





REC Power Distribution Company Limited			
Balance Sheet as at 31 March, 2020			
(All amounts in ₹ lakhs, unless stated otherwise)			
Particulars	Notes	As at 31 March, 2020	As at 31 March, 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	374.59	237.71
Other Intangible assets	5	2.00	3.51
<b>Financial assets</b>			
Investments	6	1,581.14	1,580.67
Loans	7	15.94	15.29
Current tax assets (net)	8	1,526.63	1,589.03
Deferred tax assets (net)	9	1,543.12	1,146.71
Other non current assets	10	2.96	4.81
<b>Total non current assets</b>		<b>5,046.38</b>	<b>4,577.72</b>
<b>Current assets</b>			
<b>Financial assets</b>			
Trade receivables	11	9,694.50	11,482.75
Cash and cash equivalents	12	2,281.08	4,019.56
Other bank balances	13	10,303.36	32,795.07
Loans	14	50.53	54.83
Other financial assets	15	2,096.58	1,364.02
Other current assets	16	1,556.25	1,208.50
<b>Total current assets</b>		<b>25,982.30</b>	<b>50,924.73</b>
<b>TOTAL ASSETS</b>		<b>31,028.68</b>	<b>55,502.45</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	17	5.00	5.00
Other equity	18	16,815.06	15,567.79
<b>Total equity</b>		<b>16,820.06</b>	<b>15,572.79</b>
<b>Non-current liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	19	113.24	-
Other financial liabilities	20	119.08	24.39
Provisions	21	31.88	50.19
Other non-current liabilities	22	41.99	-
<b>Total non-current liabilities</b>		<b>306.19</b>	<b>74.58</b>
<b>Current liabilities</b>			
<b>Financial liabilities</b>			
Trade payables	23	14.60	265.19
(a) total outstanding dues of micro enterprises and small enterprises; and		4,873.06	6,600.15
(b) total outstanding dues of creditors other than micro enterprises and small enterprises.			
Other financial liabilities	24	8,408.86	32,130.28
Other current liabilities	25	591.84	849.65
Provisions	26	14.07	9.81
<b>Total current liabilities</b>		<b>13,902.43</b>	<b>39,855.08</b>
<b>Total liabilities</b>		<b>14,208.62</b>	<b>39,929.66</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>31,028.68</b>	<b>55,502.45</b>
<b>Summary of significant accounting policies 1 to 3</b>			
<b>The accompanying notes from 4 to 56 are integral part of the financial statements.</b>			
<b>These are the financial statements referred to in our report of even date.</b>			
For AKG & Associates Chartered Accountants Firm Registration No. 0026889		For and on behalf of Board of Directors of <b>REC Power Distribution Company Limited</b>	
 <b>CA Harvinder Singh</b> Partner Membership No. 087889		 <b>Vijay Kumar Singh</b> Director DIN - 02772733	
		 <b>Ajoy Choudhury</b> Director DIN - 06629874	
<b>Place : Delhi</b> <b>Date: 12/06/2020</b> <b>UDIN:- 20087889 AAAACP3962</b>			

**REC Power Distribution Company Limited**  
**Statement of Profit and Loss for the year ended 31 March, 2020**  
(All amounts in ₹ lakhs, unless stated otherwise)

Particulars	Notes	For the year ended 31 March, 2020	For the year ended 31 March, 2019
<b>Revenue</b>			
Revenue from operations	27	12,721.57	15,251.34
Other income	28	1,579.76	726.36
<b>Total revenue</b>		<b>14,301.33</b>	<b>15,977.71</b>
<b>Expenses</b>			
Cost of services rendered	29	8,285.26	9,751.90
Finance costs	30	52.36	290.31
Employee benefits expense	31	457.31	480.20
Depreciation and amortisation expense	32	164.38	98.91
Impairment on financial assets	33	2,669.81	204.21
Corporate social responsibility expenses	34	89.11	81.67
Other expenses	35	548.84	969.29
<b>Total expenses</b>		<b>12,267.07</b>	<b>11,876.49</b>
<b>Profit/(Loss) before tax</b>		<b>2,034.26</b>	<b>4,101.21</b>
<b>Tax expense</b>	36		
Current tax		1,183.40	1,348.45
Deferred tax expense/(credit)		(396.41)	118.76
<b>Total tax expense</b>		<b>786.99</b>	<b>1,467.20</b>
<b>Net profit/(loss) for the year</b>		<b>1,247.27</b>	<b>2,634.01</b>
<b>Other comprehensive loss</b>			
Items that will not be reclassified to profit or loss			
Re-measurement gains/(losses) on defined benefit plans		-	-
Income tax relating to these items		-	-
<b>Other comprehensive income/(loss) for the year</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>1,247.27</b>	<b>2,634.01</b>

**Earnings/(Loss) per equity share**  
Basic/Diluted earnings/ (loss) per share (In ₹) 37 2,495 5,268

**Summary of significant accounting policies 1 to 3**  
The accompanying notes from 4 to 56 are integral part of the financial statements.

