step in to repay debt obligations of the state utilities as witnessed in the past.

(G) Alignment of LGD in case of Stage 3 Assets

Stage-3 assets where REC and PFC (Group Companies) are in Consortium for Stage-III Loan accounts, LGD is taken on the following basis:

(a) In cases where either REC or PFC is lead lender, LGD % calculated by the lead lender is adopted.

(b) In cases where neither REC nor PFC is lead lender, higher of the LGD% worked out by REC and PFC is adopted.

(H) Key assumptions used in measurement of ECL

(i) The Company considers the date of initial recognition as the base date from which significant increase in credit risk is determined.

(ii) EAD represents the amounts, including the principal outstanding, interest accrued and outstanding Letters of Comfort that the Company expects to be owed at the time of default.

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(I) Credit Risk Exposure

Credit Risk Exposure in respect of the borrowers with different credit ratings is as under

(₹ in Crores)

External/Mapped credit rating	As at 31-03-2021				As at 31-03-2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
AAA	27,188.09	-	-	27,188.09	37,832.86	-	-	37,832.86
AA	95,722.23	-	-	95,722.23	82,131.73	-	-	82,131.73
A	92,972.07	1,421.82	-	94,393.89	71,840.30	-	-	71,840.30
BBB	29,817.62	-	-	29,817.62	28,629.56	-	-	28,629.56
BB	61,131.32	-	-	61,131.32	60,555.15	36.22	-	60,591.37
B	17,049.99	69.68	-	17,119.67	9,876.29	23.37	-	9,899.66
C	28,532.47	-	-	28,532.47	2,215.02	29.68	-	2,244.70
D	1,874.55	1,396.55	18,256.93	21,528.03	-	2,342.00	21,255.55	23,597.55
Government Loan	4,602.77	-	-	4,602.77	6,616.62	-	-	6,616.62
Gross Exposure	**358,891.11**	**2,888.05**	**18,256.93**	**380,036.09**	**299,697.53**	**2,431.27**	**21,255.55**	**323,384.35**
Loss allowance	1,282.46	141.43	11,791.31	13,215.20	488.46	963.83	10,552.13	12,004.42
Net Exposure	**357,608.65**	**2,746.62**	**6,465.62**	**366,820.89**	**299,209.07**	**1,467.44**	**10,703.42**	**311,379.93**

(J) Collateral and other credit enhancements

The Company employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds disbursed. The Company has internal policies on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgage of Immovable properties
- Hypothecation of Moveable property
- Assignment of project contract documents
- Pledge of instruments through which promoters' contribution is infused in the project
- Pledge of Promoter Shareholding
- Corporate and personal Guarantee of Promoters

(K) Loss allowance

The loss allowance recognized in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period

The following tables explain the changes in the loan assets (including undisbursed Letters of Comfort) and the corresponding ECL allowance between the beginning and the end of the reporting period:

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(₹ in Crores)

For the Year ended 31st March 2021	Stage 1		Stage 2		Stage 3		Total	
	Gross Amount	12 months ECL	Gross Amount	Lifetime ECL	Gross Amount	Lifetime ECL	Gross Amount	ECL
Opening Balance	**299,697.53**	**488.46**	**2,431.27**	**963.83**	**21,255.55**	**10,552.13**	**323,384.35**	**12,004.42**
Transfer to 12 months ECL	2,509.24	353.78	(53.05)	(1.82)	(2,456.18)	(351.96)	0.01	-
Transfer to life time ECL not credit impaired	(1,609.07)	(1.90)	1,609.07	1.90	-	-	-	-
Transfer to Lifetime ECL credit impaired	-	-	(36.22)	(0.38)	36.22	0.38	-	-
Additional provision due to changes in PD/ LGD	-	123.92	-	178.15	-	2,037.68	-	2,339.75
New Financial assets originated or purchased (including further disbursements in existing assets)	94,564.60	414.89	264.00	0.47	2.00	0.20	94,830.60	415.56
Financial Assets that have been derecognised (including recoveries in existing assets)	(36,271.19)	(96.69)	(421.58)	(95.28)	(333.56)	(200.02)	(37,026.33)	(391.99)
Write offs	-	-	(905.44)	(905.44)	(247.10)	(247.10)	(1,152.54)	(1,152.54)
Closing Balance	**358,891.11**	**1,282.46**	**2,888.05**	**141.43**	**18,256.93**	**11,791.31**	**380,036.09**	**13,215.20**

(₹ in Crores)

For the Year ended 31st March 2020	Stage 1		Stage 2		Stage 3		Total	
	Gross Amount	12 months ECL	Gross Amount	Lifetime ECL	Gross Amount	Lifetime ECL	Gross Amount	ECL
Opening Balance	**256,448.63**	**525.25**	**4,412.61**	**1,273.73**	**20,348.44**	**9,698.95**	**281,209.68**	**11,497.93**
Transfer to 12 months ECL	1,557.46	107.88	(1,549.63)	(105.92)	(7.83)	(1.96)	(0.00)	(0.00)
Transfer to life time ECL not credit impaired	(25.11)	(1.64)	92.99	18.61	(67.89)	(16.97)	(0.01)	-
Transfer to Lifetime ECL credit impaired	(1,476.62)	(12.99)	(560.99)	(225.13)	2,037.61	238.12	-	-
Additional provision due to changes in PD/ LGD	-	(238.36)	-	(13.90)	-	1,108.09	-	855.83
New Financial assets originated or purchased (including further disbursements in existing assets)	76,579.12	142.28	47.51	16.66	-	-	76,626.63	158.94
Financial Assets that have been derecognised (including recoveries in existing assets)	(33,385.95)	(33.96)	(11.22)	(0.22)	(676.37)	(95.69)	(34,073.54)	(129.87)
Write offs	-	-	-	-	(378.41)	(378.41)	(378.41)	(378.41)
Closing Balance	**299,697.53**	**488.46**	**2,431.27**	**963.83**	**21,255.55**	**10,552.13**	**323,384.35**	**12,004.42**

CONSOLIDATED NOTES TO ACCOUNTS

(L) Details of Stage wise Exposure and Impairment Loss Allowance:

(₹ in Crores)

Particulars	As at 31-03-2021				As at 31-03-2020			
	Stage I	Stage II	Stage III	Total	Stage I	Stage II	Stage III	Total
Total Exposure	358,891.11	2,888.05	18,256.93	380,036.09	299,697.53	2,431.27	21,255.55	323,384.35
Impairment Allowance	1,282.46	141.43	11,791.31	13,215.20	488.46	963.83	10,552.13	12,004.42
ECL %	0.36%	4.90%	64.59%	3.48%	0.16%	39.64%	49.64%	3.71%

(M) Concentration of credit risk

The Company monitors concentration of credit risk (loan assets including undisbursed Letters of Comfort) by type of industry in which the borrower operates, further bifurcated into type of borrower, whether state or private.

(₹ in Crores)

Particulars	As at 31-03-2021		As at 31-03-2020	
	Gross Amount	ECL	Gross Amount	ECL
Concentration by industry				
Generation	156,901.95	12,035.54	147,021.68	11,122.97
Renewables	17,388.24	117.88	9,163.65	161.31
Transcos	61,309.37	502.51	49,658.96	503.89
Discoms	139,833.76	557.90	110,923.44	214.26
Government Loans	4,602.77	1.37	6,616.62	1.99
Total	**380,036.09**	**13,215.20**	**323,384.35**	**12,004.42**
Concentration by ownership				
State	338,973.84	938.40	284,778.15	297.60
Private	41,062.25	12,276.80	38,606.20	11,706.82
Total	**380,036.09**	**13,215.20**	**323,384.35**	**12,004.42**

(N) Sector-wise Credit-impaired Assets - Percentage of Stage-III Assets to Total Advances in that sector

Particulars	As at 31-03-2021	As at 31-03-2020
Power Sector	4.84%	6.59%

(O) Movement of Credit-impaired Assets

(₹ in Crores)

Particulars		Year ended 31-03-2021	Year ended 31-03-2020
(i)	**Gross Credit-impaired Assets to Gross Advances (%)**	4.84%	6.59%
(ii)	**Net Credit-impaired Assets to Gross Advances (%)**	1.71%	3.32%
(iii)	**Net Credit-impaired Assets to Net Advances (%)**	1.78%	3.45%
(iv)	**Movement of Credit-impaired Assets (Gross)**		
(a)	Opening balance	21,255.55	20,348.44
(b)	Additions during the year	38.22	2,037.61
(c)	Reductions during the year	(2,789.74)	(752.09)
(d)	Write-off during the year	(247.10)	(378.41)
(e)	**Closing balance**	**18,256.93**	**21,255.55**
(v)	**Movement of Credit-impaired Assets (Net)**		
(a)	Opening balance	10,703.42	10,649.49
(b)	Additions during the year	34.59	691.40

CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

Particulars	Year ended 31-03-2021	Year ended 31-03-2020
(c) Reductions during the year	(4,272.39)	(637.47)
(d) Write-off during the year	-	-
(e) Closing balance	**6,465.62**	**10,703.42**
(vi) Movement of provisions for Credit-impaired Assets		
(a) Opening balance	10,552.13	9,698.95
(b) Provisions made during the year	2,038.26	1,346.21
(c) Write-back of excess provisions	(551.98)	(114.62)
(d) Provision on assets written off during the year	**(247.10)**	**-378.41**
(e) Closing balance	**11,791.31**	**10,552.13**

(P) In accordance with RBI Circular on Implementation of Ind AS by NBFCs dated 13.03.2020, had the loans otherwise required to be classified as NPA as per IRACP norms been considered, Gross NPA to Gross Loans ratio would have been 5.04% (previous year 6.60%) and Net NPA to Net Loans would have been 1.99% (previous year 3.46%) as at 31st March 2021.

(Q) Write off policy

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasure of enforcement activity or where the Company's recovery method is foreclosing on collateral and the value of collateral is such that there is no reasonable expectation of recovery in full.

(R) Business Model Policy

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios.

The Company is in the business of lending loans across power sector value chain and such loans are managed to realize the cash flows by collecting contractual payments (including principal and interest) over the tenure of the loan. Further, investments in the nature of debt investments and other financial assets may also be held by the Company to collect the contractual payments as per the agreed terms.

The Company's business model therefore is "hold to collect" for Loans, certain Financial Investments and Other Financial Assets. Such financial assets are measured at amortised cost if the contractual terms gives rise to cash flows that are solely payments of principal and interest on the amount outstanding.

(S) Policy for sales out of amortised cost business

The Company does not resort to the sale of financial assets, including loan assets, in ordinary course of business.

However, the company may proceed for realization of amount due in respect of credit-impaired assets, as per the regulatory framework in India. As a result, the credit impaired loan may be either restructured/renegotiated or settled as part of IBC proceedings or otherwise and is assessed for derecognition as per the requirements of Ind AS 109 – Financial Instruments.

The Company has also not entered into any transaction of sale/ purchase of credit-impaired assets, except as below:

(₹ in Crores)

Particulars	For the Year ended 31st March 2021	For the Year ended 31st March 2020
No. of Accounts sold/settled as part of IBC proceedings	1	1.00
Aggregate Outstanding (₹ in Crores)	510.98	236.80
Aggregate consideration received (₹ in Crores)	329.13	124.13

(T) The Company has not entered into any securitisation/ assignment transactions during the year ended 31st March 2021 (Previous year Nil). Further, no assets have been sold to securitisation/ reconstruction company for asset reconstruction.

(U) Accounts with overdues beyond 90 days but not treated as credit impaired (excluding accounts to whom relief under RBI Covid-19 Relief package has been allowed)

CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

Particulars	Number of accounts	Total Amount outstanding	Overdue amount
As at 31-03-2021	-	-	-
As at 31-03-2020	1	2,342.00	2,244.97

During the year, loan from one of the borrowers, M/s RKM Powergen Pvt Ltd. has been restructured and is now servicing the dues as per the restructured schedule. As at 31st March 2020, it was not classified as credit impaired owing to ad-interim order from Hon'ble High Court of Madras.

(V) Disclosure in respect of Moratorium and Asset Classification with regards to RBI Covid-19 Regulatory Package pursuant to RBI Circular D.O.R.NO.BP.BC.63/21.04.048/2020-21 dated 17 April 2020

(₹ in Crores)

Particulars		For the Year ended 31st March 2021	For the Year ended 31st March 2020
(i)	Respective amounts in SMA/overdue categories, where the moratorium was extended	0	1460.22
(ii)	Respective amount where asset classification benefits is extended.	0	23.37
(iii)	General Provision made	Refer Note below	Refer Note below
(iv)	General Provisions adjusted during the year against slippages and the residual provisions	Refer Note below	Refer Note below

***Note** - The Company, being NBFC, provides for Expected Credit Loss (ECL) in accordance with Ind AS 109 as per board-approved ECL methodology. However, such provisions as required under RBI IRACP Norms have been considered for calculation of Provisions required as per IRACP Norms in Note (W) below.*

(W) Comparison between provision required as per RBI Income Recognition, Asset Classificaion and Provisioning norms (IRACP) and Impairment Allowance as per Ind-AS

(₹ in Crores)

For the Year ended 31st March 2021 Asset Classification as per RBI Norms	Asset classification as per Ind AS 109	Outstanding amount	Gross Carrying Amount as per Ind AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
(1)	(2)	(3)	(4)	(5)	(6)=(4)-(5)	(7)	(8)=(5)-(7)
Performing Assets							
Standard	Stage 1	356,273.17	357,285.43	1,273.37	356,012.06	2,304.84	(1031.47)
	Stage 2	2,888.05	2,925.24	141.43	2,783.81	145.62	-4.19
Sub Total (1)		359,161.22	360,210.67	1,414.80	358,795.87	2,450.46	(1035.66)
Non-Performing Assets							
Substandard Assets	Stage 3	36.31	36.31	3.63	32.68	3.63	-
Doubtful Assets							
Up to 1 year	Stage 3	560.99	560.99	303.81	257.18	301.24	2.57
1 to 3 years	Stage 3	13,786.04	13,786.04	8,514.57	5,271.46	6,913.49	1601.08
More than 3 years	Stage 3	3,856.37	3,856.37	2,952.08	904.29	2,665.23	286.85
Subtotal for doubtful assets		18,203.40	18,203.40	11,770.46	6,432.93	9,879.96	1890.50
Loss Assets	Stage 3	17.22	17.22	17.22	-	17.22	-
Sub-total for NPA (2)		18,256.93	18,256.93	11,791.31	6,465.61	9,900.81	1,890.50
Total Loan Assets		377,418.15	378,467.60	13,206.11	365,261.48	12,351.27	854.84
Other items which are in scope of Ind-AS 109 but not covered under IRACP norms							
- Letter of Comfort*	Stage 1	2,617.94	2,617.94	9.09	2,608.85	-	9.09
Sub-Total (3)		2,617.94	2,617.94	9.09	2,608.85	-	9.09
Total	Stage 1	358,891.11	359,903.37	1,282.46	358,620.91	2,304.84	(1022.38)
	Stage 2	2,888.05	2,925.24	141.43	2,783.81	145.62	(4.19)
	Stage 3	18,256.93	18,256.93	11,791.31	6,465.61	9,900.81	1,890.50
	Total	380,036.09	381,085.54	13,215.20	367,870.33	12,351.27	863.93

** Gross carrying amount towards Letter of Comfort (LoC) represents non fund based exposures considered as financial guarantee as per IndAS 109*

CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

For the Year ended 31st March 2020 **Asset Classification as per RBI Norms**	Asset **classification** as per Ind AS 109	Outstanding amount	Gross Carrying Amount as per Ind AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
(1)	(2)	(3)	(4)	(5)	(6)=(4)-(5)	(7)	(8)=(5)-(7)
Performing Assets							
Standard	Stage 1	298,737.86	300,392.16	480.08	299,912.08	1,779.27	(1299.19)
	Stage 2	2,431.27	2,431.83	963.83	1,468.00	702.28	261.55
Sub Total (1)		301,169.13	302,823.99	1,443.91	301,380.08	2,481.55	(1037.64)
Non-Performing Assets							
Substandard Assets	Stage 3	2,037.61	2,037.61	468.91	1,568.70	203.76	265.15
Doubtful Assets							
Up to 1 year	Stage 3	3,973.02	3,973.02	1,646.55	2,326.47	1,282.92	363.63
1 to 3 years	Stage 3	11,276.57	11,276.57	5,724.26	5,552.30	6,024.78	(300.52)
More than 3 years	Stage 3	3,951.13	3,951.13	2,695.19	1,255.94	2,787.48	-92.29
Subtotal for doubtful assets		19,200.72	19,200.72	10,066.00	9,134.71	10,095.18	(29.18)
Loss Assets	Stage 3	17.22	17.22	17.22	-	17.22	-
Sub-total for NPA (2)		21,255.55	21,255.55	10,552.13	10,703.41	10,316.16	235.97
Total Loan Assets		322,424.68	324,079.54	11,996.04	312,083.49	12,797.71	(801.67)
Other items which are in scope of Ind-AS 109 but not covered under IRACP norms							
- Letter of Comfort*	Stage 1	959.67	959.67	8.38	951.29	-	8.38
Sub-Total (3)		959.67	959.67	8.38	951.29	-	8.38
Total	Stage 1	299,697.53	301,351.83	488.46	300,863.37	1,779.27	(1290.81)
	Stage 2	2,431.27	2,431.83	963.83	1,468.00	702.28	261.55
	Stage 3	21,255.55	21,255.55	10,552.13	10,703.41	10,316.16	235.97
	Total	323,384.35	325,039.21	12,004.42	313,034.78	12,797.71	(793.29)

** Gross carrying amount towards Letter of Comfort (LoC) represents non fund based exposures considered as financial guarantee as per IndAS 109*

52.1.4 Expected Credit Loss for Trade Receivables

The entity provides for lifetime credit losses in respect of trade receivables of RECPDCL, one of the subsidiary of REC using simplified approach under ECL method

(₹ in Crores)

Particulars	Less than 1 year	1 year- 2 year	2 year- 3 year	More than 3 year	Total
As at 31st March 2021					
Gross carrying value	124.45	22.85	32.47	46.80	226.57
Expected loss rate	15.36%	19.04%	49.98%	100.00%	38.18%
Expected credit loss (provision)	19.12	4.35	16.23	46.80	86.50
Carying amount (net of impairment)	105.33	18.50	16.24	-	140.07
As at 31st March 2020					
Gross carrying value	71.77	50.3	16.48	33.60	171.88
Expected loss rate	15.61%	23.85%	36.89%	100.00%	36.54%
Expected credit loss (provision)	11.20	11.93	6.08	33.60	62.81
Carying amount (net of impairment)	60.57	38.10	10.40	-	109.07

52.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due.

