



Expanding Horizons Generating Growth



P. Uma Shankar
Chairman & Managing Director

Excerpts from the Chairman's speech at the 39th Annual General Meeting held on 24th September 2008

Ladies and Gentlemen,
I extend a very warm welcome to all the shareholders on the occasion of the Thirtieth Annual General Meeting of the Company.

INITIAL PUBLIC OFFER (IPO)

The financial year 2007-08 has been a landmark year in the history of Rural Electrification Corporation Limited (REC). The Company went for a maiden Public Offer of 15,61,20,000 Equity Shares in February 2008, which comprised fresh issue of 7,80,60,000 Equity Shares by the Company and an Offer for Sale of another equal number of Shares by the President of India. The Initial Public Offer (IPO) got a phenomenal response and was oversubscribed by about 27 times. REC raised a total amount of Rs. 819.63 crore through the IPO to meet its expanding funding operations. Consequent to the IPO, the Shareholding of the Government of India has reduced from 100% to 81.82%, the balance 18.18% being held by the public. In the process of the IPO, many employees of your Company have also become proud owners by subscribing to the shares of the Company. The Company was listed on the National Stock Exchange of India Ltd. and the Bombay Stock Exchange Ltd. on 12th March 2008.

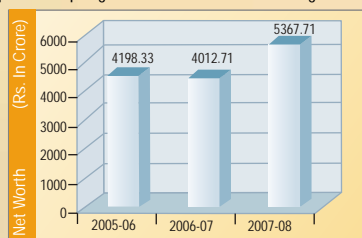
Such an overwhelming response to the IPO would not have been possible without your unstinted support and I express the Company's gratitude to all the enlightened investing community, including the Qualified Institutional Buyers and the High Networth Individuals, in recognising the consistent growth record, profitability and the strong fundamentals of the Company, and reposing confidence in its future growth potential too, especially at a time when the capital market was passing through a very vulnerable and volatile phase. Your Company has now transformed into a Global Player with a large number of investors in India and abroad.

NAVRATNA STATUS

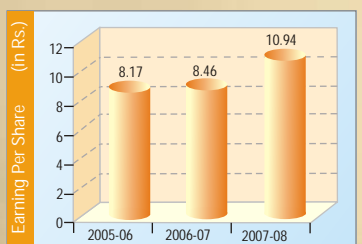
There was yet another historic achievement for your Company in May 2008 when it was conferred "Navratna" Status by the Government of India. This is the highest recognition for any Central Public Sector Enterprise (CPSE) and only a few selected CPSEs in the country enjoy this elite status.

REC IN RETROSPECT

Set up in July 1969 primarily to finance rural electrification schemes in the country to accelerate the pace of rural electrification in the overall context of planned programmes for increased agricultural



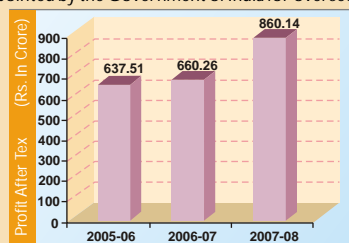
production, your Company has come a long way by expanding its mandate of financing to power generation, transmission and distribution projects, without any territorial or other restrictions. The Company has recorded exponential growth over the years, by sanctioning cumulatively Rs. 1,79,526 crore and disbursing Rs. 75,243 crore upto 31st March 2008. The network of the Company as on 31st March, 2008 was Rs.5367.71 crore with Earning Per Share of Rs.10.94.



RGVY

The other challenge is the Rajiv Gandhi Grameen Vidyutikaran Yojana (RGVY), launched by the Government of India in April 2005, for the attainment of the National Common Minimum Programme goal of providing access to electricity to all households in five years. The RGVY programme aims at electrification of 1.15 lakh unelectrified villages

and providing free connections to 2.34 crore rural below poverty line (BPL) households. REC is the nodal agency appointed by the Government of India for overseeing this



ambitious programme wherein the Government funds 90 percent of the programme by way of grant and the remaining 10 percent is provided by REC as loan.

PERFORMANCE HIGHLIGHTS

It is heartening to note that during the year 2007-08 under review, your Company has registered robust performance, creating an all-time record in all key operational parameters. The amount of loans sanctioned increased by 63% over the previous year to Rs. 46,770 crore from Rs. 28,630 crore, excluding Grants under RGGVY. The amount of disbursements increased by 19% to Rs. 16,304 crore from Rs. 13,733 crore, which included Grants under RGGVY. The recoveries increased by 37% to Rs. 9,042 crore from Rs. 6,585 crore. The operating income increased by 27% to Rs. 3,378 crore from Rs. 2,652 crore. The Profit before tax increased by 30% to Rs. 1,312.42 crore from Rs. 1,006.19 crore. Similarly, the Profit after tax also increased by 30% to Rs. 860.15 crore from Rs. 660.26 crore.