These are the financial statements referred to in our report of even date.

For AKG & Associates  
Chartered Accountants  
Firm Registration No. 002688N

CA Harvinder Singh  
Partner  
Membership No. 087889



For and on behalf of Board of Directors of  
**REC Power Distribution Company Limited**

Vijay Kumar Singh  
Director  
DIN - 02772733

Ajoy Choudhury  
Director  
DIN - 06629871

Place : Delhi

Date: 12/06/2020

UDIN:- 20087889AAAACP3962

**REC Power Distribution Company Limited**  
**Statement of changes in Equity for the year ended 31 March, 2020**  
(All amounts in ₹ lakhs, unless stated otherwise)

**A Equity share capital**

Particular	Amount
Balance as at 1 April, 2018	5.00
Changes in equity share capital during the year	-
Balance as at 31 March, 2019	5.00
Changes in equity share capital during the year	-
Balance as at 31 March, 2020	5.00

**B Other equity**

Particulars	General reserve	Retained earnings	Total
Balance as at 1 April, 2018	3,988.55	11,663.76	15,652.31
Profit/(Loss) for the year	-	2,634.01	2,634.01
Dividend for the year			
- Final dividend for the previous year		(1,105.00)	(1,105.00)
- Interim dividend for the year		(1,150.00)	(1,150.00)
Tax on dividend			
- on Final dividend for the previous year		(227.14)	(227.14)
- on Interim dividend for the year		(236.39)	(236.39)
Balance as at 31 March, 2019	3,988.55	11,579.24	15,567.79
Profit/(Loss) for the year	-	1,247.27	1,247.27
Balance as at 31 March, 2020	3,988.55	12,826.51	16,815.06

**Summary of significant accounting policies 1 to 3**

The accompanying notes from 4 to 56 are integral part of the financial statements.

These are the financial statements referred to in our report of even date.

For AKG & Associates  
Chartered Accountants  
Firm Registration No. 002688N

  
CA Harvinder Singh  
Partner  
Membership No. 087889

For and on behalf of Board of Directors of  
**REC Power Distribution Company Limited**

  
Vijay Kumar Singh  
Director  
DIN - 02772733

  
Ajoy Choudhury  
Director  
DIN - 06629871

Place : Delhi

Date: 12/06/2020

UDIN:- 20087889AAAACP3962



REC Power Distribution Company Limited  
Cash Flow Statement for the year ended 31 March, 2020  
(All amounts in ₹ lakhs, unless stated otherwise)

Particulars	For the year ended 31 March, 2020	For the year ended 31 March, 2019
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit / (Loss) before tax	2,034.26	4,101.21
<b>Adjustments for:</b>		
Depreciation and amortisation expense	164.38	98.91
Liabilities no longer required written back	-	(46.19)
Provision	2,669.81	204.21
Interest income on Fixed deposit	(431.83)	(511.01)
Interest income on Tax Free Bonds	(128.37)	(128.02)
Interest income on other financial assets measured at amortised cost	(1.71)	0.06
Interest expense on other financial liabilities measured at amortised cost	6.82	-
Loss/(gain) on sale of property, plant & equipment	0.13	-
Interest expense on lease liability	27.86	-
Interest expense on micro and small enterprises	13.78	-
<b>Operating profit before working capital changes</b>	<b>4,355.13</b>	<b>3,719.17</b>
<b>Changes in working capital:</b>		
<i>Adjustments for (increase) / decrease in operating assets:</i>		
Trade receivables	(881.56)	407.78
Loans (non current)	1.06	15.04
Loans current	4.30	(13.91)
Other financial assets (current)	23,780.90	3,745.29
Other current assets	(347.75)	(252.93)
Other non-current assets	1.85	6.38
<i>Adjustments for increase/ (decrease) in operating liabilities:</i>		
Trade payables	(1,977.68)	475.87
Other financial liabilities (current)	(23,826.95)	7,251.95
Other financial liabilities (non current)	87.87	24.39
Other current liabilities	(257.80)	36.95
Provisions (current)	4.26	8.95
Provisions (non current)	(18.31)	17.58
Other non-current liabilities	41.99	-
Movement in operating assets and liabilities	<b>(3,387.82)</b>	<b>11,723.34</b>
<b>Cash generated from operations</b>	<b>967.31</b>	<b>15,442.52</b>
Less: Tax Paid	(1,121.01)	(1,817.01)
<b>Net cash flow from operating activities (A)</b>	<b>(153.70)</b>	<b>13,625.51</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment (including capital work-in-progress)	(35.16)	(31.11)
Sale of property, plant and equipment	0.40	0.01
Purchase of intangible assets	-	(4.49)
Deposits with Bank	(1,823.46)	(11,177.85)
Interest received on fixed deposit	233.53	513.57
Interest received on tax free bonds	127.90	127.90
<b>Net cash used in investing activities (B)</b>	<b>(1,496.79)</b>	<b>(10,571.97)</b>