The Company manages its liquidity risk through a mix of strategies, including forward-looking resource mobilization based on projected disbursements and maturing obligations. The Company has put in place an effective Asset Liability Management System and has also constituted an Asset Liability Management Committee ("ALCO") which monitors the liquidity risk with the help of liquidity gap analysis.

The Company maintains adequate bank balances, short term investments that are readily convertible into cash and adequate borrowing and overdraft facilities by continuously monitoring the forecast and actual cash flows.

52.2.1 Maturity Pattern of Future Undiscounted Cash Flows

The cash flows towards items of financial liabilities (representing future undiscounted cash flows towards principal and interest) is as under:

(₹ in Crores)

As at 31st March 2021	1-7 Days	8-14 Days	Over 15 Days & up to 1 Months	Over 1 month & up to 2 Months	Over 2 months & up to 3 Months	Over 3 months & up to 6 Months	Over 6 months & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Non-Derivative Financial Liabilities:											
Rupee Borrowings											
Debt Securities											
- Principal	-	-	1,055.00	600.00	3,520.00	6,486.80	25,852.18	46,211.21	44,523.75	75,813.29	204,062.23
- Interest	-	379.26	429.06	1,313.74	1,981.43	3,293.77	7,839.85	22,724.28	16,731.83	27,588.05	82,281.27
Other Borrowings											
- Principal	-	350.00	2,400.00	7,099.52	4,137.00	1,526.67	3,658.51	20,600.55	9,152.90	10,000.00	58,925.15
- Interest	208.60	4.26	85.39	199.76	458.88	565.70	1,388.04	4,370.69	2,293.36	2,653.21	12,227.90
Subordinated Liabilities											
- Principal	-	-	-	-	-	-	-	2,500.00	-	4,150.70	6,650.70
- Interest	-	-	-	201.50	162.21	-	192.96	1,107.77	704.25	1,375.22	3,743.91
Foreign Currency Borrowings											
Debt Securities											
- Principal	-	-	-	-	-	-	-	8,820.56	12,128.28	5,512.87	26,461.71
- Interest	-	-	-	220.52	64.14	194.94	485.15	1,841.77	670.06	395.99	3,872.57
Other Borrowings											
- Principal	-	-	551.29	551.29	45.31	12.51	6,797.99	8,043.62	4,575.17	5,776.64	26,353.82
- Interest	8.81	1.21	7.27	68.26	60.15	130.44	246.98	841.03	615.06	800.45	2,779.66
Derivative Liabilities :											
Interest rate swaps	-	-	-	-	-	0.00	29.88	343.06	30.71	0.00	403.65
Currency swaps	-	-	-	-	-	-	-	-	16.48	104.60	121.08
Reverse cross currency swap	-	-	-	-	-	-	-	-	19.67	258.66	278.33
Seagull Option	-	-	24.92	18.33	-	-	-	-	-	-	43.25

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(₹ in Crores)

As at 31st March 2020	1-7 Days	8-14 Days	Over 15 Days & up to 1 Months	Over 1 month & up to 2 Months	Over 2 months & up to 3 Months	Over 3 months & up to 6 Months	Over 6 months & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Non-Derivative Financial Liabilities:											
Rupee Borrowings											
Debt Securities											
- Principal	-	-	463.40	503.64	5,940.51	12,739.42	19,109.00	57,825.05	36,677.47	58,147.32	91,405.81
- Interest	-	379.26	242.78	937.01	2,166.66	3,488.47	7,032.41	21,092.29	14,197.97	19,934.11	69,470.96
Other Borrowings											
- Principal	-	-	505.08	600.08	500.08	2,160.09	1,567.21	11,454.18	5,820.02	10,050.02	32,656.76
- Interest	244.00	15.01	83.73	130.49	352.45	383.51	1,107.43	3,565.31	2,027.49	3,708.64	11,618.06
Subordinated Liabilities											
- Principal	-	-	-	-	-	-	-	-	2,500.00	2,151.20	4,651.20
- Interest	-	-	-	201.50	-	-	192.96	788.93	587.95	772.38	2,543.72
Foreign Currency Borrowings											
Debt Securities											
- Principal	-	-	-	-	-	-	3,015.44	-	13,946.39	5,653.95	22,615.78
- Interest	-	-	-	138.14	112.53	200.74	453.70	1,620.81	1,261.85	642.18	4,429.95
Other Borrowings											
- Principal	-	-	-	565.39	609.10	4,013.52	8,505.00	6,642.72	7,812.60	587.58	28,735.91
- Interest	22.35	1.76	20.98	36.08	46.93	223.97	236.64	518.73	201.15	17.93	1,326.52
Derivative Liabilities :											
Interest rate swaps	-	-	-	-	-	-	58.63	190.17	337.26	-	586.06
Reverse cross currency swap	-	-	-	-	-	-	-	-	75.15	664.52	739.67
Seagull Option	-	-	-	-	-	-	-	-	-	-	-

Bonds with put & call option have been shown considering the earliest exercise date. The liquidity analysis for derivative financial liabilities is based on fair values of the derivative contracts and the maturity buckets have been derived on the basis of the remaining tenor of the respective derivative instrument.

Significant cashflows required for financial liabilities shall be funded through the undiscounted cash flows (principal and interest) from loans as below:

(₹ in Crores)

Particulars	1-7 Days	8-14 Days	Over 15 Days & up to 1 Months	Over 1 month & up to 2 Months	Over 2 months & up to 3 Months	Over 3 months & up to 6 Months	Over 6 months & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
As at 31st March 2021											
Principal	878.97	-	1,866.73	1,747.68	4,838.22	8,947.33	17,793.88	72,044.11	67,832.43	188,262.69	**364,212.04**
Interest	117.12	4.00	880.36	1,331.57	5,715.61	9,108.12	17,306.39	60,195.92	45,576.96	77,702.45	**217,938.50**
As at 31st March 2020											
Principal	29.56	13.40	547.04	306.00	3,638.03	7,626.38	15,889.84	63,791.10	55,014.93	163,572.36	**310,428.64**
Interest	11.86	2.28	598.86	250.00	6,103.36	7,819.74	14,756.16	51,025.65	38,311.76	71,028.36	**189,908.03**

The principal cash flows relating to Stage III assets, net of Expected Credit Loss have been considered in over 5 years bucket irrespective of the maturity date.

52.2.2 Maturity Pattern of Significant Financial Assets & Liabilities, as prescribed by RBI

(₹ in Crores)

As at 31st March 2021	1-7 Days	8-14 Days	Over 15 Days & up to 1 Months	Over 1 month & up to 2 Months	Over 2 months & up to 3 Months	Over 3 months & up to 6 Months	Over 6 months & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Loan Assets	878.97	-	1,866.73	1,747.68	4,838.22	9,451.43	17,793.88	72,044.11	67,832.43	188,808.04	**365,261.49**
Investments			0.31	-	-	-	37.80	100.64	136.13	1,448.81	**1,723.68**
Rupee Borrowings											
Debt Securities		367.83	1,462.17	1,143.76	5,127.49	8,436.25	28,242.92	46,217.54	44,490.29	75,720.46	**211,208.71**
Other Borrowings		350.00	2,431.14	7,099.52	4,462.12	1,526.67	3,658.51	20,600.55	9,152.91	9,999.99	**59,281.41**
Subordinated Liabilities		-	-	168.38	129.51	-	1.60	2,499.52	-	4,147.88	**6,946.89**
Foreign Currency Borrowings											
Debt Securities	-	-	-	-	-	62.02	213.39	8,768.94	12,094.51	4,921.54	**26,060.40**
Other Borrowings	6.59	-	551.29	557.44	68.01	12.51	6,785.72	7,968.17	4,505.29	5,770.93	**26,225.95**

(₹ in Crores)

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As at 31st March 2020	1-7 Days	8-14 Days	Over 15 Days & up to 1 Months	Over 1 month & up to 2 Months	Over 2 months & up to 3 Months	Over 3 months & up to 6 Months	Over 6 months & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Loan Assets	29.56	13.40	547.04	306.00	3,638.03	8,565.24	15,889.84	63,791.10	55,014.93	164,288.36	**312,083.50**
Investments accounted for using equity method	-	-	-	-	-	-	-	-	-	258.47	**258.47**
Investments		-	-	-	-	-	1,501.45	22.93	-	602.73	**2,127.11**
Rupee Borrowings											
Debt Securities	-	426.00	694.17	712.47	7,589.45	14,788.18	21,131.97	57,816.85	36,641.24	58,053.36	**197,853.69**
Other Borrowings	-	-	507.08	600.08	826.89	2,160.09	1,567.21	11,454.18	5,820.02	10,050.02	**32,985.57**
Subordinated Liabilities	-	-	-	168.47	-	-	2.11	-	2,499.33	2,149.74	**4,819.65**
Foreign Currency Borrowings	-										
Debt Securities	-	-	-	106.20	66.41	63.61	2,994.65	-	13,849.28	4,984.41	**22,064.56**
Other Borrowings	13.00	1.21	17.17	572.29	611.79	4,032.85	8,471.94	6,567.71	7,689.56	587.57	**28,565.09**

52.2.3 Financing arrangements

The Company had access to the following undrawn borrowing facilities at the end of the reporting period:

(₹ in Crores)

Particulars	As at 31-03-2021	As at 31-03-2020
Expiring within one year (cash credit and other facilities)		
- Floating rate	5,547.28	8,780.00
Expiring beyond one year (loans/ borrowings)		
- Floating rate	-	497.82

52.2.4 Additional Disclosures in accordance with RBI Circular on liquidity risk management

CONSOLIDATED NOTES TO ACCOUNTS

The Company has put in place an effective Asset Liability Management System and has also constituted an Asset Liability Management Committee ("ALCO") which monitors the liquidity risk with the help of liquidity gap analysis. The Company continuously monitors the projected and actual cash flows and accordingly maintains adequate bank balances, overdraft facilities, short term investments that are readily convertible into cash and adequate borrowing plans.

(i) Funding Concentration based on significant counterparty (borrowings)

(₹ in Crores)

Particulars	As at 31-03-2021	As at 31-03-2020
Number of significant counterparties*	20	14
Amount (₹ in Crores)	182,250.87	125,850.36
% of Total Liabilities	51.04%	40.38%

(ii) Top 10 borrowings

(₹ in Crores)

	Particulars	As at 31-03-2021		As at 31-03-2020	
		Amount (₹ in Crores)	% of Total borrowings	Amount (₹ in Crores)	% of Total borrowings
1	Term Loan from State Bank of India	10,839.90	3.36%	7,299.92	2.61%
2	Term Loan from Govt. of India- National Small Savings Fund (NSSF)	10,000.00	3.10%	10,000.00	3.57%
3	54EC- Series XII (2018-19)	6,651.77	2.06%	6,651.77	2.38%
4	54EC- Series XIII (2019-20)	6,157.72	1.91%	5,759.14	2.06%
5	Term Loan from India Infrastructure Finance Company Ltd. (IIFCL)	5,800.00	1.80%	-	0.00%
6	Foreign Currency Bonds- US $700 Mn Bonds	5,145.33	1.60%	5,277.01	1.88%
7	Institutional Bonds- 182nd Series	5,063.00	1.57%	5,063.00	1.81%
8	Institutional Bonds- 203rd A Series	5,000.00	1.55%	-	0.00%
9	Foreign Currency Bonds- US $650 Mn Bonds	4,777.81	1.48%	4,900.08	1.75%
10	Term Loan from HDFC Bank	4,650.00	1.44%	-	0.00%
11	Institutional Bonds- 114th Series	-	-	4,300.00	1.54%
12	54EC- Series XI (2017-18)	-	-	9,565.23	3.42%
13	Institutional Bonds- 105th Series	-	-	3,922.20	1.40%
	Total	**64,085.53**	**19.87%**	**62,738.35**	**22.40%**

(iii) Funding Concentration based on significant instrument/ product

(₹ in Crores)

	Name of significant instrument/ product*	As at 31-03-2021		As at 31-03-2020	
		Amount (₹ in Crores)	% of Total Liabilities	Amount (₹ in Crores)	% of Total Liabilities
1	**Debt Securities**				
	Institutional Bonds	173,326.60	48.54%	152,120.20	48.81%
	Foreign Currency Bonds	26,461.71	7.41%	22,615.78	7.26%
	54EC Capital Gain Tax Exemption Bonds	18,121.59	5.07%	22,376.33	7.18%
	Tax Free Bonds	12,602.97	3.53%	12,602.97	4.04%
	Sub-Total (1)	**230,512.87**	**64.55%**	**209,715.28**	**67.30%**
	Commercial Paper	-	-	2,925.00	0.94%
	Zero Coupon Bonds	-	-	1,364.85	0.44%
	Infrastructure Bonds	11.07	0.00	16.46	0.01%
2	**Borrowings (Other than Debt Securities)**				

CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

Name of significant instrument/ product*	As at 31-03-2021		As at 31-03-2020	
	Amount (₹ in Crores)	% of Total Liabilities	Amount (₹ in Crores)	% of Total Liabilities
Term Loans from Banks	29,938.58	8.38%	18,899.78	6.06%
Foreign Currency Borrowings	21,024.72	5.89%	21,762.71	6.98%
Loans repayable on demand from Banks	10,186.52	2.85%	-	-
Term Loans from Govt. of India	10,000.00	2.80%	10,000.00	3.21%
Term Loans from Financial Institutions	5,800.00	1.62%	-	0.00%
FCNR (B) Loans	5,329.10	1.49%	6,973.20	2.24%
Sub-Total (2)	**82,278.92**	**23.04%**	**57,635.69**	**18.49%**
3 Subordinated Liabilities	**6,650.70**	**1.86%**	**4,651.20**	**1.49%**
Total (1+2+3)	**319,442.49**	**89.45%**	**272,002.17**	**87.28%**

(iv) Stock Ratios:

Particulars	As at 31-03-2021				As at 31-03-2020			
	Amount (₹ in Crores)	% of Public Funds	% of Total Liabilities	% of Total Assets	Amount (₹ in Crores)	% of Public Funds	% of Total Liabilities	% of Total Assets
Commercial Papers	-	-	-	-	2,925.00	1.04%	0.94%	0.84%
Non-Convertible debentures having maturity of less than one year	-	-	-	-	-	-	-	-
Other Short-Term liabilities	20,849.39	6.47%	5.84%	5.20%	10,829.62	3.87%	3.48%	3.12%

* Significant counterparty/ significant instrument/ product is defined as a single counterparty/ single instrument/ product or group of connected or affiliated counterparties accounting in aggregate to more than 1% of the company's total liabilities.

(v) Liquidity Coverage Ratio (LCR)

RBI, vide its Liquidity Framework dated 04 Nov, 2019 has stipulated maintaining of Liquidity Coverage Ratio (LCR) by Non-Deposit taking NBFCs with asset size of more than ₹ 10,000 Crores w.e.f. 01 Dec, 2020. These guidelines of RBI aims to ensure that Company has an adequate stock of unencumbered High-Quality Liquid Assets (HQLA) that can be converted into cash easily and immediately to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario.

The LCR is represented by:

<u>The Stock of High-Quality Liquid Assets</u>

Total Net Cash Outflows over the next 30 calendar days

where,

(i) Total net cash outflows is defined as the total expected cash outflows minus total expected cash inflows for the next 30 calendar days, where the cash flows are assigned a predefined stress percentage, as prescribed by RBI.

(ii) High Quality Liquid Assets (HQLA) means liquid assets that can be readily sold or immediately converted into cash at little or no loss of value or used as collateral to obtain funds in a range of stress scenarios.

The LCR requirement is binding on NBFCs from December 1, 2020 with the minimum HQLAs to be held being 50% of the LCR, progressively reaching up to the required level of 100% by December 1, 2024.

The Company from December 1, 2021 is maintaining the LCR @ 50% on monthly observations till February 28, 2021 and on every day basis thereafter (though RBI has prescribed LCR on every day basis from April 01, 2021 only).

At Present, HQLA investments are held in INR in the form of Government Securities(G-Sec)/ State Development Loans (SDLs) Securities and AAA/AA Corporate Bonds and auto swap balance with banks.

<u>Composition of HQLA:</u>

Out of the Stock of HQLA, the Government Securities is the highest proportion of HQLA followed by AAA/AA Corporate bonds and auto swap balances. The position of HQLA holding as on 31st March 2021 is as follows:

CONSOLIDATED NOTES TO ACCOUNTS

HQLA Items	% of Overall
Assets without Haircut	**82%**
- Cash and Cash Equivalents	23%
- G-Sec and SDLs	59%
Assets with 15% Haircut	**18%**
- Corporate Bonds	18%
Assets with 50% Haircut	**-**
Total	**100%**

Liquidity Coverage Ratio Disclosure

(₹ in Crores)

Particulars	Quarter ended 31-03-2021		Quarter ended 31-12-2020	
	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*
High Quality Liquid Assets				
Total High Quality Liquid Assets (HQLA)	2,151.50	2,120.54	2,249.00	2,221.13
- AA/AAA Corporate Bonds	206.39	175.43	185.81	157.94
- G-SEC Bonds/ State Development Loans (SDLs)	483.29	483.29	345.69	345.69
- Banks Autoswap	1,461.82	1,461.82	1,717.50	1,717.50
Cash Outflows				
Other contractual funding obligations	11,720.66	13,478.76	10,418.50	11,981.28
Other contingent funding obligations	2,193.98	2,523.08	1,970.25	2,265.78
Total Cash Outflows	**13,914.64**	**16,001.84**	**12,388.75**	**14,247.06**
Cash Inflows				
Inflows from fully performing exposures	7,480.10	5,610.08	6,789.11	5,091.83
Other cash inflows	11,807.52	8,855.64	6,290.00	4,717.50
Total Cash Inflows	**19,287.63**	**11,760.86**	**13,079.11**	**9,809.33**
Total Adjusted Value				
Total HQLA		**2,120.54**		**2,221.13**
Total Net Cash Outflows		**4,240.98**		**4,437.73**
Liquidity Coverage Ratio (LCR)		**50.00%**		**50.05%**

** For average, the observations as on 31.01.2021, 28.02.2021 and daily observation during March 2021 has been considered.*

52.3 Market Risk - Currency Risk

The Company is exposed to foreign currency risk from various foreign currency borrowings primarily denominated in USD, EURO, JPY and SGD. These borrowings are also exposed to interest rate risk as most of the borrowings are carrying floating interest rates linked to LIBOR, SOR etc. The Company has a risk management policy which aims to hedge foreign currency and interest rate arising from its borrowings denominated in a currency other than the functional currency of the Company. The Company uses combination of foreign currency options structures, forward contracts, cross currency swap and interest rate swaps to hedge its exposure to foreign currency and interest rate risk.