DIVIDEND

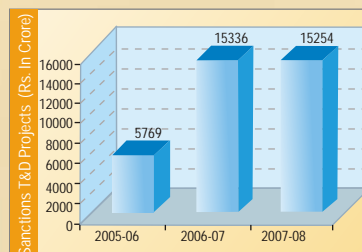
After making necessary appropriations towards statutory reserves, your directors have recommended payment of dividend @ 30% (i.e. Rs. 3 per equity share of Rs. 10 each) with a total dividend pay-out of Rs. 257.59 crore for the year 2007-08, against Rs. 177 crore for the previous year.

RESOURCE MOBILISATION

Besides raising Rs. 819.63 crore from the Public Issue of shares, the Company mobilised Rs. 8,377.23 crore from the market during the year 2007-08 to meet its funding operations. The domestic debt instruments of REC continued to enjoy "AAA" rating i.e. the highest rating assigned by CRISIL, CARE, FITCH and ICRA Credit Rating Agencies. REC also enjoys international credit rating equivalent to sovereign rating of India from International Credit Rating Agencies.

FINANCING T & D

In the conventional areas of financing, REC has ramped up its level of involvement, in the recent years, in creating new infrastructure and improving the power transmission and distribution networks. In addition, loan assistance to power utilities under system improvement portfolio have helped strengthen and improve Transmission, Sub-transmission and Distribution Systems in the country, reduce A T & C losses, improve voltage profile and bring down instances of failure of

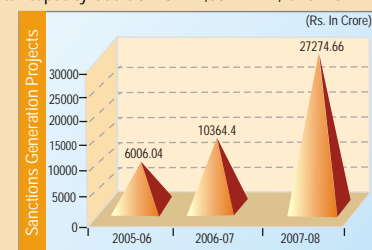


Distribution transformers leading to improved reliability and quality of power supply to consumers. The Company's bulk financing schemes have enabled power utilities to take up large scale installation / replacement of meters in order to meet the target of 100% metering set by the Government. Your Company has thus been fully supporting the state power utilities under its various loan portfolios to achieve the country's objectives of (a) providing power for all by the year 2012, (b) reducing the A T & C losses, (c) expanding and strengthening the transmission network, and (d) modernising the distribution system.

FINANCING GENERATION

From the year 2002, REC has diversified into financing of Generation projects in a big way for creation of new generation capacity. REC currently finances Thermal energy power generation projects, Hydro energy power generation projects as well as Renovation, Modernisation

and Life extension schemes in the public sector, joint sector and private sector. Cumulatively upto the end of the year 2007-08, your Company has sanctioned 23 Hydro projects with a total loan outlay of Rs. 8,102 crore for total capacity addition of 6,000 MW, 50 Thermal projects with a total loan outlay of Rs. 47,894 crore for total capacity addition of 22,559 MW, and 26 R & M



projects with a total loan outlay of Rs.1,269 crore. Cumulatively, the Company has sanctioned till the end of the year 2007-08 Rs. 57,265 crore which involves capacity addition of 28,559 MW of power.

CORPORATE GOVERNANCE

As a listed Company, REC complies with all the requirements of Corporate Governance as stipulated in the Listing Agreement as well as the provisions notified by the Department of Public Enterprises, Government of India, in this regard.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Your Company has recently formulated a policy on CSR and allocated specific budget provision for its implementation. The Company has contributed a sum of Rs. 10 Lakh during the year 2007-08 as a part of Corporate Social Responsibility to National Foundation for Communal Harmony (NFCH), an autonomous organisation of the Government of India, engaged in promoting and undertaking activities for fostering communal and national integration and brotherhood in the country.

Further, recently Company promptly contributed Rs. 2.5 Crores to the Prime Minister's Relief Fund to reach out to the hapless victims of the ravages of Kosi River in Bihar which includes employees' contribution of one day's salary for the flood affected.

MOU WITH MINISTRY OF POWER

Your Company's performance has been rated as "Excellent", in terms of annual MOUs signed with the Government of India in the Ministry of Power, for the 14th year in succession for the financial year 2006-07. For the year 2007-08 also, the Company has reached new milestones in sanctions and disbursements and it is poised again for "Excellent" rating.

WAY FORWARD

The power sector will continue to provide one of the biggest avenues to participate in the development of India's infrastructure. The demand for power and the associated transmission and distribution systems is likely to be higher than what most current estimates show. Many traditional as well as non-traditional opportunities will emerge across the entire value chain. Winning in the sector will require crafting business models tailored to meet the emerging opportunities. Our efforts in this direction will not only contribute to the wellbeing of more than one billion of our countrymen but in the process pave the way for your Company to become one of the largest financing companies in the world, adding value to the investors who have reposed immense confidence in us.

ACKNOWLEDGEMENTS

I convey my special thanks to all the stakeholders of the Company for extending their valuable support and cooperation.

With best wishes,

New Delhi
24th Sept., 2008

(P. Uma Shankar)
Chairman & Managing Director

(This does not purport to be a record of the proceedings of the Annual General Meeting)

Rural Electrification Corporation Limited

(A Government of India Enterprise)
Core-4, SCOPE Complex, 7 Lodhi Road, New Delhi-110 003,
Tel. : 24365161, Fax: 24360644, E-mail: recorp@recl.nic.in.
Website: www.recindia.nic.in