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<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	-	(2,255.00)
Tax on dividend	-	(463.52)
Lease payment on account of principal payment of lease liability	(60.13)	-
Lease payment on account of interest payment on lease liability	(27.86)	-
<b>Net cash flow used in financing activities (C)</b>	<b>(87.99)</b>	<b>(2,718.52)</b>
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>(1,738.48)</b>	<b>335.01</b>
Cash and cash equivalents at the beginning of the year	4,019.56	3,684.55
Cash and cash equivalents at the end of the year	2,281.08	4,019.56
<b>Reconciliation of cash and cash equivalents as per the cash flow statement</b>	<b>(1,738.48)</b>	<b>335.01</b>
<p>Summary of significant accounting policies 1 to 3</p> <p>The accompanying notes from 4 to 56 are integral part of the financial statements.</p> <p>These are the financial statements referred to in our report of even date.</p>		
<p>For AKG &amp; Associates Chartered Accountants Firm Registration No. 002688N</p> <p>CA Harvinder Singh Partner Membership No. 087889</p> <p>Place : Delhi Date: 12/06/2020</p>		
<p>For and on behalf of Board of Directors of REC Power Distribution Company Limited</p> <p>Vijay Kumar Singh Director DIN - 02772733</p> <p>Ajoy Choudhury Director DIN - 06629871</p>		

UDIN:- 20087889 AAAACP 362

**REC Power Distribution Company Limited**

**Summary of significant accounting policies and other explanatory information for the year ended 31 March, 2020**

**1. CORPORATE INFORMATION**

REC Power Distribution Company Limited ("the Company"/"PDCL") was incorporated in the year 2007, with the main objective to engage in the engineering consultancy services, execution of work in the area of decentralized distributed generation (DDG), transmission and distribution or other related activities for Government and other agencies in power sector in India. 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 Company is a wholly-owned subsidiary of REC Limited (formerly Rural Electrification Corporation Limited)("REC").

The Company is engaged:

- (i) in carrying out the third party inspection (TPI), quality monitoring and supervision under Rajiv Gandhi Grameen Vidyutikaran Yojana(RGGVY)/ Deendayal Upadhyaya Gram Jyoti Yojana(DDUGJY)/Saubhagya Schemes.
- (ii) in preparation of detailed project report (DPR), project management consultancy (PMC) and project management agency (PMA) under the Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) and Integrated Power Development Scheme (IPDS) Schemes.
- (iii) in execution of works of Information Technology (IT) implementation and installation of IT Infrastructure under R-APDRP Part A Schemes, project implementation agency for implementation of various Government of India Projects viz. Prime Minister's Development Package (PMPD).
- (iv) as project management agency (PMA) for turnkey execution of smart grid project under NSGM of Government of India, execution of solar standalone /roof top power plants at various locations across the country.
- (v) in services for procurement of key material for sub transmission and distribution network under Deendayal Upadhyaya Gram Jyoti Yojana DDUGJY and SAUBHAGYA Scheme.

**2. STATEMENT OF COMPLIANCE**

The Company prepared its Standalone Financial Statements in accordance with the requirements of Indian Accounting Standards (referred to as "Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended). These



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**REC Power Distribution Company Limited**

**Summary of significant accounting policies and other explanatory information for the year ended 31 March, 2020**

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 year ended 31st March, 2020 were authorized and approved for issue by the Board of Directors on 12<sup>th</sup> June, 2020.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in accounting policy hitherto in use.

**2.1 STANDARDS ISSUED BUT NOT YET EFFECTIVE**

There are no relevant amendments issued by MCA which are not yet effective as at 31 March, 2020.