An Asset Liability Management Committee (ALCO) is currently functioning under the chairmanship of CMD with Functional Directors, executive directors and Chief General Managers from Finance and Operating Divisions as its members. ALCO monitors Foreign currency risk with exchange rate and interest rate managed through various derivative instruments. 'The Company enters into various derivative transactions to cover exchange rate through various instruments like foreign currency forwards contracts, currency options, principal only swaps and forward rate agreements. These derivative transactions are done for hedging purpose and not for trading or speculative purpose.

CONSOLIDATED NOTES TO ACCOUNTS

In respect of foreign currency debt securities and borrowings, the company has also executed cross currency swaps (principal and/or interest) to hedge the Foreign Currency Exposure. The outstanding position of Foreign Currency Exposure as at 31st March 2021 is as under:

(Foreign Currency amounts in Millions, INR equivalent in ₹ Crores)

Currency	As at 31-03-2021			As at 31-03-2020		
	Total Exposure	Hedged through Derivatives	Unhedged Exposure	Total Exposure	Hedged through Derivatives	Unhedged Exposure
USD $	6,893.85	3,500.00	3,393.85	6,591.96	4,070.00	2,521.96
INR Equivalent	50,673.04	25,726.65	24,946.39	49,694.10	30,682.06	19,012.04
JPY ¥	21,600.36	20,845.99	754.37	11,755.14	10,623.67	1,131.47
INR Equivalent	1,433.40	1,383.34	50.06	818.75	739.94	78.81
EURO €	36.85	11.40	25.45	55.15	29.70	25.45
INR Equivalent	317.30	98.12	219.18	458.04	246.69	211.35
SGD $	72.08	72.08	-	72.08	72.08	-
INR Equivalent	391.79	391.79	-	380.80	380.80	-
Total	**52,815.53**	**27,599.90**	**25,215.63**	**51,351.69**	**32,049.49**	**19,302.20**

Sensitivity Analysis

The table below represents the impact on P&L including FCMITDA (+ Gain / (Loss) for 5% change in foreign currency exchange rate against INR on the unhedged exposures:

(₹ in Crores)

Particulars	As at 31-03-2021		As at 31-03-2020	
	Favorable	Adverse	Favorable	Adverse
USD/INR	933.39	(933.39)	711.35	(711.35)
JPY/INR	1.87	(1.87)	2.95	(2.95)
EUR/INR	8.20	(8.20)	7.91	(7.91)

** Holding all other variables constant*

Hedge accounting

The Company designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in cash flow hedges. For option contracts, the Company designates only the intrinsic value of option contracts as a hedged item by excluding the time value of the option. The changes in the fair value of the aligned time value of the option are recognised in other comprehensive income and accumulated in the cost of hedging reserve. The time value of the options at the inception of the hedging relationship is reclassified to Profit or Loss on a straight-line basis.

Hedge ineffectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Company applies the following effectiveness testing strategies:

(i) For cross currency swaps and interest rate swaps that exactly match the terms of the terms of the hedged item, the economic relationship and hedge effectiveness are based on the qualitative factors using critical terms match method.

(ii) For other interest rate swaps (in cases of late designation), the Company uses dollar offset method using a hypothetical derivatives, dollar offset method is a quantitative method that consists of comparing the change in fair value or cash flows of the hedging instrument with the change in fair value or cash flows of the hedged item attributable to the hedged risk.

(iii) For option structures, the Company analyses the behaviour of the hedging instrument and hedged item using regression analysis based dollar offset method.

The Company has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk and notional amount of the hedging instruments are identical to the hedged items.

Impact of Hedge Accounting

(a) Effects of hedge accounting on balance sheet

(₹ in Crores)

	As at 31st March 2021	**Notional amount (in Millions)**	**Carrying amount of hedging instruments**		**Maturity dates**	**Hedge ratio**	**Weighted average strike price/rate**	**Change in fair value of hedging instruments**	**Change in value of hedged item used as the basis for recognising hedge effectiveness**
	Type of hedge and risks		**Assets**	**Liabilities**					
	Cash flow hedge								
	Foreign exchange and interest rate risk								
(i)	Foreign currency options structures								
	- Seagull Structure	USD 2,595	1,458.96	43.25	April 2021 - Oct 2025	1:1	73.32	-611.68	611.68
		JPY 20,846.12	198.23	-	Aug 2023 - Sep 2025	1:1	0.66	-131.87	131.87
	- Call Spread	USD 250	77.74	-	Mar 2024	1:1	71.94	-93.51	93.51
(ii)	Cross currency swaps	USD 1,350	-	244.37	Dec 2021 - Mar 2025	1:1	2.92% and 72.93	(73.78)	73.78
		JPY 10,327.12	-	4.06	Aug 2023	1:1	0.42% and 0.62	(0.08)	0.08
		SGD 72.08	23.86	-	Mar 2025	1:1	1.44%	21.54	(21.54)
(iii)	Principal only swaps	USD 375	-	121.08	Mar 2025 - Jun 2030	1:1	7541.00%	-174.62	174.62
(iv)	Interest rate swaps	USD 260	-	69.74	Mar 2024 - Jul 2024	1:1	2.32%	(1.12)	1.12

CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

As at 31st March 2020		Notional amount (in Millions)	Carrying amount of hedging instruments		Maturity dates	Hedge ratio	Weighted average strike price/rate	Change in fair value of hedging instruments	Change in value of hedged item used as the basis for recognising hedge effectiveness
Type of hedge and risks			Assets	Liabilities					
	Cash flow hedge								
	Foreign exchange and interest rate risk								
(i)	Foreign currency options structures								
	- Seagull Structure	USD 1,410	1,494.84	-	May 2020 - Mar 2025	1:1	71.88	213.14	(213.14)
		JPY 10,327.10	167.37	-	Aug 2023	1:1	0.62	10.30	(10.30)
	- Call Spread	USD 250	97.16	-	Mar 2024	1:1	71.94	81.36	(81.36)
(ii)	Cross currency swaps	USD 1,000	-	297.86	Dec 2020 - Mar 2025	1:1	3.67%	(175.35)	175.22
		JPY 10,327.10	-	5.28	Aug 2023	1:1	0.42%	(1.29)	1.29
		SGD 72.08	2.32	-	Mar 2025	1:1	1.18%	2.32	(2.32)
(iii)	Interest rate swaps	USD 1,260	5.24	134.45	Jul 2020 - Jul 2024	1:1	2.35%	(185.91)	185.91

CONSOLIDATED NOTES TO ACCOUNTS

(b) Effects of hedge accounting on statement of profit and loss

Type of hedge	Change in value of hedging instrument recognised in other comprehensive income	Hedge ineffectiveness recognised	Amount reclassified from cash flow hedge reserve	Line item affected on reclassification
Year ended 31-03-2021				
Cash flow hedge				
- Currency risk and interest rate risk	-1065.12	-	580.30	Gain/ loss on foreign exchange translation
			179.56	Finance cost
Year ended 31-03-2020				
Cash flow hedge				Gain/ loss on foreign exchange translation
- Currency risk and interest rate risk	55.30	0.13	(629.26)	
			0.03	Finance cost

(c) Movement in cash flow hedging reserve and cost of hedging reserve

Particulars	Year ended 31-03-2021	Year ended 31-03-2020
Effective portion of Cash Flow Hedges		
Opening Balance	(226.08)	-
Add: Changes in intrinsic value of foreign currency option structures	(625.61)	687.21
Add: Changes in fair value of cross currency swaps	(52.32)	(174.20)
Add: Changes in fair value of interest rate swaps	(1.12)	(185.90)
Less: Amounts reclassified to profit or loss	759.86	(629.23)
Less: Deferred tax relating to above (net)	(20.34)	76.04
Closing Balance	**(165.61)**	**(226.08)**
Costs of hedging reserve		
Opening Balance	**(204.75)**	**0.00**
Add: Change in deferred time value of foreign currency option structures	(386.06)	(382.41)
Less: Amortisation of time value	715.06	108.80
Less: Deferred tax relating to above (net)	(82.80)	68.86
Closing Balance	**41.45**	**(204.75)**

52.4 Market Risk - Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in interest rates. Interest rates are dynamic and dependent on various internal and external factors including but not limited to RBI policy changes, liquidity in the market, movement of external benchmarks such as AAA bond/ G-Sec yields/ LIBOR etc. The Company manages its interest rate risk through various derivative contracts like interest rate swap contracts, forward interest rate contracts to minimize the risk of fluctuation in interest rates. The Company also uses cross-currency interest rate swaps as a cost-reduction strategy to benefit from the interest differentials in different currencies.

CONSOLIDATED NOTES TO ACCOUNTS

The table below shows the overall exposure of the Company to interest rate risk on the floating rate liabilities, along with the bifurcation under hedged/ un-hedged category as at 31st March 2021 is as under:

(Foreign Currency amounts in Millions, INR equivalent in ₹ Crores)

Currency	As at 31-03-2021			As at 31-03-2020		
	Floating Interest Rate Exposure	Hedged through Derivatives	Unhedged Exposure	Floating Interest Rate Exposure	Hedged through Derivatives	Unhedged Exposure
INR Borrowings	35,738.58	-	35,738.58	19,899.78	-	19,899.78
USD $	2,768.85	1,630.00	1,138.85	3,241.96	2,830.00	411.96
INR Equivalent	20,352.38	11,981.27	8,371.11	24,439.81	21,334.21	3,105.60
JPY ¥	20,846.14	10,327.14	10,519.00	10,327.12	10,327.12	-
INR Equivalent	1,383.35	685.31	698.04	719.28	719.28	-
SGD $	72.08	72.08	-	72.08	72.08	-
INR Equivalent	391.79	391.79	-	380.83	380.83	-
Total INR Equivalent	**57,866.10**	**13,058.37**	**44,807.73**	**45,439.70**	**22,434.32**	**23,005.38**

The Company's lending portfolio carries interest at semi-fixed rate i.e. fixed rate of interest with 1/3/10 year reset option with the borrower. The Company reviews its lending rates periodically based on prevailing market conditions, borrowing cost, yield, spread, competitors' rates, sanctions and disbursements etc. In order to manage pre-payment risks, the Company charges pre-payment premium from borrowers in case of pre- payment of loan. The interest rate risk is managed by the analysis of interest rate sensitivity gap statements and by evaluating the creation of assets and liabilities with a mix of fixed and floating interest rates.

The Company is exposed to interest rate risk on following Loan Assets which are at semi-fixed rates:

(₹ in Crores)

Description	Year ended 31-03-2021	Year ended 31-03-2020
Rupee Loans	363,580.03	312,065.92

Sensitivity Analysis

The table below represents the impact on P&L Gain / (Loss) for 50 basis points increase or decrease in interest rate on Company's floating rate assets and liabilities on the unhedged exposures:

(₹ in Crores)

Particulars	As at 31-03-2021		As at 31-03-2020	
	Increase	(Decrease)	Increase	(Decrease)
Floating Rate Loan Liabilities	(167.65)	167.65	(86.08)	86.08
Floating/ semi-fixed Rate Loan Assets	1,360.37	(1,360.37)	1,167.63	(1,167.63)

** Holding all other variables constant*

The above sensitivity analysis has been prepared assuming that the amount outstanding at the end of the reporting period remains outstanding for the whole year. A 50 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

52.4.1 Disclosures in respect of Interest Rate Benchmark Reform (IBOR)

The Company has variable interest rate borrowings with interest rates linked with different benchmarks. Such interest rate benchmarks for foreign currency borrowings include 1/3/6 Month USD/ JPY LIBOR (London Inter-Bank Offered Rate) and 6 Month SOR (Swap Offer Rate). The summary of such borrowings is as below:

CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

Benchmark	Amount (₹ In Crores)	Amount (USD Mn Equivalent)
1M USD LIBOR	1,690.61	230.00
3M USD LIBOR	5,512.85	750.00
6M USD LIBOR	13,148.92	1,788.85
6M JPY LIBOR	1,383.35	188.20
6M SOR	391.79	53.30
Total	**22,127.52**	**3,010.35**

As announced by the UK Financial Conduct Authority (FCA) on 5 March 2021, JPY LIBOR will cease to be published after 31st December 2021 and 1 Month, 3 Month and 6 Month USD LIBOR will cease to be published after 30 June 2023. Since SOR (Singapore Swap Offer Rate) is also benchmarked with USD LIBOR, it will also become non-representative from 30 June 2023.

(i) Exposure directly affected by the interest rate benchmark reform

The total amount of exposure that is directly affected by the Interest Rate Benchmark Reform (IBOR) is ₹ 13,468.66 crores. Out of this, the nominal amount of the derivative exposure linked with such liabilities and accounted for under hedge accounting is ₹ 4,752.33 crores.

(ii) Managing the process to transition to alternative benchmark rates

Pursuant to the interest rate benchmark reform, LIBOR will be replaced with alternative Risk-Free Rates. SOFR (Secured Overnight Financing Rate) will be the replacement for USD LIBOR, while TONA (Tokyo Overnight Average Rate) will replace JPY LIBOR. ISDA (International Swaps and Derivatives Association), the globally recognized statutory body governing the global derivative deals, has come up with the ISDA 2020 IBOR Fallbacks Protocol (commonly referred to as Fallback Protocol) to move all the legacy contracts to new benchmarks. The Company has adhered to the Fallbacks Protocol under which the fallbacks for the various LIBOR benchmarks will automatically become applicable to the existing derivative trades with all counterparties.

(iii) Significant Assumptions for exposures affected by the Interest Rate Benchmark Reform

Ind AS 109 provides temporary exceptions to all the hedging relationships directly impacted by the Interest Rate Benchmark Reform. While the benchmarks for the underlying loan are yet to be agreed with the lenders, it has been assumed that there will be no change in the alternative benchmark rates of the underlying loan and the derivative contracts and hedge effectiveness is not altered as a result of such reform.

52.5 Market Risk - Price risk

The Company is exposed to price risks arising from investments in equity shares and units of venture capital funds. The Company's investments are held for strategic rather than trading purposes.

Sensitivity Analysis

The table below represents the impact on OCI Gain / (Loss) for 5% increase or decrease in the respective prices on Company's equity investments, outside the group:

(₹ in Crores)

Particulars	As at 31-03-2021		As at 31-03-2020	
	Increase	(Decrease)	Increase	(Decrease)
Impact on Other Comprehensive Income (OCI)	21.51	(21.51)	25.68	(25.68)
Impact on Profit and Loss account (PL)	1.18	(1.18)	0.63	(0.63)

CONSOLIDATED NOTES TO ACCOUNTS

53 Additional Disclosures in respect of derivatives

53.1 Forward Rate Agreements/ Interest Rate Swaps

Particulars		As at 31-03-2021	As at 31-03-2020
(i)	The notional principal of swap agreements	25,035.68	29,056.52
(ii)	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	339.60	141.71
(iii)	Collateral required by the NBFC upon entering into swaps	NIL	Nil
(iv)	Concentration of credit risk arising from the swaps	Refer Note Below	Refer Note Below
(v)	The fair value of the swap book	-64.05	-444.35

REC, being NBFC has entered into swap agreements with Category-I, Authorized Dealers Banks only, in accordance with the RBI guidelines. All the swap agreements entered into with banks are well with in the credit risk limit defined in the Board approved Risk Management Policy.

53.2 The Company has not entered into any exchange traded Interest Rate (IR) derivatives.

53.3 Quantitative Disclosures

(₹ in Crores)

Particulars		Currency Derivatives *		Interest Rate Derivatives **		Other Derivatives (Reverse cross currency swaps)***	
		As at 31-03-2021	As at 31-03-2020	As at 31-03-2021	As at 31-03-2020	As at 31-03-2021	As at 31-03-2020
(i)	Derivatives (Notional Principal Amount)						
	For hedging	27,599.89	32,049.49	25,035.68	29,056.52	4,547.00	4,347.00
(ii)	Marked to Market Positions						
a)	Asset (+)	1,971.62	3,177.14	339.60	141.71	-	-
b)	Liability (-)	164.33	-	403.65	586.06	278.33	739.67
(iii)	Credit Exposure	4,854.40	5,559.58	574.96	346.42	632.05	602.05
(iv)	Unhedged Exposures	25,215.63	19,302.20	N.A.	N.A.	N.A.	N.A.

** Includes Full Hedge, Pricipal only Swap and Call Spread*
*** Includes Interest Rate Derivatives as a strategy of cost reduction*
**** Includes Reverse Cross Currency swap as a strategy of cost reduction*

54 Impact of Covid-19 Pandemic on the Company

India is currently grappling with the second wave of COVID-19 pandemic with significant increase in the number of cases in India. The resultant lockdowns are less restrictive for economic activity and are concentrated in the most-hit states. Global waves suggest impact on manufacturing activity is less devastating as vaccination rollout gathers pace.

Liquidity Buffers with the Company

Company has not experienced any significant impact on its liquidity position owing to strong credit profile and access to diversified sources of borrowings. The Company has put in place adequate liquidity buffers in the form of Working Capital/ Term Loan limits from various banks apart from High Quality Liquid Assets.