**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**

**(i) Going concern and basis of measurement**

The financial statements have been prepared on a going concern basis under the historical cost convention on accrual basis except for certain financial assets and financial liabilities are measured at fair values at the end of each reporting period.

All assets and liabilities have been classified as current or non-current as per the criteria set out in the Companies Act, 2013. The Company has ascertained its operating cycle as 12 months for the purpose of current/non-current classification of assets and liabilities.

**(ii) Functional and presentation currency:**

These financials are presented in Indian Rupees (INR), which is also the Company's functional currency, all amounts have been rounded off to nearest Lakhs (upto two digits), unless otherwise indicated.

**3.2 Revenue recognition**



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**REC Power Distribution Company Limited**

**Summary of significant accounting policies and other explanatory information for the year ended 31 March, 2020**

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

The Company, to determine that how much and when revenue is recognized, what is the nature, amount, timing and uncertainty of revenues etc. uses the principles laid down by the Ind AS 115. Revenue is recognized through a 5-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.

*Income from Operation*

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

- (i) In Cost Plus Contracts - revenue is recognized by including eligible contractual items of expenditures plus proportionate margin as per contract;
- (ii) In Fixed Price Contracts –revenue is recognized on the basis of stage of completion of the contract. The Company has assessed that the stage of completion determined as the proportion of the total time expected to complete the performance obligation that has lapsed at the end of the reporting period 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.

*Interest income*

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principle outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**3.3 Property, Plant and Equipment:**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes all expenses, direct and indirect, specifically





**REC Power Distribution Company Limited**

**Summary of significant accounting policies and other explanatory information for the year ended 31 March, 2020**

attributable to its acquisition and bringing it to its working condition for its intended use. Incidental expenditure pending allocation and attributable to the acquisition of fixed assets is allocated/capitalized with the related assets. Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

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

Depreciation on assets is provided on straight-line method in accordance with the useful lives prescribed under Schedule II of the Companies Act, 2013, except for the below assets where different useful lives have been taken on the basis of technical assessment:

Asset class	Useful life as per Schedule II	Useful life adopted by the Company
Office equipment-GPS, Mobile	5 years	2 years
Furniture and fixtures	10 years	5 years

Depreciation is calculated on pro rata basis from the date on which the asset is ready for use or till the date the asset is sold or disposed.

Assets individually costing less than ₹ 5,000/- are fully depreciated in the year of purchase.

The residual values, useful lives and method of depreciation are reviewed at the end of each financial year.

*De-recognition*

An item of property, plant and equipment 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 the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statement of profit and loss, when the asset is derecognized.

**3.4 Intangible assets**



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**REC Power Distribution Company Limited**

**Summary of significant accounting policies and other explanatory information for the year ended 31 March, 2020**

Intangible assets are carried at cost less accumulated amortization and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the tax authorities), and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates.

Any gain or loss on disposal of an item of intangible assets is recognized in statement of profit or loss.

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

For amortization of intangibles the amortization amount of intangible assets is allocated on a systematic basis over the best estimate of its useful life. Management estimates useful life of intangible assets to be 3 years.

**3.5 Fair value measurement**

The Company measures financial instruments at fair value which 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.

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; and

**Level 3** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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. For assets and liabilities that are recognized in the balance sheet on a recurring basis, the Company determines whether transfers have occurred between levels in the



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**REC Power Distribution Company Limited**

**Summary of significant accounting policies and other explanatory information for the year ended 31 March, 2020**

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.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

**3.6 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.

**Financial assets:**

**Initial recognition and measurement**

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

*Subsequent measurement*

**Financial assets carried at amortized cost** – a financial asset is measured at the amortized cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in the Statement of Profit and Loss.

*De-recognition of financial assets*



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**REC Power Distribution Company Limited**

**Summary of significant accounting policies and other explanatory information for the year ended 31 March, 2020**

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. Further, if the Company has not retained control, it shall also derecognize the financial asset and recognize separately as assets or liabilities any rights and obligations created or retained in the transfer.

**Impairment of financial assets**

In accordance with Ind AS 109, the Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- a) Financial assets that are debt instruments, and are measured at amortized cost e.g., loans, debt securities, deposits, trade receivables and bank balance
- b) Financial guarantee contracts which are not measured at Fair value through profit & loss account (FVTPL).

The Company follows 'simplified approach' for recognition of impairment loss allowance on Trade receivables that do not contain a significant financing component.

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognizes impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognizing impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.



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**REC Power Distribution Company Limited**

**Summary of significant accounting policies and other explanatory information for the year ended 31 March, 2020**

**Financial liabilities:**

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including financial guarantee contracts and derivative financial instruments.

**Subsequent measurement**

Subsequent to initial recognition, financial liabilities are measured at amortized cost using the effective interest method.

**De-recognition**

A financial liability is de-recognized 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 de-recognition 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.

**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.

**3.7 Non-Current assets held for sale**

Non-current assets are classified as held for sale if their carrying amount will have recovered principally through sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at lower of their carrying amount or fair value less cost to sell, except for assets such as deferred tax, assets arising from employee benefit, financials assets and contractual rights under insurance contracts, which are specifically exempted from this requirement.



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**REC Power Distribution Company Limited**

**Summary of significant accounting policies and other explanatory information for the year ended 31 March, 2020**

Non-current assets are not depreciated or amortized while they are classified as held for sale. Non-current assets held for sale are presented separately from other assets in the balance sheet.

**3.8 Employee benefits:**

Employee benefits include Provident Fund, Leave Encashment & Loyalty Bonus.

**a) Fixed Tenure Employees**

The Company recruits Fixed Tenure Employees for a period of 3 years, which is further extendable for maximum up to 1 year and 6 months depending upon the requirement and performance. The Company deducts and deposits the employees benefit liabilities for Provident Fund and all other employee benefit statutory liabilities e.g. Pension, ESI, and Gratuity etc are not applicable to the Company. However, the Company provides for leave encashment and loyalty bonus for which liabilities are assessed as per the actuarial valuation and disclosed in other notes to accounts.

**b) Employees on secondment from holding company**

The Company is managed by the employees deployed by REC Ltd (holding company) on seconded basis and pays their charges as service fee for deemed service of management service provided by its holding company. The Service charges being charged as a fixed liability on the basis of actual employee cost, added with fixed charges on account of future liability of Provident Fund, Gratuity, Superannuation and Postretirement benefit etc. With paying above charges Company owes nothing to its holding company for any future liabilities whatsoever of such seconded employees.

**3.9 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 Other comprehensive income (OCI) or directly in equity, in which case, the tax is also recognized in Other comprehensive income 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.



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**REC Power Distribution Company Limited**

**Summary of significant accounting policies and other explanatory information for the year ended 31 March, 2020**

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.

Dividend Distribution Tax is recognized at the same time when the liability to pay a dividend is recognized.

**3.10 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



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**REC Power Distribution Company Limited**

**Summary of significant accounting policies and other explanatory information for the year ended 31 March, 2020**

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.

**3.11 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.

**3.12 Impairment of assets**

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets or cash generating units to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a



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**REC Power Distribution Company Limited**

**Summary of significant accounting policies and other explanatory information for the year ended 31 March, 2020**

reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

**3.13 Cash and cash equivalents**

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

**3.14 Funds/grants received from government**

Unutilized amount of grant/fund received are classified as current liabilities. Interest wherever earned on such funds is credited to respective grant/fund account.

**3.15 Lease Accounting**

The Company has applied Ind AS 116 from 1 April, 2019 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under Ind AS 17.

The Company considers 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 Company assesses whether the contract meets all the 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 Company
- the Company has the right to obtain substantially all 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 Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

**Measurement and recognition of leases as a lessee**

At lease commencement date, the Company 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 Company, 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 Company depreciates the right-of-use assets



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**REC Power Distribution Company Limited**

**Summary of significant accounting policies and other explanatory information for the year ended 31 March, 2020**

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.

At the commencement date, the Company measures the lease liability at the present value of the future lease payments, discounted using the interest rate implicit in the lease if readily available, else the Company's incremental borrowing rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

**The Company as a lessor**

The Company's accounting policy under Ind AS 116 has not been changed from the comparative period. As a lessor, the Company classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

Finance leases- Management applies judgment in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered for transfer of risk and rewards are the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the lessee obtains ownership of the asset at the end of the lease term.

Operating leases- All other leases are treated as operating leases. Receipts on operating lease agreements are recognized as an income.

**3.16 Dividend**

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 shareholder's meeting and the Board of Directors respectively.

**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**



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**REC Power Distribution Company Limited**

**Summary of significant accounting policies and other explanatory information for the year ended 31 March, 2020**

A prepaid expense up to ₹ 1,00,000/- is recognized as expense upon initial recognition.

**3.19 Rates and taxes**

Overseas taxes on foreign assignments, indirect taxes, including Goods & Service Tax, professional tax, property tax, entry tax, labour cess, octroi and any other applicable taxes etc. paid/accrued in India or abroad for which credit are not available to the company are charged to the Statement of Profit and Loss.