Covid-19 Relief Package for the Power Sector

The Govt. of India, as a part of its Covid-19 relief package, had announced liquidity injection to the State Discoms in the form of State Govt. guaranteed loans through REC and PFC (Power Finance Corporation Ltd.) to clear the outstanding dues of Power Generation and Transmission Companies. As on 15th May 2021, the Company has already sanctioned and disbursed ₹ 67,083 crores and ₹ 40,766 crores respectively to the discoms as part of this liquidity package.

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Asset Classification and Income Recognition following the expiry of Covid-19 regulatory package

In accordance with the RBI Circular No. RBI/2021-22/17 DOR.STR.REC.4/21.04.048/2021-22 dated 7th April 2021 and the methodology for calculation of interest on interest based on guidance issued by Indian Banks' Association, Company has put in place a Board approved policy to refund / adjust interest on interest charged to borrowers during the moratorium period, i.e. 1st March 2020 to 31st August 2020. Company has estimated the aggregate amount to be refunded/adjusted and thus has made a provision in the financial statements for the year ended 31st March 2021. Accordingly, interest income for the quarter and year ended 31st March 2021 is lower by ₹ 129.25 crores

The Company believes that with the pickup in global vaccination and gradual decrease in the Covid cases, the business and commercial activity is poised for resurgence, leading to increase in power demand and generation. Considering REC's comfortable liquidity position and access to diverse sources of funds, there are no reasons to believe that the current crisis will have any significant impact on the Company's ability to maintain its operations, including the going concern assessment. However, the impact will continue to be dependent on future developments, which are uncertain, including, among other things, any new information concerning the severity of the Covid-19 pandemic and any further action by the Govt. or the Company to contain its spread or mitigate its impact.

55 Exposure Related Disclosures

RBI, vide its letter dated 17th September 2010 had categorized REC as an Infrastructure Finance Company (IFC) in terms of instructions contained in RBI Circular CC No.168 dated 12th February 2010. As an IFC, the total permissible exposure for lending in the private sector is 25% of owned funds in case of single borrower and 40% in case of a single group of borrowers and exposure for lending and investing taken together can be upto 30% and 50% of owned funds, respectively.

In respect of Central/State Government entities, RBI vide its letter No.DNBR.PD.CO.No.2184/03.10.001/2015-16 dated 16th June 2016 has exempted REC from applicability of RBI's concentration of credit/investment norms till 31st March, 2022. In view of the above, our maximum credit exposure limits to Central and State power Utilities continue to vary from 50% to 250% of owned funds, depending upon entity appraisal.

In respect of Private Sector entities, the Company's credit exposure to single borrowers and group borrowers did not exceed the RBI prudential exposure limits as at 31st March 2021 and 31st March 2020.

55.1 Exposure to Real Estate Sector

The Company has no exposure to real estate sector as at 31st March 2021 (As at 31st March 2020 Nil).

55.2 Exposure to Capital Market

(₹ in Crores)

	Particulars	As at 31-03-2021	As at 31-03-2020
(i)	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	711.47	778.40
(ii)	Advances against shares/ bonds/ debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-	-
(iii)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-	-
(iv)	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/ convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances;	-	-
(v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
(vi)	Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii)	Bridge loans to companies against expected equity flows/ issues;	-	-
(viii)	All exposures to Venture Capital Funds (both registered and unregistered)	-	6.12
	Total Exposure to Capital Market	**711.47**	**784.52**

CONSOLIDATED NOTES TO ACCOUNTS

55.3 The company does not have any financing of Parent Company products during the current and previous year.

55.4 Concentration of Advances, Exposures and Credit-impaired Assets

(₹ in Crores)

Particulars		As at 31-03-2021	As at 31-03-2020
(i)	**Concentration of Advances**		
	Total Advances to twenty largest borrowers (₹ in Crores)	228,371.07	184,741.84
	Percentage of Advances to twenty largest borrowers to Total Advances of the Company	60.51%	57.30%
(ii)	**Concentration of Exposures**		
	Total Exposure to twenty largest borrowers (₹ in Crores)	342,453.58	288,397.43
	Percentage of Exposures to twenty largest borrowers to Total Exposure of the Company on borrowers	62.28%	59.46%
(iii)	**Concentration of Credit-impaired Assets**		
	Total Exposure to the top four Credit-impaired Assets (₹ in Crores)	**8,489.02**	**8,618.52**

56 Fair value disclosures

The fair values of financial instruments measured at amortised cost and the carrying cost of financial instruments measured at fair value by category are as follows:

(₹ in Crores)

Particulars		Note No.	As at 31-03-2021	As at 31-03-2020
	Financial assets measured at fair value			
	Derivative financial instruments measured at			
(i)	Fair value through other comprehensive income	9	1,758.79	1,766.92
(ii)	Fair value through profit and loss	9	552.43	1,551.93
	Investments* measured at			
(i)	Fair value through other comprehensive income	11	430.13	513.55
(ii)	Fair value through profit and loss	11	209.65	1,558.53
	Financial assets measured at amortised cost			
	Cash and cash equivalents	6	1,179.24	1,717.71
	Bank balances (other than cash and cash equivalents)	7	2,223.58	2,257.45
	Trade receivables	8	140.07	109.07
	Loan Assets	10	365,261.49	312,083.50
	Investments	11	1,083.90	55.03
	Other financial assets	12	24,419.88	22,101.32
	Total		**397,259.16**	**343,715.01**
	Financial liabilities measured at fair value			
	Derivative financial instruments measured at			
(i)	Fair value through other comprehensive income	9	482.51	437.59
(ii)	Fair value through profit and loss	9	363.80	888.14
	Financial liabilities measured at amortised cost			
	Trade payables	0	61.51	46.15
	Debt securities	20	237,269.11	219,918.25
	Borrowings (other than debt securities)	21	85,507.36	61,550.66
	Subordinated liabilities	22	6,946.89	4,819.65
	Other financial liabilities	23	26,222.35	23,782.21
	Total		**356,853.53**	**311,442.65**

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56.1 Fair values hierarchy

The fair value of financial instruments as referred above has been classified into three categories depending on the inputs used in the valuation technique. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities [Level 1 measurements] and lowest priority to unobservable inputs [Level 3 measurements].

The categories used are as follows:

Level 1: Quoted prices (unadjusted) for identical instruments in an active market;

Level 2: Directly (i.e. as prices) or indirectly (i.e. derived from prices) observable market inputs, other than Level 1 inputs; and

Level 3: Inputs which are not based on observable market data (unobservable inputs).

The Company's policy is to recognize transfers into and transfer out of fair value hierarchy at the date of event or change in circumstances that caused the transfer.

Financial assets and liabilities measured at fair value - recurring fair value measurements

(₹ in Crores)

Particulars	As at 31-03-2021				As at 31-03-2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Investments at FVOCI								
Equity investments	430.13	-	-	430.13	507.43	6.12	-	513.55
Investments at FVTPL								
Equity investments	23.60	-	-	23.60	12.50	-	-	12.50
Perpetual Bonds	-	-	-	-	-	-	1,500.62	1,500.62
Debentures	-	-	143.06	143.06	-	-	-	-
Preference Shares	-	-	42.99	42.99	-	-	45.41	45.41
Assets at FVTPL								
Derivative financial instruments	-	2,311.22	-	2,311.22	-	3,318.85	-	3,318.85
Liability at FVTPL								
Derivative financial instruments	-	846.31	-	846.31	-	1,325.73	-	1,325.73

Valuation Techniques for fair value disclosures (Level 1 , Level 2 and Level 3)

(A) **Investment in Quoted Equity Investments - Level 1 -** Investment in listed equity instruments are measured at their readily available quoted price in the market.

(B) **Derivative Financial Instruments - Level 2 -** The fair value has been determined on the basis of mark to market value provided by the banks that have contracted to hedge the underlying risk. Such valuation is calculated using market observable inputs including forward exchange rates, interest rates corresponding to the maturity of the contract and implied volatilities.

(C) **Investment in Venture Capital Fund - Level 3 -** Investment in venture capital fund is classified as Level 3. It has been carried at Nil value by the Company due to the company specific reasons. The fund has gone into the liquidation and the realizable value is uncertain.

(D) **Investment in Unquoted Equity Investments - Level 3 -** Investment in unquoted equity shares of Universal Commodity Exchange Ltd. (UCX) is classified as Level 3. It has been carried at Nil value by the Company due to the company specific reasons. UCX was shut down in 2014, thereby, ceasing to exist as a going concern.

(E) **Investment in Unquoted Preference Shares - Level 3 -** Investment in unquoted Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) of Rattan India Power Ltd. (RIPL) are classified as Level 3. The company has been alloted OCCRPS of the borrower company pursuant to One Time Settlement arrangement executed on 23rd December 2019. The fair value has been derived by present value technique by discounting future cash flows as per the terms of the agreement. Any change in expectation of future cash flow is adjusted to reflect change in fair value of the investment.

(F) **Investment in Optionally Convertible Debentures of Essar Power Transmission Limited - Level 3 -** Investment in unquoted Optionally Convertible Debentures (OCDs) of Essar Power Transmission Limited are classified as Level 3, which have been alloted to the Company upon implementation of restructuring plan with the borrower. The fair value has been

CONSOLIDATED NOTES TO ACCOUNTS

derived by present value technique by discounting future cash flows at interest rate applicable to the borrowers. Any change in expectation of future cash flow is adjusted to reflect change in fair value of the investment.

(G) **Investment in Optionally Convertible Debentures of R.K.M PowerGen Private Limited - Level 3 -** Investment in unquoted Optionally Convertible Debentures (OCDs) of R.K.M PowerGen Private Limited are classified as Level 3, which have been alloted to the Company upon implementation of restructuring plan with the borrower. The fair value has been taken as Nil as such debentures are unsustainable in nature and future cash flows are uncertain. Any change in expectation of future cash flow is adjusted to reflect change in fair value of the investment.

56.2 Reconciliation of Financial Instruments measured at Fair Value through Level 3 inputs

The following table shows the reconciliation of the opening and closing amounts of Level 3 financial assets and liabilities measured at fair value:

(₹ in Crores)

Particulars	For the Year ended 31st March 2021					
	FVTPL			FVOCI		
	Investment in Perpetual Bonds	Investment in Preference Shares	Investment in OCDs	Investment in Venture Capital Fund	Investment in Equity Shares	Total
Opening Balance	**1,500.62**	**45.41**	**-**	**-**	**-**	**1,546.03**
Received in Loan Settlement *(Refer Note 10.3)*	-	-	149.56	-	-	149.56
Settlement	(1667.94)	-	(28.22)	-	-	(1696.16)
Transfer in Level 3	0.00	0.00	0.00	6.15	-	6.15
Transfer from Level 3	-	-	-	-	-	0.00
Interest income	167.32	6.26	21.72	-	-	195.30
Fair value changes	-	(8.68)	0.00	(6.15)	-	(14.83)
Closing Balance	**-**	**42.99**	**143.06**	**-**	**-**	**186.05**
Unrealised gain (loss) at year-end	-	10.57	12.42	(6.15)	(16.00)	0.84

(₹ in Crores)

Particulars	For the Year ended 31st March 2020				
	FVTPL			FVOCI	Total
	Investment in Perpetual Bonds	Investment in Preference Shares	Investment in OCDs	Investment in Equity Shares	
Opening Balance	**1,556.87**	**-**		**-**	**1,556.87**
Received in Loan Settlement *(Refer Note 10.3)*	-	32.42		-	32.42
Settlement	(224.50)	-		-	(224.50)
Transfer from Level 3	-	-		-	-
Interest income	168.25	1.50		-	169.75
Fair value changes	-	11.49		-	11.49
Closing Balance	**1,500.62**	**45.41**		**-**	**1,546.03**
Unrealised gain (loss) at period-end	0.62	12.99		(16.00)	(2.39)

Refer Note No. 11.4 for Investment in equity shares measured at Fair Value through Other Comprehensive Income (FVOCI) derecognised during the period

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56.3 Fair value of instruments measured at amortised cost

Fair value of instruments measured at amortised cost for which fair value is disclosed is as follows, these fair values are calculated using Level 3 inputs:

(₹ in Crores)

Particulars	As at 31-03-2021		As at 31-03-2020	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and cash equivalents	1,179.24	1,179.24	1,717.71	1,717.71
Bank balances (other than cash and cash equivalents)	2,223.58	2,223.58	2,257.45	2,257.45
Trade receivables	140.07	140.07	109.07	109.07
Loans	365,261.49	366,843.62	312,083.50	311,112.33
Investments	1,083.90	1,096.95	55.03	62.13
Other financial assets	24,419.88	24,421.76	22,101.32	22,097.09
Total	**394,308.16**	**395,905.22**	**338,324.08**	**337,355.78**
Financial liabilities				
Trade payables	61.51	61.51	46.15	46.15
Debt securities	237,269.11	235,683.50	219,918.25	212,067.96
Borrowings (other than debt securities)	85,507.36	85,562.85	61,550.66	61,991.40
Subordinated liabilities	6,946.89	7,610.21	4,819.65	5,028.88
Other financial liabilities	26,222.35	26,222.35	23,782.21	23,782.21
Total	**356,007.22**	**355,140.42**	**310,116.92**	**302,916.60**

Valuation methodologies of financial instruments not measured at fair value

Below are the methodologies and assumptions used to determine fair values for the above financial instruments which are not recorded and measured at fair value in the Company's financial statements. These fair values were calculated for disclosure purposes only. The below methodologies and assumptions relate only to the instruments in the above tables:

Financial assets and liabilities

For financial assets and financial liabilities that have a short-term maturity (less than twelve months), the carrying amounts, which are net of impairment, are a reasonable approximation of their fair value. Such instruments include: cash and balances, Trade receivables, Contract assets, balances other than cash and cash equivalents, trade payables and contract liability without a specific maturity.

Loans and advances to customers

Fair values of loan assets are calculated using a portfolio-based approach, grouping loans as far as possible into homogenous groups based on similar characteristics. The Company then calculates and extrapolates the fair value to the entire portfolio, using discounted cash flow models that incorporate interest rate estimates considering all significant characteristics of the loans. Where such information is not available, the Company uses historical experience and other information used in its collective impairment models.

Financial assets at amortised cost

The fair values of debt securities measured at amortised cost are estimated using a discounted cash flow model based on contractual cash flows using actual or estimated yields and discounting by yields incorporating the counterparties' credit risk.

Issued debt

The fair values of the Company fixed interest-bearing debt securities, borrowings and subordinated liabilities are determined by applying discounted cash flows ('DCF') method, using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31st March 2021 was assessed to be insignificant.

Investment in Govt. Securities (G-SEC) and State Development Loan (SDL)

The Company has made investments in G-Sec and SDL in order to maintain sufficient High Quality Liquid Assets as per RBI guidelines. The market price of Government of India securities and state development loan is available as at reporting date and accrued interest from last coupon date to the reporting date is added to market price.

CONSOLIDATED NOTES TO ACCOUNTS

Investment in PSU Bonds

The Company has made investments in PSU Bonds in order to maintain sufficient High Quality Liquid Assets as per RBI guidelines. The company has computed fair value using market inputs i.e., Yield of G-Sec bonds for similar remaining maturity or credit rating wise spread for PSUs for remaining maturity as per industry practice.

All other debt securities, borrowings and subordinated liabilities availed by the Company are variable rate facilities which are subject to changes in underlying Interest rate indices. Further, the credit spread on these facilities are subject to change with changes in Company creditworthiness. The management believes that the current rate of interest on these loans are in close approximation from market rates applicable to the Company. Therefore, the management estimates that the fair value of these borrowings are approximate to their respective carrying values.

57 Disclosure under Micro, Small and Medium Enterprises Development Act, 2006:

(₹ in Crores)

Particulars	As at 31.03.2021	As at 31.03.2020
Principal amount remaining unpaid as at the period end	0.01	0.15
Interest due thereon remaining unpaid as at the period end	-	-
Interest paid by the company in terms of Section 16 of MSME Development Act, 2006 along with the amount of the payment made to the supplier beyond the appointed day during the period	-	-
Interest due and payable for the period of delay in making payment but without adding the interest specified under MSME Development Act, 2006.	-	0.14
Interest accrued and remaining unpaid as at the period end	0.53	0.53
Further interest remaining due and payable even in the succeeding years, until such date when the interest due as above are actually paid to the small entereprises.	-	-

58 Related Party Disclosures :

58.1 List of Related Parties

(1) Key Managerial Personnel

Sh. Sanjay Malhotra	Chairman & Managing Director w.e.f 9th November, 2020
Sh. Ajeet Kumar Agarwal	Chairman & Managing Director and Director (Finance) upto 31st May 2020
Sh. Sanjeev Kumar Gupta	Chairman & Managing Director (from 1st June, 2020 to 8th Novemeber, 2020) and Director (Technical)
Sh. Ajoy Choudhury	Director (Finance) w.e.f 1st June 2020
Sh. Praveen Kumar Singh	PFC Nominee Director (Non-executive Director)
Sh. Mritunjay Kumar Narayan	Govt. Nominee Director upto 5th November, 2020
Sh. Tanmay Kumar	Govt. Nominee Director w.e.f 5th November, 2020
Sh. J.S. Amitabh	Executive Director & Company Secretary

(2) Ultimate Holding Company

Power Finance Corporation Ltd.