**3.20 Significant management judgments 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.

**3.20.1 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.

**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.

**3.20.2 Significant estimates**

**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.

**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



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**REC Power Distribution Company Limited**

**Summary of significant accounting policies and other explanatory information for the year ended 31 March, 2020**

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.

**Leases** – The management while determining the lease period of an asset makes estimates on various extension and termination options, the same affects the period of the lease and hence the determination of lease liability and right of use of assets.

**Impact of Covid-19 Outbreak** - The extent to which the Covid-19 pandemic will impact the Company will depend on future developments, which are highly 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 Group to contain its spread or mitigate its impact.

**3.21 Rounding off amounts**

All amounts disclosed in the financial statements and notes have been rounded off to the nearest Lakhs as per the requirements of Schedule III of the Act unless otherwise stated.





REC Power Distribution Company Limited  
Notes forming part of Financial Statements for the year ending 31 March, 2020  
(All amounts in ₹ lakhs, unless stated otherwise)

4 Property, plant and equipment

Description	Furniture & fixtures	Office equipments	Leasehold improvements	Computers	Right to use asset-Building	Total
<b>Gross carrying value</b>						
As at 1 April, 2018	19.67	126.93	236.56	196.02	-	579.17
Additions	7.22	1.94	11.18	10.77	-	31.11
Adjustment/ Disposal	0.01	(1.15)	-	(2.07)	-	(3.21)
<b>As at 31 March, 2019</b>	<b>26.89</b>	<b>127.72</b>	<b>247.74</b>	<b>204.72</b>	<b>-</b>	<b>607.07</b>
Additions	2.74	5.84	-	26.58	265.12	300.28
Adjustment/ Disposal	(0.77)	(47.58)	-	(14.92)	-	(63.27)
<b>As at 31 March, 2020</b>	<b>28.86</b>	<b>85.98</b>	<b>247.74</b>	<b>216.38</b>	<b>265.12</b>	<b>844.08</b>
<b>Accumulated depreciation</b>						
As at 1 April, 2018	12.55	83.42	46.03	133.12	-	275.12
Charge for the year	5.29	11.93	42.88	37.34	-	97.44
Adjustment/Disposal	0.01	(1.14)	-	(2.07)	-	(3.20)
<b>As at 31 March, 2019</b>	<b>17.85</b>	<b>94.21</b>	<b>88.92</b>	<b>168.39</b>	<b>0.00</b>	<b>369.36</b>
Charge for the year	4.89	12.88	43.78	24.12	77.22	162.89
Adjustment/Disposal	(0.77)	(47.38)	-	(14.61)	-	(62.76)
<b>As at 31 March, 2020</b>	<b>21.96</b>	<b>59.71</b>	<b>132.70</b>	<b>177.90</b>	<b>77.22</b>	<b>469.49</b>
<b>Net block as at 31 March, 2019</b>	<b>9.04</b>	<b>33.51</b>	<b>158.82</b>	<b>36.34</b>	<b>-</b>	<b>237.71</b>
<b>Net block as at 31 March, 2020</b>	<b>6.90</b>	<b>26.27</b>	<b>115.04</b>	<b>38.48</b>	<b>187.90</b>	<b>374.59</b>

a) Gross block includes obsolete fixed assets but not disposed off of ₹ 6.68 Lakh and Depreciation reserve in respect of these assets ₹ 6.49 lakh

b) The Company has implemented the newly introduced standard on leases i.e. Ind AS 116 "Leases". The standard is applicable from 1 April 2019 and the Company has adopted the transition approach 2B, as per which in case of identified leases the Right Of Use assets "ROU" as on the date of transition has been recognised equivalent to the Lease liability recognised. Please refer Note 38 for details.



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REC Power Distribution Company Limited

Notes forming part of Financial Statements for the year ending 31 March, 2020

(All amounts in ₹ lakhs, unless stated otherwise)

5 Other Intangible assets

Description	Computer software	Total intangible assets
<b>Gross carrying value</b>		
As at 1 April, 2018	7.89	7.89
Additions	4.49	4.49
Disposals	-	-
<b>Balance as at 31 March, 2019</b>	<b>12.38</b>	<b>12.38</b>
Additions	-	-
Disposals	(1.40)	(1.40)
<b>Balance as at 31 March, 2020</b>	<b>10.98</b>	<b>10.98</b>
<b>Accumulated depreciation</b>		
As at 1 April, 2018	7.40	7.40
Amortisation charge for the year	1.47	1.47
Disposals	-	-
<b>Balance as at 31 March, 2019</b>	<b>8.87</b>	<b>8.87</b>
Amortisation charge for the year	1.49	1.49
Disposals	(1.38)	(1.38)
<b>Balance as at 31 March, 2020</b>	<b>8.98</b>	<b>8.98</b>
<b>Net book value as at 31 March, 2019</b>	<b>3.51</b>	<b>3.51</b>
<b>Net book value as at 31 March, 2020</b>	<b>2.00</b>	<b>2.00</b>



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REC Power Distribution Company Limited  
Notes forming part of Financial Statements for the year ending 31 March, 2020  
(All amounts in ₹ lakhs, unless stated otherwise)

	As at 31 March, 2020	As at 31 March, 2019
<b>6 Investments (Non current)</b>		
Investments in government or trust securities		
(a) Investment in tax free bonds-quoted (at amortised cost) (in holding company)		
(i) REC Limited		
15 Years secured redeemable tax free bonds @8.46%, 50000 bonds of face value of ₹ 1000/- each, fully paid	514.14	514.02
(ii) REC Limited		
15 Years secured redeemable tax free bonds @8.63%, 20000 bonds of face value of ₹ 1000/- each, fully paid	205.77	205.72
(iii) REC Limited		
20 Years Secured Redeemable Tax Free Bonds @7.18%, 34351 Bonds of face value of ₹ 1000/- each, fully paid	351.75	351.69
(b) Investment in tax free bonds (in others)-quoted (at amortised cost)		
(i) Housing and Urban Development Corporation Ltd		
20 Years secured redeemable tax free bonds @8.76%, 50000 bonds of face value of ₹ 1000/- each, fully paid	509.48	509.24
	<b>1,581.14</b>	<b>1,580.67</b>
Aggregate market value of quoted investment	<b>1,929.36</b>	<b>1,846.44</b>
<b>7 Loans (Non current)</b>		
Unsecured, considered good		
Security deposit paid*	15.94	15.29
	<b>15.94</b>	<b>15.29</b>
* Refer Note 44 for fair value disclosure.		
<b>8 Current tax assets (net)</b>		
Advance tax and TDS	2,470.14	2,864.49
Less: Provision for income tax	(943.51)	(1,275.46)
	<b>1,526.63</b>	<b>1,589.03</b>
<b>9 Deferred tax assets (net)</b>	<b>1,543.12</b>	<b>1,146.71</b>

Movement in deferred tax balances as at 31 March, 2019

	As at 1 April, 2018	Charged to profit and loss account	As at 31 March, 2019
<b>Tax effect of items constituting deferred tax liabilities</b>			
Financial assets and liabilities measured at amortised cost	0.02	0.01	0.03
<b>Total deferred tax liabilities</b>	<b>0.02</b>	<b>0.01</b>	<b>0.03</b>
<b>Tax effect of items constituting deferred tax assets</b>			
Allowance for expected credit loss	1,245.34	(138.02)	1,107.33
On employee's retirement benefits	11.59	5.90	17.48
Property, plant and equipment: Impact of difference between depreciation as per income tax act and depreciation charged in the books	8.56	13.37	21.93
<b>Total deferred tax assets</b>	<b>1,265.49</b>	<b>(118.75)</b>	<b>1,146.74</b>
<b>Deferred tax assets (net)</b>	<b>1,265.47</b>	<b>(118.76)</b>	<b>1,146.71</b>



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REC Power Distribution Company Limited  
Notes forming part of Financial Statements for the year ending 31 March, 2020  
(All amounts in ₹ lakhs, unless stated otherwise)

Movement in deferred tax balances as at 31 March, 2020

	As at 31 March, 2019	Charged to profit and loss account	As at 31 March, 2020
<b>Tax effect of items constituting deferred tax liabilities</b>			
Financial assets and liabilities measured at amortised cost	0.03	0.29	0.32
<b>Total deferred tax liabilities</b>	<b>0.03</b>	<b>0.29</b>	<b>0.32</b>
<b>Tax effect of items constituting deferred tax assets</b>			
Allowance for Expected Credit Loss	1,107.33	392.35	1,499.67
On employee's retirement benefits	17.48	(5.91)	11.57
Property, plant and equipment: Impact of difference between depreciation as per income tax act and depreciation charged in the books	21.93	5.03	26.97
Right of Use asset (Net of lease liability)	-	4.30	4.30
Provision for expenses	-	0.93	0.93
<b>Total deferred tax assets</b>	<b>1,146.74</b>	<b>396.70</b>	<b>1,543.44</b>
<b>Deferred tax assets (net)</b>	<b>1,146.71</b>	<b>396.41</b>	<b>1,543.12</b>