(3) Associate Companies of REC Power Distribution Company Limited

Dinchang Transmission Limited (under process of strike off)

Chandil Transmission Limited

Koderma Transmission Limited

Dumka Transmission Limited

CONSOLIDATED NOTES TO ACCOUNTS

Mandar Transmission Limited

Kallam Transmission Limited (incorporated on 28th May 2020)

Fatehgarh Bhadla Transco Limited (incorporated on 2nd June 2020)

Gadag Transmission Limited (incorporated on 2nd June 2020)

Rajgarh Transmission Limited (incorporated on 6th June 2020)

Bidar Transmission Limited (incorporated on 8th June, 2020)

Sikar new Transmission Limited (incorporated on 11th June 2020)

MP Power Transmission Package-I Limited (incorporated on 4th August 2020)

MP Power Transmission Package-II Limited (incorporated on 20th August 2020)

Ramgarh new Transmission Limited (incorporated on 26th June 2020 and transferred to Power Grid Corporation of India Limited on 9th March, 2021)

(4) Joint Ventures

Energy Efficiency Services Limited (EESL)

Creighton Energy Limited (through EESL)

EESL EnergyPro Assets Limited (through EESL)

EPAL Holdings Limited (through EESL)

Edina Acquisition Limited (through EESL)

Anesco Energy Services South Limited (through EESL)

Edina Limited (through EESL)

Edina Australia Pty Limited (through EESL)

Edina Power Services Limited (through EESL)

Stanbeck Limited (through EESL)

Edina UK Limited (through EESL)

Edina Power Limited (through EESL)

Armoura Holdings Limited (through EESL)

Edina Manufacturing Limited (through EESL)

EPSL Trigeneration Pvt. Limited (through EESL)

Convergence Energy Services Limited (through EESL)

NEESL Private Limited

Intellismart Infrastructure Private Limited

Energy Efficiency Services Co. Limited, Thailand

EESL Energy Solutions LLC, UAE

(5) Post-employment Benefit Plan Trusts

REC Limited Contributory Provident Fund Trust

REC Gratuity Fund

REC Employees' Superannuation Trust

REC Retired Employees' Medical Trust

(6) Society registered for undertaking CSR Initiatives

REC Foundation

CONSOLIDATED NOTES TO ACCOUNTS

(7) Companies in which Key Managerial Personnel are Directors

NHPC Limited (Related Party since 4th November, 2020)

SJVN Limited (Related Party since 4th November, 2020)

Kholongchhu Hydro Energy Limited (Related Party since 4th November, 2020)

(8) Below mentioned related parties of the Ultimate Holding Company are also considered as related parties of REC:

(a) Key Managerial Personnel of Ultimate Holding Company

Sh. Rajeev Sharma	Chairman & Managing Director (upto 31st May 2020)
Sh Ravinder Singh Dhillon	Director (Projects) upto 31st May, 2020, Chairman & Managing Director w.e.f. 1st June, 2020
Sh. Naveen Bhushan Gupta	Director (Finance) upto 30th June 2020
Smt. Parminder Chopra	Director (Finance) w.e.f. 1st July, 2020
Sh. Praveen Kumar Singh	Director (Commercial) & Additional Charge Director (Projects)
Sh Mritunjay Kumar Narayan	Govt. Nominee Director upto 4th November, 2020
Sh. Tanmay Kumar	Govt. Nominee Director w.e.f. 4th November, 2020
Smt. Gouri Chaudhury	Part Time Non-Official Independent Director upto 2nd November, 2020
Sh Ram Chandra Mishra	Part Time Non-Official Independent Director
Shri Manohar Balwani	Company Secretary

(b) Subsidiary Companies of Ultimate Holding Company

PFC Consulting Limited (PFCCL)

Power Equity Capital Advisors (Pvt) Limited (PECAP) -Struck off from the Register of Companies and dissolved vide MCA Notice no-ROC/DELHI/248(2)/ STK-7/10148 dated 30.06.2020)

(c) Associate Companies of Ultimate Holding Company

Bihar Infra Power Limited

Bihar Mega Power Limited

Cheyyur Infra Limited

Chhatisgarh Surguja Power Limited (under process of strike off)

Coastal Karnataka Power Limited (under approval for winding up)

Coastal Maharashtra Mega Power Limited (under process of strike off)

Coastal Tamilnadu Power Limited

Deogarh Infra Limited

Deogarh Mega Power Limited

Ghogarpalli Integrated Power Co. Limited

Jhakarand Infra Power Limited

Odisha Infrapower Limited

Orissa Integrated Power Limited

Sakhigopal Integrated Power Co. Limited

Tatiya Andhra Mega Power Limited (under process of striking off)

Ananthpuram Kurnool Transmission Limited (through PFFCL- incorporated on 13th May, 2020)

Bhadla Sikar Transmission Limited (through PFFCL- incorporated on 17th May, 2020)

Bijawar-Vidhrbha Transmission Limited (through PFFCL- under approval for closure)

CONSOLIDATED NOTES TO ACCOUNTS

Bikaner-II Bhiwadi Transco Limited (through PFFCL- incorporated on 12th May, 2020, sold on 25th March 2021)

Karur Transmission Limited (through PFFCL- incorporated on 20th November, 2019)

Khetri-Narela Transmission Limited (through PFFCL- incorporated on 15th May, 2020)

Koppal-Narendra Transmission Limited (through PFFCL- incorporated on 18th November, 2019)

Shongtong Karcham-Wangtoo Transmission Limited (through PFFCL- under process of strike off)

Sikar-II Aligarh Transmission Limited (through PFFCL- incorporated on 17th May, 2020)

Tanda Transmission Company Limited (through PFFCL- under process of strike off)

VAPI-II North Lakhimpur Transmission Ltd. (through PFFCL- transferred to Sterlite Grid Limited on 23rd June, 2020)

(d) Post-employment Benefit Plan Trusts of Holding Company

PFC Employees Provident Fund Trust
PFC Employees Gratuity Trust
PFC Defined Contribution Pension Scheme 2007
PFC Ltd. Superannuation Medical Fund

(e) Other Companies in which Key Managerial Personnel of Ultimate Holding Company are Directors

PTC India Limited
Punatsangchhu-I, Hydroelectric Project Authority in Bhutan
Punatsangchhu-II, Hydroelectric Project Authority in Bhutan
Mangdechhu Hydroelectric Project Authority in Bhutan

58.2 Amount due from/ to the related parties :

(₹ in Crores)

Particulars	As at 31-03-2021	As at 31-03-2020
Power Finance Corporation Ltd.		
Loan Repayable on Demand	3000.49	0
Associates		
Loans to associates	13.45	9.33
Payables	0.08	0.68
Post-employment Benefit Plan Trusts		
Debt Securities	8.70	8.70
Debt Securities- Holding Company	19.90	19.90
Other financial liabilities- GOI Serviced Bonds	29.30	29.30
Other financial liabilities- Others	9.00	0.38
Other financial assets	-	4.21
Post-employment Benefit Plan Trusts of Ultimate Holding Company		
Debt Securities	4.10	4.10
Key Managerial Personnel		
Debt Securities	0.15	0.10
Staff Loans & Advances	0.28	0.33
Key Managerial Personnel of Ultimate Holding Company		
Debt Securities	0.12	0.12
REC Foundation		
Other non financial Assets	1.54	0.92

CONSOLIDATED NOTES TO ACCOUNTS

58.3 Transactions with the related parties :

(₹ in Crores)

Particulars	Year ended 31-03-2021	Year ended 31-03-2020
Power Finance Corporation Ltd.		
Dividend Paid	1,143.44	1,143.44
Directors' Sitting Fee	0.10	0.02
Loan Repayable on Demand raised	3,000.00	-
Finance Cost	0.49	-
Post-employment Benefits Plan Trusts		
Contributions made by the Company during the year	1.50	31.78
Subscription to the bonds of Company	-	5.70
Subscription to GOI Serviced Bonds	-	-
Subscription to the bonds of Holding Company	-	1.40
Finance Costs - Interest Paid	0.74	1.70
Post-employment Benefits Plan Trusts of Ultimate Holding Company		
Subscription to the bonds of Company	-	-
Finance Costs - Interest Paid	0.38	0.33
Key Managerial Personnel		
Staff Loans & Advances	-	-
Interest Income on Staff Loans	-	0.01
Finance Cost	0.01	0.02
Employee Benefits Expense - Managerial Remuneration	3.21	2.45
Directors' Sitting Fee	-	0.17
Key Managerial Personnel of Ultimate Holding Company		
Finance Cost	-	0.01
REC Foundation		
Payment towards Corporate Social Responsibility (CSR) Expenses	90.00	152.49

58.4 Terms and conditions of transactions with related parties

The transactions with the related parties are being made at arm's length basis. The remuneration and the staff loans to Key Managerial Personnel are in line with the service rules of the Company. The finance costs paid to the related parties are on account of their investments in the debt securities of the Company and the Term loan repayable on demand taken from the holding company. The interest rate payable on such debt securities is uniformally applicable to all the bondholders. Further, the term loan repayable on demand taken from the holding company was raised at the prevailing market rate. The Company also makes advances to its subsidiary companies on account of apportionment of establishment and administrative expenses, which are recovered on quarterly basis. Even while the outstanding balances of subsidiary companies at the year-end are unsecured, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is made on the basis of short-term realisation of the advances so given.

58.5 Managerial Remuneration

The details of remuneration to Key Managerial Personnel (KMP) during the year is as below:

(₹ in Crores)

Particulars		Year ended 31-03-2021	Year ended 31-03-2020
(i)	Short-term employee benefits	3.01	2.25
(ii)	Post employment benefits	0.20	0.20
(iii)	Other long-term benefits		-
	Total	**3.21**	**2.45**

As the liabilities for the gratuity and compensated absence are provided on an actuarial basis for the Company as a whole rather than each individual employee, the amounts pertaining specifically to KMP are not known and hence, not included in the above table. Gratuity and compensated absence, are included based on actual payment in respective year based in the above table.

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58.6 During the year, the company has raised short term loan repayable on demand from the Power Finance Corporation Limited (Holding Company) amounting to ₹ 3,000 crores. The Loan has been raised at a rate of 4% p.a., which is comparable with other short term borrowings/ loan repayable on demand raised by the company. The loan has since been fully repaid as on the date of the signing of the financial statements.

58.7 Disclosure in respect of entities under the control of the same government (Government related entities)

List of Government related entities

The Company had transactions with the following government related entities during the year:

Bhartiya Rail Bijlee Company Ltd

Bhilai Electric Supply Company Ltd.

Bihar Grid Company Ltd

Damodar Valley Corporation

Nabinagar Power Generating Co. Pvt. Ltd.

Neyveli Uttar Pradesh Power Ltd

NTPC Tamil Nadu Energy Company Ltd.

Patratu Vidut Utpadan Nigam Ltd.

THDC India Ltd.

Singareni Collieries Company Limited

Aggregate transactions with such government related entities are as under:

(₹ in Crores)

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
Disbursement of Loans	2,837.27	1,437.18
Interest income recognised	2,178.00	2,139.65

Aggregate balance outstanding from such government related entities are as under:

(₹ in Crores)

Particulars	As at 31-03-2021	As at 31-03-2020
Loan Assets	22,649.28	21,612.09
Interest Accrued	7.73	248.04

Refer Note No. 12, 21.2.(i), 23 and 35 in respect of material transactions with the Central Govt.

59 Disclosures in respect of Ind AS 116 'Leases'

With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and right of use assets. The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment.

The Company has leases for office building, warehouses, Office equipment and related facilities. Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublease the asset to another party, the right-of-use asset can only be used by the Company. Some leases contain an option to extend the lease for a further term. The Company is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings and other premises the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Company is required to pay maintenance fees in accordance with the lease contracts.

CONSOLIDATED NOTES TO ACCOUNTS

A. Lease payments not included in measurement of lease liability

The expense relating to payments not included in the measurement of the lease liability is as follows:

(₹ in Crores)

Particulars	Year ended 31-03-2021	Year ended 31-03-2020
Short-term leases	15.48	12.84
Leases of low value assets	-	0.02
Variable lease payments	-	-
Total	**15.48**	**12.86**

B. Cash outflow for leases

(₹ in Crores)

Particulars	Year ended 31-03-2021	Year ended 31-03-2020
Short-term leases	15.51	12.89
Leases of low value assets	-	0.02
Payment of lease liabilities	0.81	0.88
Total	**16.32**	**13.79**

C. Set out below are the carrying amounts of lease liabilities and the movements during the year:

(₹ in Crores)

Particulars	Year ended 31-03-2021	Year ended 31-03-2020
Opening Balance	**2.12**	**2.76**
Finance Cost accrued during the year	0.11	0.29
Payments made during the year	(0.84)	(0.93)
Reassement of lease liability	(1.34)	-
Closing Balance	**0.05**	**2.12**

D. The table below provides details regarding the contractual maturities of undiscounted lease liabilities:

(₹ in Crores)

Particulars	Year ended 31-03-2021	Year ended 31-03-2020
Upto 1 year	0.02	1.00
1-5 years	0.04	1.43
More than 5 years	-	-

E. Extension and termination options

There are several lease contracts that include extension and termination options which are further discussed below.

The Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgment in determining whether these extension and termination options are reasonably certain to be exercised.

The Company has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

Critical judgments in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

CONSOLIDATED NOTES TO ACCOUNTS

60 Disclosures for Employee Benefits as required under Ind AS 19 'Employee Benefits':

60.1 Defined Contribution Plans

A. Provident Fund

The Company pays fixed contribution of Provident Fund at pre-determined rates to a separate trust registered under The Provident Fund Act, 1925 which invests the funds in permitted securities. The trust must declare the rate of interest on contribution to the members based upon the returns earned on its investments during the year, subject to minimum interest rate prescribed by Employees' Provident Fund Organisation. Any shortfall for payment of interest to members as per specified rate of return has to be compensated by the Company. The Company estimates that no liability will arise in this regard in the near future and hence, no further provision is considered necessary.

In case of RECPDCL, there is no separate trust and the companies makes provident fund contributions to defined contribution plans.

B. Defined Contribution Superannuation Scheme

The Company pays fixed contribution towards superannuation scheme at pre-determined rates to NPS Trust which invests the funds in the permitted securities. The balance with the NPS Trust/ separate trust includes the monthly contributions in the members' account along with the accumulated returns. When the pension becomes payable to the member, the amount standing to the credit of the member is appropriated towards the member's accumulation and annuities, as opted for by the member is allotted.

The Group has recognised an expense of ₹ 13.87 crores (previous year ₹ 15.42 Crores) towards defined contribution plans

60.2 Defined Benefit Plans - Post-Employment Benefits

A. Gratuity

The Company has a defined gratuity scheme which is managed by a separate trust. Every employee who has rendered continuous service of five years or more is entitled to gratuity at 15 days salary for each completed year of service subject to a maximum of ₹ 0.20 crores on superannuation, resignation, termination, disablement or on death, considering the provisions of the Payment of Gratuity Act, 1972, as amended. The liability of Gratuity is recognized on the basis of actuarial valuation.

Net Defined Benefit (Asset)/ Liability

(₹ in Crores)

Particulars	As at 31.03.2021	As at 31.03.2020
Present value of Defined benefit obligation	32.44	36.82
Fair Value of Plan Assets	30.25	35.47
Net Defined Benefit (Asset)/ Liability	2.19	1.35

Movement in net defined benefit (asset)/ liability

(₹ in Crores)

Particulars	Defined Benefit Obligation		Fair Value of Plan Assets		Net Defined Benefit (Asset)/ Liability	
	Year ended 31-03-2021	Year ended 31-03-2020	Year ended 31-03-2021	Year ended 31-03-2020	Year ended 31-03-2021	Year ended 31-03-2020
Opening Balance	**36.82**	**42.41**	**35.47**	**44.15**	**1.35**	**(1.74)**
Included in profit or loss						
Current service Cost	1.93	2.27	-	-	1.93	2.27
Interest cost / income	2.28	2.95	2.38	3.40	-0.10	-0.45
Total amount recognised in profit or loss	**4.21**	**5.22**	**2.38**	**3.4**	**1.83**	**1.82**
Included in OCI						
Re-measurement loss (gain)						
- Actuarial loss (gain) arising from changes in financial assumptions	(0.49)	1.82	-	-	(0.49)	1.82
- Actuarial loss (gain) arising from changes in demographic assumptions	-	-	-	-	-	-
- Actuarial loss (gain) arising from Experience adjustments	0.58	(0.89)	-	-	0.58	(0.89)

CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

Particulars	Defined Benefit Obligation		Fair Value of Plan Assets		Net Defined Benefit (Asset)/ Liability	
	Year ended 31-03-2021	Year ended 31-03-2020	Year ended 31-03-2021	Year ended 31-03-2020	Year ended 31-03-2021	Year ended 31-03-2020
Return on plan assets excluding interest income	-	-	(0.33)	(0.41)	0.33	0.41
Total amount recognised in OCI	**0.09**	**0.93**	**(0.33)**	**(0.41)**	**0.42**	**1.34**
Contribution by participants	-	-	-	-	-	-
Contribution by employers	-	-	1.42	0.06	(1.42)	(0.06)
Benefits paid	(8.68)	(11.74)	(8.69)	(11.73)	0.01	(0.01)
Closing Balance	**32.44**	**36.82**	**30.25**	**35.47**	**2.19**	**1.35**

B. Post Retirement Medical Facility (PRMF)

The Company has Post Retirement Medical Facility under which the entitled retired employees and their dependent family members are covered as per Company Rules. The scheme is funded by the Company and is managed by separate trust. The liability towards the same is recognized on the basis of actuarial valuation.

Net Defined Benefit (Asset)/ Liability

(₹ in Crores)

Particulars	As at 31.03.2021	As at 31.03.2020
Present value of Defined benefit obligation	151.69	136.42
Fair Value of Plan Assets	144.06	140.64
Net Defined Benefit (Asset)/ Liability	7.63	(4.22)

Movement in net defined benefit (asset)/ liability

(₹ in Crores)

Particulars	Defined Benefit Obligation		Fair Value of Plan Assets		Net Defined Benefit (Asset)/ Liability	
	Year ended 31-03-2021	Year ended 31-03-2020	Year ended 31-03-2021	Year ended 31-03-2020	Year ended 31-03-2021	Year ended 31-03-2020
Opening Balance	**136.42**	**129.77**	**140.64**	**97.99**	**-4.22**	**31.78**
Included in profit or loss						
Current service Cost	2.90	2.80	-	-	2.90	2.80
Interest cost / income	**8.94**	**9.73**	**9.45**	**7.55**	**-0.51**	**2.18**
Total amount recognised in profit or loss	**11.84**	**12.53**	**9.45**	**7.55**	**2.39**	**4.98**
Included in OCI						
Re-measurement loss (gain)						
- Actuarial loss (gain) arising from changes in financial assumptions	(5.20)	18.85	-	-	(5.20)	18.85
-Actuarial loss (gain) arising from Experience adjustments	19.94	(15.32)	-	-	19.94	(15.32)
Return on plan assets excluding interest income	-	-	1.64	3.32	(1.64)	(3.32)
Total amount recognised in OCI	**14.74**	**3.53**	**1.64**	**3.32**	**13.10**	**0.21**
Contribution by employers	-	-	0.08	31.78	(0.08)	(31.78)
Benefits paid	(11.31)	(9.41)	(7.75)	-	(3.56)	(9.41)
Closing Balance	**151.69**	**136.42**	**144.06**	**140.64**	**7.63**	**(4.22)**

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C. Economic Rehabilitation Scheme (ERS)

The Company has an Economic Rehabilitation Scheme (ERS) to support the family financially in case of permanent disability/ death of an employee during the service tenure. This scheme is unfunded and the liability is determined based on actuarial valuation.

Net Defined Benefit (Asset)/ Liability for ERS

(₹ in Crores)

Particulars	As at 31.03.2021	As at 31.03.2020
Present value of Defined benefit obligation		
- ERS	4.13	4.25

Movement in net defined benefit (asset)/ liability for ERS

(₹ in Crores)

Particulars	Year ended 31-03-2021	Year ended 31-03-2020
Opening Balance	**4.25**	**3.69**
Included in profit or loss		
Current service Cost	0.20	0.16
Interest cost / income	0.25	0.26
Total amount recognised in profit or loss	**0.45**	**0.42**
Included in OCI		
Re-measurement loss (gain)		
- Actuarial loss (gain) arising from changes in financial assumptions	0.02	0.34
- Actuarial loss (gain) arising from Experience adjustments	0.73	0.99
Total amount recognised in OCI	**0.75**	**1.33**
Benefits paid	(1.32)	(1.19)
Closing Balance	**4.13**	**4.25**

60.2.1 Risk exposure

Through its defined benefit plans, the Company is exposed to a number of risks, the most significant of which are detailed below:

(i) Asset volatility

Most of the plan asset investments are in government securities, other fixed income securities with high rating grades and mutual funds. The fair value of these assets is subject to volatility due to change in interest rates and other market and macro-economic factors.

(ii) Changes in discount rate

The present value of defined benefit plan liabilities is calculated using a discount rate which is determined by reference to market yields at the end of the reporting period. A decrease in discount rate will increase present values of defined benefit obligations, although this will be partially offset by an increase in the value of the plans' investments.

(iii) Longevity risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

(iv) Salary risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

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60.2.2 Plan Assets

The fair value of plan assets at the end of reporting period for each category, are as follows:

(₹ in Crores)

Particulars	Gratuity		PRMF	
	As at 31-03-2021	As at 31-03-2020	As at 31-03-2021	As at 31-03-2020
Cash & Cash Equivalents	**0.01**	**0.93**	**1.90**	**3.40**
Unquoted Plan Assets				
Corporate Bonds/ Debentures	-	-	142.16	137.24
Others - Insurer managed funds & T-bills	30.24	34.54	-	-
Sub-total - Unquoted Plan Assets	**30.24**	**34.54**	**142.16**	**137.24**
Total	**30.25**	**35.47**	**144.06**	**140.64**

Actual return on plan assets is ₹ 13.14 crores (previous year ₹ 13.86 crores).

60.2.3 Significant Actuarial Assumptions

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out as at March 31, 2021 by M/s Transvalue Consultants. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method. The principal assumptions used for actuarial valuations are:-

(₹ in Crores)

Particulars	Gratuity		PRMF		ERS	
	Year ended 31-03-2021	Year ended 31-03-2020	Year ended 31-03-2021	Year ended 31-03-2020	Year ended 31-03-2021	Year ended 31-03-2020
Method Used	**PUCM**	**PUCM**	**PUCM**	**PUCM**	**PUCM**	**PUCM**
Discount Rate & Expected Return on Plan Assets, if funded	6.99%	6.72%	6.99%	6.72%	6.99%	6.72%
Future Salary Increase / medical inflation	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Expected average remaining working lives of employees (years)	16.03	15.41	16.03	15.41	16.03	15.41

The Principle assumptions are the discount rate, salary growth rate and expected average remaining working lives of employees. The discount rate is generally based on the market yields available on govt. bonds at the reporting date with a term that matches the liabilities and the salary growth rate takes account of inflation, seniority, promotions and other relevant factors as long term basis. The above information is certified by the Actuary.

60.2.4 Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

(₹ in Crores)

Particulars	As at 31-03-2021		As at 31-03-2020	
	Increase	Decrease	Increase	Decrease
Discount rate (0.50% movement)				
- Gratuity	(0.90)	0.97	(0.77)	0.94
- PRMS	(11.14)	11.66	(10.02)	10.48
- ERS	(0.15)	0.17	(0.15)	0.17
Salary Escalation Rate (0.50% movement)				
- Gratuity	0.14	(0.13)	0.14	(0.11)
- PRMS	-	-	-	-
- ERS	0.15	(0.14)	0.16	(0.14)
Medical inflation Rate (0.50% movement)				
- PRMS	10.83	(10.44)	9.74	(9.39)
Medical Cost (10% movement)	-	-	-	-
- PRMS	15.56	(14.92)	13.99	(13.42)

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The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

The Company actively monitors how the duration and expected yield of investments are matching the expected cash outflows arising from employee benefit obligations. Investments are well diversified, such that the failure of any single investment would not have a material impact on overall level of assets. There has been no change in the process used by the Company to manage its risks from prior periods.

60.2.5 Expected maturity analysis of the defined benefit plans in future years

(₹ in Crores)

Particulars	Gratuity		PRMF		ERS	
	As at 31-03-2021	As at 31-03-2020	As at 31-03-2021	As at 31-03-2020	As at 31-03-2021	As at 31-03-2020
Less than 1 year	7.87	11.95	12.20	9.89	1.19	1.26
From 1 to 5 years	20.81	15.95	72.60	47.71	3.00	2.83
Beyond 5 years	31.10	32.68	285.02	231.09	3.19	5.35
Total	**59.78**	**60.58**	**369.82**	**288.69**	**7.38**	**9.44**

60.2.6 Expected contribution for the next year.

(₹ in Crores)

Particulars	Gratuity		PRMF		ERS	
	Year ended 31-03-2021	Year ended 31-03-2020	Year ended 31-03-2021	Year ended 31-03-2020	Year ended 31-03-2021	Year ended 31-03-2020
Expected contribution	3.98	3.29	10.91	-	-	-

The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 12.54 years (as at 31.03.2020 - 12.57 years).

60.3 Other Long-term Employee Benefits

60.3.1 Earned Leave and Half Pay Leave

REC provides for earned leave benefit and half-pay leave benefit to the credit of the employees, which accrues on half-yearly basis at 15 days and 10 days respectively. A maximum of 300 days of earned leave can be accumulated at any point of time during the service, while there is no limit for accumulation of half pay leave. In case of RECPDCL, the Employees are entitled for Leave Encashment after completion of one year of service only and amount is paid in full, at the time of separation. The liability for the same is recognised on the basis of actuarial valuation. Total expenses amounting to ₹ 4.55 crore (Previous period ₹ 8 crore) have been made towards these employee benefits and debited to the Statement of Profit and Loss on the basis of actuarial valuation.

60.3.2 Other employee benefits

Expenses towards long service award and settlement allowance amounting to ₹ 0.76 crore (previous year ₹ 0.93 crore) have been debited to the Statement of Profit and Loss on the basis of actuarial valuation.

In case of RECPDCL, the Loyalty incentive to the employees is payable after completion of three years of continuous service only, except in case of separation due to death. The payment of dues to outgoing employee is released at the time of separation. Expenses amounting to ₹ 0.20 crore (Previous year ₹ 0.15 crore) have been debited to the Statement of Profit and Loss on the basis of actuarial valuation.

61 Status of Documentation Subsequent to Unbundling of SEBs

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.

Status of Documentation Subsequent to Reorganisation of the State of Jammu & Kashmir

After the bifurcation of the State of Jammu & Kashmir into two Union Territories (UTs) – Jammu & Kashmir UT and Ladakh UT,

CONSOLIDATED NOTES TO ACCOUNTS

the existing entities pertaining to the erstwhile state of J&K have been restructured vide unbundling order dated 23rd October 2019. The addendums to the agreements with new restructured departments are yet to be executed. Pending the execution of such documentation, the existing loans for Generation, T&D and Govt. schemes are being serviced / repaid in line with the existing loan agreements.

Status of Documentation Subsequent to Reorganisation of the State of Andhra Pradesh

Subsequent to the reorganisation of erstwhile State of Andhra Pradesh, the state of Telangana has been formed on 2 June 2014. However, the assets and liabilities are yet to be transferred to the respective power utilities through a formal Gazette Notification.

Status of Documentation is as under:

(i) Where ever the loans have been sanctioned to erstwhile APCPDCL, APNPDCL and APGENCO prior to bifurcation and documentation has not been done, these schemes have been re-sanctioned in the name of newly formed utilities and documentation formalities completed and accordingly the charge has been registered with the Ministry of Corporate Affairs (MCA).

(ii) Where ever the loans sanctioned in the name of erstwhile APCPDCL, APNPDCL prior to bifurcation and documentation formalities completed and drawls have been made, in these schemes an undertaking has been obtained from the name changed / newly formed utility and disbursements have been made to the newly formed utility by changing the name of the borrower in the name of new / name changed utility.

(iii) Where ever the Loan is sanctioned in the name of erstwhile APCPDCL, APNPDCL prior to bifurcation and documentation formalities completed with Government Guarantee and drawls have been made, further documentation for these schemes shall be done on Gazette Notification.

(iv) Once the final transfer scheme is notified through Gazette Notification by Govt, duly indicating the transfer of assets and liabilities among the power utilities, action for execution of documentation formalities will be taken up in respect of all the outstanding loans with the new / name changed utilities. Till that time, the demand for payment of interest / principal is being segregated by the Utilities and the respective portions are being paid by Utilities in Telangana and Andhra Pradesh.

62 The Company's operations comprise of only one business segment - lending loans to power sector companies engaged in construction of power plants and in generation, supply, distribution and transmission of electricity: in the context of reporting business/ geographical segment as required by Ind AS 108 - Operating Segments. Based on "management approach" as defined in Ind AS 108 Operating Segments, the Chief Operating Decision Maker evaluates the Company's performance based on analysis of various factors of one business segment.

62.1 Information about Revenue from major products and services

(₹ in Crores)

Particulars		Year ended 31-03-2021	Year ended 31-03-2020
(A)	Income from Loan Assets	34,364.47	29,441.76
(B)	Fee for Implementation of Govt. Schemes	33.67	19.52
(C)	Income from Management of Short-term Surplus Funds	185.42	81.95
(D)	Revenue from sale of services	163.65	182.11
	Total	**34,747.21**	**29,725.34**

62.2 The Group does not have any reportable geographical segment as the primary operations of the Group are carried out within the country.

62.3 No single borrower has contributed 10% or more to the Company's revenue during the financial year 2020-21 and 2019-20

63 Subsidiaries, joint venture and associates considered for consolidation

A. Wholly owned subsidiaries of the Company:

Name of entity	Place of business/ country of incorporation	Ownership interest held by the Group	
		As at 31-03-21	As at 31-03-20
REC Transmission Projects Company Limited (RECTPCL)	India	0%	100%
REC Power Distribution Company Limited (RECPDCL)	India	100%	100%

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B. Joint venture

(₹ in Crores)

Name of entity	Place of business/ country of incorporation	Ownership interest/ Carrying Amount held by the Group**	
		As at 31-03-21	As at 31-03-20
Energy Effiency Services Limited (EESL)*	India		
Ownership interest		22.18%	22.18%
Carrying Amount**		257.74	258.47

** The financial statements for FY 2020-21 and FY 2019 20 are un-audited and certifed by the management and have been considered for Consolidated Financial Statements of the Group. The figures appearing in the financial statements may change upon completion of the audit.*

*** Quoted price of the investment is not available, as the equity shares of the Company are not listed on stock exchanges.*

C. Associates

Name of entity	Place of business/ country of incorporation	Ownership interest held by the Group	
		As at 31-03-21	As at 31-03-20
Dinchang Transmission Limited	India	0.00%	100.00%
Chandil Transmission Limited	India	100.00%	100.00%
Dumka Transmission Limited	India	100.00%	100.00%
Mandar Transmission Limited	India	100.00%	100.00%
Koderma Transmission Limited	India	100.00%	100.00%
Kallam transmission Limited (Earlier Osmanabad Maharashtra Line)	India	100.00%	-
Bidar Transmission Limited (Earlier Bidar Karnataka Line)	India	100.00%	-
Gadag Transmission Limited (Earlier Gadag Karnataka Part A Line)	India	100.00%	-
Fatehgarh Bhadla Transco Limited (Earlier Solar Energy Rajasthan Part B Line)	India	100.00%	-
Sikar New transmission Limited (Earlier Solar Energy Rajasthan Part C Line)	India	100.00%	-
Rajgarh Transmission Limited (Earlier Rajgarh Madhya Pradesh Line)*	India	100.00%	-
MP Power Transmission Package-I Limited	India	100.00%	-
MP Power Transmission Package-II Limited	India	100.00%	-
Ramgarh New Transmission Limited (Earlier Solar Energy Rajasthan Part A Line)*	India	-	-

*** The above SPV has been sold during the year**

Note: The above investments are managed as per the mandate from Government of India (GoI) and the Company does not have the practical ability to direct the relevant activities of these Companies unilaterally. The Company therefore, considers its investment in respective Companies as associates having significant influence despite the Company holding 100% of their paid-up equity share capital.

CONSOLIDATED NOTES TO ACCOUNTS

D Joint venture accounted for using equity method

Summarised financial position of EESL

(₹ in Crores)

Particulars	As at 31st March, 2021*	As at 31st March, 2020*
Financial assets		
Cash and cash equivalents	211.55	177.73
Bank balances (other than cash and cash equivalents)	526.60	409.41
Other financial assets	3,726.54	3,564.63
Sub-Total	**4,464.69**	**4,151.77**
Non Financial assets	5,098.01	4,957.51
Total assets	**9,562.70**	**9,109.28**
Financial Liabilities	8,215.53	7,554.35
Non Financial Liabilities	213.33	373.84
Total liabilities	**8,428.86**	**7,928.19**
Net assets	**1,133.84**	**1,181.09**

** Based on unaudited standalone financial position of the joint venture*

Summarised financial performance of EESL

(₹ in Crores)

Particulars	For the year ended 31st March 2021*	For the year ended 31st March 2020*
A. Income		
Revenue from operations	1,471.85	2,487.72
Other income	58.43	87.80
Total (A)	**1,530.28**	**2,575.52**
B. Expenses		
Finance costs	328.50	354.85
Depreciation, amortization and impairment	533.05	511.17
Purchasae of stock-in-trade	245.98	1,051.86
Change in inventories	23.93	59.39
Other expenses	354.87	519.23
Total (B)	**1,486.32**	**2,496.50**
C. Share of net profits/(losses) of joint ventures accounted for using equity method	-	-
D. Profit before tax (A-B+C)	**43.96**	**79.02**
E. Tax Expense	11.09	(3.32)
F. Profit for the period (C-D)	**32.87**	**82.34**
G. Other comprehensive income/ (Loss)	**(0.29)**	**(21.60)**
H.Total comprehensive income (F+G)	**32.58**	**60.74**
Dividends received from EESL	-	2.10

** Based on unaudited standalone financial position of the joint venture*

CONSOLIDATED NOTES TO ACCOUNTS

Reconciliation to carrying amount of Energy Efficient Services Limited:

(₹ in Crores)

Particulars	For the year ended March 31, 2021*	For the year ended March 31, 2020*
Opening net assets	**1,211.05**	**874.58**
Impact of cumulative opening adjustments due to subsequent audit	(33.99)	(4.65)
Share application money - adjusted		
Increase in Share capital	-	308.12
Profit for the period	32.87	44.92
Other comprehensive income(net of taxes)*	(0.29)	(0.48)
Add: Share application pending allotment		
Less: Transaction cost arising on issue of equity shares, net of tax		
Less: Dividend distributed	-	(9.49)
Less: Dividend distribution tax	-	(1.95)
Closing net assets	**1,209.64**	**1,211.05**
Less: Non- Controlling interest in the consolidated financial statements of EESL	(47.65)	(45.76)
Equity attributable to owners	**1,161.99**	**1,165.29**

**Movement has been made considering the unaudited standalone financial statements.*

Change in carrying amount of investments in EESL

(₹ in Crores)

Particulars	As at March 31, 2021	As at March 31, 2020
Group share %	22.18%	22.18%
Group's share in Networth	257.74	258.47
Carrying amount of investment in financial statements	257.74	258.47

Contingent liabilities of EESL

(₹ in Crores)

	Particulars	As at March 31, 2021*	As at March 31, 2020**
(A)	Claims against the Company not acknowledged as debts	Refer Note below*	78.76
(B)	Taxation Demands		
(C)	Others		
	- Letters of Credit		150.88
	- Guarantees		249.98
	Total Contingent Liabilities		**479.62**
	Share of joint venture's contingent liabilities incurred jointly with other investors		106.38

**Details of Contingent Liability of EESL as on 31.03.2021 is not available and hence not presented in the table above*

***Details of Contingent Liability of EESL as on 31.03.2020 have been updated based on audited consolidated financial statements for that year.*

CONSOLIDATED NOTES TO ACCOUNTS

64 Disclosures in respect of Entities Consolidated as required under Schedule III to the Companies Act, 2013

64.1 Share in Net Assets i.e. Total Assets minus Total Liabilities

(₹ in Crores)

Name of the Entity	As at March 31, 2021		As at March 31, 2020	
	As % of Consolidated Net Assets	Amount	As % of Consolidated Net Assets	Amount
Parent				
REC Limited	99.23%	43,426.37	99.10%	35,076.56
Subsidiaries - Indian				
REC Power Distribution Company Limited	0.68%	297.99	0.48%	168.20
REC Transmission Projects Company Limited	-	-	0.32%	112.61
Joint Venture - Indian				
Energy Efficiency Services Limited	0.59%	257.74	0.73%	258.47
Associates - Indian				
Chandil Transmission Limited	-	0.05	-	0.05
Dumka Transmission Limited	-	0.05	-	0.05
Mandar Transmission Limited	-	0.05	-	0.05
Koderma Transmission Limited	-	0.05	-	0.05
Kallam transmission Limited (Earlier Osmanabad Maharashtra Line)	-	0.05	-	
Bidar Transmission Limited (Earlier Bidar Karnataka Line)	-	0.05	-	
Gadag Transmission Limited (Earlier Gadag Karnataka Part A Line)	-	0.05	-	
Fatehgarh Bhadla Transco Limited (Earlier Solar Energy Rajasthan Part B Line)	-	0.05	-	
Sikar New transmission Limited (Earlier Solar Energy Rajasthan Part C Line)	-	0.05	-	
Rajgarh Transmission Limited (Earlier Rajgarh Madhya Pradesh Line)	-	0.05	-	
MP Power Transmission Package-I Limited	-	0.05	-	
MP Power Transmission Package-II Limited	-	0.05	-	
Adjustments or eliminations effect	-0.50%	**(218.77)**	-0.62%	**(219.61)**
Total	100.00%	**43,763.93**	100.00%	**35,396.43**

Share in profit and loss

₹ in Crores)

Name of the Entity	Year ended 31-03-2021		Year ended 31-03-2020	
	As % of Consolidated Net Profit	Amount	As % of Consolidated Net Profit	Amount
Parent				
REC Limited	99.80%	8,361.78	98.27%	4,886.16
Subsidiaries - Indian				
REC Power Distribution Company Limited	0.31%	25.62	0.25%	12.47
REC Transmission Projects Company Limited	-	-	1.09%	54.44
Joint Venture - Indian				
Energy Efficiency Services Limited	-0.02%	-1.97	0.18%	9.14
Associates - Indian	-	-	-	-
Adjustments or eliminations effect	-0.09%	(7.19)	0.20%	10.06
Total	**100.00%**	**8,378.24**	**100.00%**	**4,972.27**

CONSOLIDATED NOTES TO ACCOUNTS

Share in Other Comprehensive Income

(₹ in Crores)

Name of the Entity	Year ended 31-03-2021		Year ended 31-03-2020	
	As % of Consolidated Other Comprehensive Income	Amount	As % of Consolidated Other Comprehensive Income	Amount
Parent				
REC Limited	99.73%	456.52	99.27%	(549.79)
Subsidiaries - Indian				
REC Power Distribution Company Limited	-	-	-	-
REC Transmission Projects Company Limited	-	-	-	-
Joint Venture - Indian				
Energy Efficiency Services Limited	0.27%	1.24	0.73%	(4.06)
Associates - Indian	-	-	-	-
Adjustments or eliminations effect	-	-	-	-
Total	**100.00%**	**457.76**	**100.00%**	**(553.85)**

Share in Total Comprehensive Income

(₹ in Crores)

Name of the Entity	Year ended 31-03-2021		Year ended 31-03-2020	
	As % of Consolidated Total Comprehensive Income	Amount	As % of Consolidated Total Comprehensive Income	Amount
Parent				
REC Limited	99.80%	8,818.30	87.21%	4,336.37
Subsidiaries - Indian				
REC Power Distribution Company Limited	0.29%	25.62	0.25%	12.47
REC Transmission Projects Company Limited	0.00%	-	1.09%	54.44
Joint Venture - Indian				
Energy Efficiency Services Limited	-0.01%	(0.73)	0.10%	5.08
Associates - Indian	-	-	-	-
Adjustments or eliminations effect	-0.08%	(7.19)	0.20%	10.06
Total	**100.00%**	**8,836.00**	**100.00%**	**4,418.42**

65 Amounts expected to be recovered/ settled within 12 months and beyond for each line item under asset and liabilities

(₹ in Crores)

	Particulars	As at 31-03-2021		As at 31-03-2020	
		Within 12 months	More than 12 months	Within 12 months	More than 12 months
	ASSETS				
(1)	**Financial Assets**				
(a)	Cash and cash equivalents	1,179.24	-	1,717.71	-
(b)	Bank balances other than (a) above	2,222.36	1.22	2,257.45	-
(c)	Trade receivables	140.07	-	109.07	-
	(II) Other receivables	-	-	-	-
(d)	Derivative financial instruments	258.94	2,052.28	1,180.60	2,138.25
(e)	Loans	36,576.91	328,684.58	28,989.11	283,094.39
(f)	Investments	38.10	1,685.58	1,501.45	625.66
(g)	Other financial assets	280.26	24,139.62	466.59	21,634.73
	Total - Financial Assets (1)	**40,695.88**	**356,563.28**	**36,221.98**	**307,493.03**

CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

Particulars		As at 31-03-2021		As at 31-03-2020	
		Within 12 months	More than 12 months	Within 12 months	More than 12 months
(2)	**Non-Financial Assets**				
(a)	Current tax assets (net)	-	168.92	-	409.94
(b)	Deferred tax assets (net)	-	2,461.03	-	2,050.57
(c)	Investment Property	-	0.01	-	0.01
(d)	Property, Plant & Equipment	-	260.70	-	156.97
(e)	Capital Work-in-Progress	-	335.67	-	287.62
(f)	Intangible Assets Under Development	-	0.77	-	0.77
(g)	Other Intangible Assets	-	6.15	-	8.82
(h)	Other non-financial assets	93.83	8.84	81.96	50.41
(i)	Investments accounted for using equity method	-	257.74	-	258.47
	Total - Non-Financial Assets (2)	**93.83**	**3,499.83**	**81.96**	**3223.58**
(3)	**Assets classified as held for sale**	**14.05**	**-**	**9.53**	**-**
	Total ASSETS (1+2+3)	**40,803.76**	**360,063.11**	**36,313.47**	**3,10,716.61**
	LIABILITIES				
(1)	**Financial Liabilities**				
(a)	Derivative financial instruments	73.13	773.18	58.63	1,267.10
(b)	Trade Payables				
	(I) Trade payables				
	(i) total outstanding dues of MSMEs	0.01	-	0.15	-
	(ii) total outstanding dues of creditors other than MSMEs	61.50	-	46.00	-
	(II) Other payables				
	(i) total outstanding dues of MSMEs	-	-	-	-
	(ii) total outstanding dues of creditors other than MSMEs	-	-	-	-
(c)	Debt Securities	45,055.83	192,213.28	48,573.11	171,345.14
(d)	Borrowings (other than debt securities)	27,509.52	57,997.84	19,381.60	42,169.06
(e)	Subordinated Liabilities	299.49	6,647.40	170.58	4,649.07
(f)	Other financial liabilities	2,111.72	24,110.63	2,171.72	21,610.49
	Total - Financial Liabilities (1)	**75,111.20**	**281,742.33**	**70,401.79**	**241,040.86**
(2)	**Non-Financial Liabilities**				
(a)	Current tax liabilities (net)	14.40	-	-	-
(b)	Provisions	62.65	42.03	67.96	39.13
(c)	Other non-financial liabilities	97.89	32.36	77.94	5.29
	Total - Non-Financial Liabilities (2)	174.94	74.39	145.90	44.42
(3)	Liabilities directly associated with assets classified as held for sale	0.08	-	0.68	-
	Total LIABILITIES (1+2+3)	**75,286.22**	**281,816.72**	**70,548.37**	**241,085.28**

Previous year figures have been reclassified/ regrouped to conform to the current classification.

CONSOLIDATED NOTES TO ACCOUNTS

66 There are no Off-Balance Sheet SPVs sponsored by the Company, which need to be consolidated as per accounting norms.

67 The disclosures as required under Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 have been made in Note No. 3, 9, 10, 11, 22.1, 29.1, 48, 51, 52.1.3 (O), 52.1.3 (S), 52.1.3 (T), 52.2.2, 52.3, 53, 55, 58, 66, 68, 69

68 No penalties have been levied on the Company by any regulator during the year ended 31st March 2021 (previous year Nil).

However, the Company has received notices from the National Stock Exchange of India Ltd. (NSE) vide its letter dated 20th August 2020, 8th September 2020, 17th November 2020 and 15th February 2021 and from BSE Ltd. (BSE) vide its mails dated 20th August 2020 and 8th September 2020 for payment of fine totalling to ₹ 49,44,200 (inclusive of GST) for non-compliance of the corporate governance requirements of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 regarding the position/quorum requirements of Board/ Committees.

The Company has requested the Stock Exchanges to waive the fine since the power to appoint Independent Directors is vested with President of India through the administrative Ministry as per Articles of Association of the Company and the Board of Directors or the Company cannot appoint Independent Directors on the Board of the Company. As such, there is no violation on the part of the Company in the appointment of Independent Directors. While the reply of the Stock Exchanges is still awaited, the Company is hopeful of favorable outcome of its request to the Stock Exchanges in line with the earlier waivers of fine by the Stock Exchanges for similar reasons.

69 No complaints have been received by the company from the borrowers under the Fair Practices Code during the year ended 31st March 2021 (previous year Nil).

70 Figures in Rupees have been rounded off to the nearest crores with two decimals, unless expressly stated.

The Notes to Accounts 1 to 70 are an integral part of Balance Sheet and Statement of Profit & Loss.

For and on behalf of the Board

J.S. Amitabh
ED & Company Secretary

Ajoy Choudhury
Director (Finance)
DIN - 06629871

Sanjay Malhotra
Chairman & Managing Director
DIN - 00992744

In terms of our Audit Report of even date

For S.K. Mittal & Co.
Chartered Accountants
Firm Reg. No.: 001135N

Gaurav Mittal
Partner
M.No. : 099387

For O.P. Bagla & Co. LLP.
Chartered Accountants
Firm Reg. No.: 000018N/N500091

Atul Aggarwal
Partner
M.No. : 092656

Place: New Delhi
Date: 28th May 2021

REC LIMITED (FORMERLY RURAL ELECTRIFICATION CORPORATION LIMITED)

Registered Office - Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi - 110003, CIN: L40101DL1969GOI005095

Annexure to be enclosed with Consolidated Balance Sheet as at 31st March 2021

(As prescribed by Reserve Bank of India)

(Particulars as required in terms of Paragraph 18 of Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, in so far as they are applicable to REC Ltd.)

(₹ in Crores)

Particulars		As at 31.03.2021		As at 31.03.2020	
		Amount Outstanding	Amount Overdue	Amount Outstanding	Amount Overdue
	LIABILITIES SIDE:				
(1)	**Loans and advances availed by the NBFC**				
	inclusive of interest accrued thereon but not paid:				
	(a) Debentures/ Bonds :				
	- Secured	35,534.72	-	39,957.71	-
	- Unsecured	209,508.98	-	182,833.33	-
	(b) Deferred Credits	-	-	-	-
	(c) Term Loans				
	- Secured Loans from Financial Institutions	-	-	-	-
	- Unsecured Loans from Govt. of India	10,325.12	-	10,326.81	-
	- Unsecured Loans from Banks	29,953.76	-	18,900.72	-
	- Unsecured Loans from Financial Institutions	5,800.00	-	1,000.00	-
	(d) Inter-corporate Loans and Borrowing	-	-	-	-
	(e) Commercial Paper	-	-	2,925.00	-
	(f) Other Loans	-	-	-	-
	- Foreign Currency Borrowings	21,060.17	-	21,813.83	-
	- FCNR(B) Loans	5,335.01	-	6,985.80	-
	- Short Term Loans/ Loans Repayable on Demand	10,201.99	-	2,755.92	-
	- Unsecured Loans from Holding Company	3,000.49	-	-	-
	- Finance Lease Obligations	0.05	-	2.12	-
	- Loans Repayable on Demand from Banks & FIs				

(₹ in Crores)

Particulars		As at 31.03.2021	As at 31.03.2020
	ASSETS SIDE :		
(2)	**Break-up of Loans and Advances including bills receivables**		
	(a) Secured	247,657.93	235,470.39
	(b) Unsecured	116,554.11	74,958.25
(3)	**INVESTMENTS :**		
	Current Investments:		
	Quoted:		
	(i) Shares : Equity	23.60	12.50
	Unquoted:		
	(i) Shares : (a) Preference	69.08	68.34
	(ii) Debentures and Bonds	292.16	-
	Long Term Investments:		
	Quoted:		
	(i) Shares : Equity	430.13	507.43
	(ii) Debentures and Bonds	259.63	1,532.72
	Unquoted:		
	(i) Shares : (a) Equity	257.74	258.47
	(ii) Government Securities	649.08	-
	(iii) Units of mutual funds		6.12

(4) Borrower Group-wise classification of assets financed in (2) above :

(₹ in Crores)

Particulars	AMOUNT NET OF PROVISIONS	
	Secured	Unsecured
As at 31-03-2021		
1. Related Parties		
(a) Subsidiaries	-	-
(b) Companies in the same Group	-	-
(a) Other related Parties	-	-
2. Other than Related Parties	**247,657.93**	**116,554.11**
Total	**247,657.93**	**116,554.11**
As at 31-03-2020		
1. Related Parties		
(a) Subsidiaries	-	-
(b) Companies in the same Group	-	-
(a) Other related Parties	-	-
2. Other than Related Parties	**235,470.39**	**74,958.25**
Total	**235,470.39**	**74,958.25**

(5) Investor group-wise classification of investments (current and long term) in shares and securities (both quoted and unquoted) :

(₹ in Crores)

Category	As at 31.03.2021		As at 31.03.2020	
	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
1. Related Parties				
(a) Companies in the same Group	257.74	257.74	258.47	258.47
2. Other than Related Parties	1,723.68	1,723.68	2,127.11	2,127.11
Total	**1,981.42**	**1,981.42**	**2,385.58**	**2,385.58**

(6) Other Information

(₹ in Crores)

Particulars	As at 31.03.2021	As at 31.03.2020	
(i) Gross Credit-impaired Assets			
(a) Related Parties	-	-	-
(b) Other than related Parties	18,256.93	-	21,255.55
(ii) Net Credit-impaired Assets			
(a) Related Parties	-	-	-
(b) Other than related Parties	6,465.62	-	10,703.42
(iii) Asset acquired in satisfaction of debts	**349.28**		**54.60**

For and on behalf of the Board

J.S. Amitabh
ED & Company Secretary

Ajoy Choudhury
Director (Finance)
DIN - 06629871

Sanjay Malhotra
Chairman & Managing Director
DIN - 00992744

In terms of our Audit Report of even date

For S.K. Mittal & Co.
Chartered Accountants
Firm Reg. No.: 001135N

Gaurav Mittal
Partner
M.No. : 099387

For O.P. Bagla & Co. LLP.
Chartered Accountants
Firm Reg. No.: 000018N/N500091

Atul Aggarwal
Partner
M.No. : 092656

Place: New Delhi
Date: 28th May 2021

FORM AOC-1

Statement containing salient features of the financial statements of Subsidiaries/ Associates/ Joint Ventures for the Year 2020-21

Part A: Subsidiaries

(₹ in Crores)

	Particulars	
1	**Name of the Subsidiary**	**REC Power Distribution Company Limited**
2	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	Not Applicable
3	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.	Not Applicable
4	Share capital	0.09
5	Reserves & Surplus	297.90
6	Total assets	662.79
7	Total Liabilities	364.80
8	Investments	91.06
9	Turnover	184.69
10	Profit/ (Loss) Before Taxation	32.62
11	Provision for Taxation	7.00
12	Profit/ (Loss) After Taxation	25.62
13	Proposed Dividend	-
14	% Shareholding	100.00%

(1) Name of subsidiaries which are yet to commence operations - Nil

(2) Names of subsidiaries which have been liquidated or sold during the year - Nill

Part B: Associates and Joint Ventures

Details of Associates

(₹ in Crores)

	Name of Associates	Bidar Transmission Limited*	Chandil Transmission Limited *	Dumka Transmission Limited *	Fatehgarh Bhadla Transco Limited*	Gadag Transmission Limited *	Kallam Transmission Limited #	Koderma Transmission Limited *	Mandar Transmission Limited *	MP Power Transmission Package I Limited #	MP Power Transmission Package II Limited #	Rajgarh Transmission Limited *	Sikar New Transmission Limited*
1	Latest audited Balance Sheet Date	31-Mar-21	31-Mar-21	31-Mar-21	31-Mar-21	31-Mar-21	31-Mar-20	31-Mar-21	31-Mar-21	31-Mar-20	31-Mar-20	31-Mar-21	31-Mar-21
2	Shares of Associate/ Joint Ventures held by the company on the year end												
	Number	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
	Amount of Investment in Associates/ Joint Venture	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
	Extent of Holding (%)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
3	Description of how there is significant influence	Refer Note 1											
4	Reason why the associate/joint venture is not consolidated	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
5	Networth attributable to Shareholding as per latest audited Balance Sheet	0.07	(2.15)	(2.09)	(0.67)	0.05	-	(1.92)	(1.87)	-	-	0.10	(0.54)
6	Profit / (Loss) for the year	0.02	(0.01)	(0.01)	(0.72)	(0.00)	(0.10)	(0.01)	(0.01)	(0.87)	(0.88)	0.05	(0.59)
i.	Considered in Consolidation **	-	-	-	-	-	-	-	-	-	-	-	-
ii.	Not Considered in Consolidation	0.02	(0.01)	(0.01)	(0.72)	(0.00)	(0.10)	(0.01)	(0.01)	(0.87)	(0.88)	0.05	(0.59)

* The figures for profit/(loss) are based on the audited standalone financial statements of the Associates for the year ended 31st March,2021.

The figures for profit/(loss) are based on the unaudited standalone financial statements of the Associates for the year ended 31st March,2021.

**Associates classified under held for sale and valued at cost or fair market value (less cost to sales) whichever is less, hence profit not considered.

Note : 1. The Group is holding 100% of shares but these investments are managed as per the mandate from Government of India and Group does not have the practical ability to direct the relevant activities of these companies unilaterally, hence treated as associate company.

Note : 2. One associate namely Ramgarh New Transmission Limited was transferred on 9th March, 2021.

Details of Joint Venture

(₹ in Crores)

Name of Joint Venture		Energy Efficiency Services Limited
1	Latest audited Balance Sheet Date	31-Mar-20
2	Shares of Associate/Joint Ventures held by the company on the year end	
	Number	218,100,000
	Amount of Investment in Associates/Joint Venture @	218.10
	Extent of Holding (%)	22.18%
3	Description of how there is significant influence	Holding 22.18% of shares and participation in management
4	Reason why the associate/joint venture is not consolidated	N.A.
5	Networth attributable to Shareholding as per latest audited Balance Sheet	250.51
6	Profit / Loss for the year *	
i.	Considered in Consolidation	(1.97)
ii.	Not Considered in Consolidation	Nil

* The figures are based on the unaudited standalone financial statements of the Joint Venture for the year ended 31st March, 2021.

(1) Names of associates or joint ventures which are yet to commence operations - NIL

(2) Names of associates or joint ventures which have been liquidated or sold during the year.

- One associate namely Ramgharh New Transmission Limited was transferred on 9th March, 2021.

For and on behalf of the Board

J.S. Amitabh
ED & Company Secretary

Ajoy Choudhury
Director (Finance)
DIN - 06629871

Sanjay Malhotra
Chairman & Managing Director
DIN - 00992744

In terms of our Audit Report of even date

For S.K. Mittal & Co.
Chartered Accountants
Firm Reg. No.: 001135N

Gaurav Mittal
Partner
M.No. : 099387

For O.P. Bagla & Co. LLP.
Chartered Accountants
Firm Reg. No.: 000018N/N500091

Atul Aggarwal
Partner
M.No. : 092656

Place: New Delhi
Date: 28th May 2021

INDEPENDENT AUDITORS' REPORT

To the Members of

REC Limited

Report on the Audit of the Consolidated Ind AS Financial Statements

Opinion

We have audited the accompanying consolidated Ind AS financial statements of REC Limited (hereinafter referred to as "the Holding Company") and its subsidiary (Holding Company and its subsidiary together referred to as "the Group") and jointly controlled entity ,which comprise the Consolidated Balance Sheet as at 31st March, 2021, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement for the year then ended, and notes to the consolidated Ind AS financial statements, including a summary of significant accounting policies (hereinafter referred to as "the Consolidated Ind AS Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated Ind AS financial statements give the information required by the Companies Act, 2013, ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of their consolidated state of affairs of the Group and its jointly controlled entity as at 31st March, 2021, of consolidated profit (including other comprehensive Income), consolidated changes in equity and its consolidated cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Ind AS Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by ICAI, and we have fulfilled our other ethical responsibilities in accordance with the provisions of the Act, 2013. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

1. We draw attention to Note No. 52.1.3 of the consolidated Ind AS financial statements regarding, the provision of impairment allowance in respect of its loan assets and Letters of Comfort . In this regard, we have relied upon the basis of determination of impairment allowance as mentioned above, in so far as it relates to technical aspects/parameters considered by independent agency and management judgement for ascertaining impairment allowance as management overlay.

2. We draw attention to Note No. 54 of the consolidated Ind AS financial statements regarding the impact of COVID-19 pandemic on the Company. Management is of the view that there are no reasons to believe that the pandemic will have any significant impact on the ability of the company to continue as a going concern. Nevertheless, the impact in sight of evolvement of pandemic in future period is uncertain and could impact the impairment allowance in future years.

Our opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated Ind AS financial statements of the current period. These matters were addressed in the context of our audit of the consolidated Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the following matters described below to be the key audit matters to be communicated in our report:

S. No.	Key Audit Matter	Auditor's Response
1.	**Impairment allowance of Loan Assets –** (Refer Note No. 52.1.3 to the consolidated Ind AS Financial Statements read with accounting policy No. 3.13) The Company follows a Board approved methodology wherein assessment for allowance is carried out by an external agency for impairment based on certain criterion/framework classifying the assets into various stages depending upon credit risk and level of evidence of impairment. Impairment allowance is measured as product of the Probability of Default, Exposure at Default and Loss Given Default being the key parameters for assessing the impairment allowance. The key indicators underlying for assessment of impairment allowance are appraised on an ongoing basis by the management. Further the management has adopted a methodology which in addition to the model adopted as above is further analyzed on case to case basis and wherever impairment impact need to be changed the same is considered in the financial statements. Since the company is an non banking finance company involved in business of financing and if any of the key parameter/criteria/assumptions mentioned as above is applied improperly, it can result in impacting the carrying value of loan assets materially either individually or collectively. In view of the significance of the amount of loan assets in the consolidated Ind AS Financial Statements i.e. 91.12% of total assets, the impairment of loan assets thereon has been considered as Key Audit Matter in our audit.	**We have applied following audit procedures in this regard** According to the provisions of Ind AS 109 "Financial Instruments", we have obtained the report of the third party and verified the criterion/framework with various regulatory updates alongwith Company's internal guidelines and procedures in respect of the impairment allowance. Verification of loan assets with respect to monitoring thereof for recovery/ performance aspects and assessment of the loan impairment. Recoveries are verified applying the standard audit procedures. Loan balances are confirmed and quality of the borrower is evaluated and tested with key control parameters. Assessment of performance of the loan assets is carried out on the basis of available documents comprising loan papers, financial data, valuation reports, progress report, periodical financial information, information on public domain, procedure applied by the management e.g. inspection of loans, physical verification, assessing borrower past records etc. Recoveries in the loan assets are verified to ascertain level of stress thereon and impact as impairment allowance on financial statement.. We have discussed with the management wherever underlying weakness is observed and management assessment is carried out in detail in such cases. Components and calculations in the study for impairment allowance carried out by third party are relied upon by us and test checks are carried out for the same. Such components are credit rating of borrowers, calculation of probability of default/loan given defaults etc. Our audit procedure in the same are limited in view of not sharing certain parameters of study being considered confidential by such third party. Further, the Management, pursuing a board approved methodology reviews the impairment allowance in the report of the third party and modified the impairment on case to case basis. We have obtained a detailed analysis from the management for such modification. Our audit procedure in this regard is constrained by the management appraisal and we have relied upon the same. Verification of the amount maintained as Impairment reserve in terms of Income Recognition, Assets classification and provisioning norms (IRACP) of Reserve Bank of India in pursuance of RBI Notification No. DOR (NBFC).CC.PD. No.109/22.10.106/2019-20 dated 13th March 2020.
2.	**Fair valuation of Derivative Financial Instruments** (Refer Note No. 9 to the consolidated Ind AS Financial Statements read with accounting policy No. 3.12) To mitigate the Company's exposure to foreign currency risk and interest rate risk, non-INR cash flows are monitored and derivative contracts are entered into in accordance with the Company's board approved risk management policies and RBI guidelines. The derivatives are measured at fair value as per Ind AS 109. The Company has applied hedge accounting requirements as per Ind AS 109 'Financial Instruments' wherein certain derivative contracts have been designated as hedging instruments in 'Cash flow hedge' relationships. These arrangements have been entered into to mitigate foreign currency exchange risk and interest rate risk arising from certain debt instruments denominated in foreign currency. Hedge accounting has resulted in significant impact on financial statements coupled with complexity of its accounting/assumptions and numerous parameters therein for establishing hedge relationship. Mark to market gain/loss on these derivatives are recognised in the other comprehensive income. In view of facts of the matter we have identified it as a key audit matter.	**We have applied following audit procedure in this regard** Discussing and understanding management's perception and studying policy of the company for risk management. Motive of derivative transactions are studies and observed underlying exposure is not more than the volume of derivatives. Verification of fair value of derivative in terms of Ind AS 109 Testing the accuracy and completeness of derivative transactions. Evaluation of management's key internal controls over classification, valuation, and valuation models of derivative instruments. Obtained details of various financial derivative contracts as outstanding/ pending for settlement as on 31st March 2021 from the Company. Verification of underlying assumptions in estimating the fair valuation arrived at for those financial derivative contracts. Reliance on reports evaluating the appropriateness of the valuation methodologies applied and testing the same on sample basis for the derivative instruments. We also obtained confirmations from the banks with whom such financial derivative contracts have been entered into and independently compared the valuation so arrived at by the contracting banks. Additionally, we have verified the accounting of gain/loss on mark to market basis in the other comprehensive income. Assessing whether the financial statement disclosures appropriately reflect the Company's exposure to derivatives valuation risks with reference to the requirements of the prevailing accounting standards and Reserve Bank of India Guidelines.

S. No.	Key Audit Matter	Auditor's Response
3.	**Modified audit procedures carried out in light of COVID-19 outbreak** (Refer Note No. 54 to the consolidated Ind AS Financial Statements) The SARS-COV-2 virus responsible for Covid-19 continues to spread across the Globe including India, which has resulted in a decline in economy activity and volatility in global and Indian financial markets. To curb the spread of COVID-19 pandemic, nation-wise lockdown and travel restrictions were imposed by various State Governments/local authorities during the financial year and our period of audit. Since the access to audit evidence in person/ physically was disrupted due to the unprecedented situation, the audit had to be conducted with modified audit procedures. We have identified such modified audit procedures as a key audit matter.	**We have applied following audit procedures in this regard** In scenario of lockdown and severe spread of the pandemic, the company facilitated carrying out audit remotely as physical access was restricted. As the physical access was not possible, necessary records/ reports/ documents/ certificates were made available to us by the company through digital medium/ emails and other application softwares. To this extent, the audit process was carried out on the basis of such documents, reports and records made available to us which were relied upon by us as audit evidence for conducting the audit and reporting for the year under audit. We modified our audit procedures as follows : a. Carried out the verification of scanned copies of the documents, certificates and the related records made available to us through emails. b. Making inquiries and gathering necessary audit evidence through video conferencing, dialogues and discussions over phone calls/ conference calls, emails and other similar communication channels. c. Resolution of our audit observations telephonically/ through emails instead of a face to face interaction with the designated officials. d. The situation of lockdown due to pandemic, may have impacted working/ reporting etc. of other professional e.g. third party agency submitting report of impairment allowance, independent valuers, internal auditors etc. and we have relied upon the same. e. Certain information/explanations we have relied upon during our audit were provided to us through verbal assertions by the company. f. In entire communication through various modes as mentioned hereinabove the records of the company which is confidential have been sent and, though utmost care has been taken as explained to us by encrypting such data, there are possibility of damage to such data in different ways. We have informed the company in this regard.

Information Other than the Consolidated Ind AS Financial Statements and Auditor's Report thereon

The Company's management and Board of Directors are responsible for the other information. The other information comprises the Directors' report, Corporate Governance report, Business responsibility report and Management Discussion and Analysis etc in the Annual report but does not include the consolidated Ind AS financial statements and our report thereon. Such other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated Ind AS financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated Ind AS financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated Ind AS financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read such other information if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Ind AS Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated Ind AS financial statements in term of the requirements of the Companies Act,2013 that give a true and fair view of the consolidated financial position, consolidated financial performance (including other comprehensive income), consolidated changes in equity and consolidated cash flows of the Group including its Jointly controlled entity in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended ,("Ind AS"). The respective Board of Directors of the companies included in the Group and of Jointly controlled entity are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group & its jointly controlled entity and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the Consolidated Ind AS Financial Statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated Ind AS financial statements, the respective Board of Directors of the companies included in the Group and its jointly controlled entity are responsible for assessing the ability of the Group and jointly controlled entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group and its jointly controlled entity are responsible for overseeing the financial reporting process of the Group and its jointly controlled entity.

Auditor's Responsibilities for the Audit of the Consolidated Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its jointly controlled entity to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated Ind AS financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Group and its jointly controlled entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated Ind AS financial statements, including the disclosures, and whether the consolidated Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its jointly controlled entity to express an opinion on the consolidated Ind AS financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated Ind AS financial statements of which we are the independent auditors. For the other entities included in the consolidated Ind AS financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated Ind AS financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit **subject to our audit procedures as referred in para 3 of key audit matters here in above.**

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated Ind AS financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

(a) We did not audit the financial statements of the subsidiary whose financial statements reflect total assets of ₹ 662.79 Crores (₹ 570.19 Crores as at 31st March 2020) as at 31st March 2021, total revenues of ₹ 184.69 Crores (Previous year ₹ 222.17 Crores) and net cash flows amounting to ₹ -0.93 Crores (Previous year ₹ 0.63 Crores) for the year ended on that date, as considered in the Consolidated Ind AS Financial Statements. The Consolidated Ind AS Financial Statements also include the subsidiary's share of net profit after tax of ₹ 25.62 crores (Previous Year ₹ 66.91 crores) and total comprehensive income of ₹ 25.62 crores (Previous Year ₹ 66.91 crores) as considered in the Consolidated Ind AS Financial Statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of the subsidiary, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary, is based solely on the reports of the other auditors.

(b) The Consolidated Ind AS Financial Statements also include the jointly controlled entity's share of net profit after tax of ₹ -1.97 crores (Previous Year ₹ 9.14 crores) and total comprehensive income of ₹ - 0.73 crores (previous year ₹ 5.08 crores) using equity method for the year ended 31st March 2021 as considered in the Consolidated Ind AS Financial Statements. This financial information have been furnished to us by the Management and our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of the jointly controlled entity, and our report in terms of sub-sections (3) and sub section (11) of Section 143 of the Act in so far as it relates to the aforesaid jointly controlled entity, is based solely on such financial information. In our opinion and according to the information and explanations given to us by the Management, the jointly controlled entity's share of net profit and total comprehensive income and disclosures included in respect of this joint venture in these consolidated Ind AS financial statements is not material to the Group.

Our opinion on the consolidated Ind AS financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements/financial information certified by the Management.

Report on Other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report, to the extent applicable, that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid Consolidated Ind AS Financial Statements.

(b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid Consolidated Ind AS Financial Statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.

(c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, Consolidated Changes in Equity and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the Consolidated Ind AS Financial Statements.

(d) In our opinion, the aforesaid Consolidated Ind AS Financial Statements comply with the Accounting Standards specified under Section 133 of the Act.

(e) Vide Notification No. G.S.R. 463(E) dated 5th June, 2015 issued by Ministry of Corporate Affairs, Government Companies have been exempted from applicability of the provisions of Section 164(2) of the Companies Act, 2013.

(f) With respect to the adequacy of the internal financial controls with reference to the Consolidated Ind AS Financial Statements of the Group and Jointly controlled entity and the operating effectiveness of such controls, refer to our separate report in **"Annexure-A"**; and

(g) Pursuant to Notification no. GSR463(E) dated dated 5th June 2015 issued by the Ministry of Corporate Affairs, provisions of Section 197 of the Act are not applicable to the holding/subsidiaries/jointly controlled company being government companies.

(h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of report of the other auditors on separate Ind AS financial statements as also the other financial information of the subsidiary and joint venture:

i) The Consolidated Ind AS Financial Statements disclose the impact of pending litigations on the consolidated financial position of the Group and its jointly controlled entity- Refer Note 47.1 to the Consolidated Ind AS Financial Statements;

ii) The Group and its jointly controlled entity do not have any material foreseeable losses on long term contracts including derivative contracts.

iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary company and its jointly controlled entity incorporated in India.

M/s S.K. Mittal & Co.
Chartered Accountants,
ICAI Firm Registration: 001135N

Name : Gaurav Mittal
Designation : Partner
Membership Number : 099387
UDIN : 21099387AAAAEA8358

M/s O.P. Bagla & Co. LLP.
Chartered Accountants,
ICAI Firm Registration: 000018N/N500091

Name : Atul Aggarwal
Designation : Partner
Membership Number : 092656
UDIN : 21092656AAAACR5923

Place : New Delhi
Date : 28th May 2021

ANNEXURE-A TO THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE CONSOLIDATED IND AS FINANCIAL STATEMENTS OF REC LIMITED

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated Ind AS financial statements of the Company as of and for the year ended 31st March 2021, we have audited the internal financial controls over financial reporting of REC Limited (hereinafter referred to as "the Holding Company") and its subsidiary company and jointly controlled entity, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company, its subsidiary company and its jointly controlled entity, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Group and its jointly controlled entity considering the essential components of internal control stated in the "Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI)". These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors of the subsidiary, incorporated in India, in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system with reference to consolidated Ind AS financial statements.

Meaning of Internal Financial Controls over Financial Reporting

A Group's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Group's internal financial control over financial reporting includes those policies and procedures that:

(1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Group;

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Group; and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Group's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the holding company, its subsidiary and jointly controlled entity, which are companies incorporated in India, have, in all material aspects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as of 31st March 2021, based on the internal control over financial reporting criteria established by the Group considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

We have considered the areas of improvement identified which needs further strengthening as reported above in determining the nature, timing, and extent of audit tests applied in our audit of the 31st March 2021 Consolidated Ind AS financial statements of the Group and its jointly controlled entity. However, these areas of improvement do not affect our opinion on the operating effectiveness of the Internal Financial Control over financial reporting of the Group and its jointly controlled entity.

Other Matters

Our aforesaid reports under Section 143(3) (i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to the subsidiary company which is incorporated in India, is based on the corresponding reports of the auditors of such company.

Our aforesaid reports under Section 143(3) (i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to one jointly controlled entity, which is a company incorporated in India, whose financial information is unaudited and our opinion on the adequacy and operating effectiveness of the internal financial controls with reference to consolidated Ind AS financial statements of the Group is not affected as the Group's share of net profit (including Other Comprehensive Income) and disclosures included in respect of this jointly controlled entity in these consolidated Ind AS financial statements are not material to the Group.

Further, we have considered the disclosure reported above in determining the nature, timing and extent of audit tests applied in our report of the financial statements of the Group, and the above disclosure does not affect our opinion on the operating effectiveness of the Internal Financial Control over financial reporting of the Group.

M/s S.K. Mittal & Co.
Chartered Accountants,
ICAI Firm Registration: 001135N

Name : Gaurav Mittal
Designation : Partner
Membership Number : 099387
UDIN : 21099387AAAAEA8358

M/s O.P. Bagla & Co. LLP.
Chartered Accountants,
ICAI Firm Registration: 000018N/N500091

Name : Atul Aggarwal
Designation : Partner
Membership Number : 092656
UDIN : 21092656AAAACR5923

Place : New Delhi
Date : 28th May 2021

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DTC PAYING AGENT, EXCHANGE AGENT, REGISTRAR AND TRANSFER AGENT
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