	As at 31 March, 2020	As at 31 March, 2019
<b>10 Other non current assets</b>		
Prepaid expenses	2.83	4.81
Advances to supplier	0.13	-
	<b>2.96</b>	<b>4.81</b>
<b>11 Trade receivables*</b>		
Unsecured, considered good	7,092.02	9,413.64
Less: Allowance for expected credit loss	(1,043.29)	(975.45)
	<b>6,048.73</b>	<b>8,438.19</b>
Trade receivables which have significant increase in credit risk	5,200.57	3,489.08
Less: Allowance for expected credit loss	(1,554.80)	(444.53)
	<b>3,645.77</b>	<b>3,044.56</b>
Credit impaired receivables	3,360.09	2,382.74
Less: Allowance for expected credit loss	(3,360.09)	(2,382.74)
	<b>-</b>	<b>-</b>
	<b>9,694.50</b>	<b>11,482.75</b>

\* Refer note 45 - Financial risk management for assessment of expected credit losses.

**12 Cash and cash equivalents**

Balances with banks:		
- with scheduled banks in current accounts	511.75	329.76
Term deposits (with maturity upto 3 months) **	1,769.33	3,689.80
	<b>2,281.08</b>	<b>4,019.56</b>

\* The earmarked balances with bank on behalf of REC Ltd amounting to ₹ Nil (31 March, 2019: ₹ 263.49 Lakhs) can be utilised only for the specific purposes.

\*\* This includes one Fixed deposit of ₹ 642.23 Lakhs (inclusive of accrued interest of ₹ 42.23 lakhs) which is matured on 30th March, 2020.



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REC Power Distribution Company Limited  
Notes forming part of Financial Statements for the year ending 31 March, 2020  
(All amounts in ₹ lakhs, unless stated otherwise)

	As at 31 March, 2020	As at 31 March, 2019
<b>13 Other bank balances</b>		
Earmarked balances for deposit works	7,005.76	31,519.22
Deposits with remaining maturity more than 3 months but less than 12 months	3,297.60	1,275.85
	<b>10,303.36</b>	<b>32,795.07</b>
<b>14 Loans (Current)*</b>		
Unsecured, considered good		
Security deposits paid	1.68	10.45
Retention money deposits	48.85	44.38
	<b>50.53</b>	<b>54.83</b>
* Refer Note 44 for fair value disclosure.		
<b>15 Other financial assets (Current)</b>		
Unbilled revenue*	2,096.58	1,364.02
	<b>2,096.58</b>	<b>1,364.02</b>
*This includes ₹ 81.05 Lakhs of unbilled revenue which has been carried forward from previous year. For details refer note 39		
<b>16 Other current assets</b>		
Advances to employees	-	0.05
Prepaid expenses	1.97	3.60
Balances with statutory and government authorities	1,426.07	1,204.85
Cost of completion of contracts*	128.21	-
	<b>1,556.25</b>	<b>1,208.50</b>
*For details refer note 39		



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REC Power Distribution Company Limited  
Notes forming part of Financial Statements for the year ending 31 March, 2020  
(All amounts in ₹ lakhs, unless stated otherwise)

17 Equity share capital

Authorized equity share capital

20,000,000 (31 March, 2020 : 20,000,000 ; 1 April, 2019 : 20,000,000) Equity shares of ₹ 10 each

Issued, subscribed and paid up equity share capital  
50,000 (31 March, 2020 : 50,000; 1 April 2019 : 50,000)  
Equity shares of ₹ 10 each

	As at 31 March, 2020	As at 31 March, 2019
Authorized equity share capital		
20,000,000 (31 March, 2020 : 20,000,000 ; 1 April, 2019 : 20,000,000) Equity shares of ₹ 10 each	2,000.00	2,000.00
	<b>2,000.00</b>	<b>2,000.00</b>
Issued, subscribed and paid up equity share capital		
50,000 (31 March, 2020 : 50,000; 1 April 2019 : 50,000) Equity shares of ₹ 10 each	5.00	5.00

i) Rights, preferences and restrictions attached to equity shares:

The Company has only one class of equity shares having par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

ii) Reconciliation of equity shares outstanding at the beginning and at the end of the year

	31 March, 2020		31 March, 2019	
	No. of shares	(₹ lakhs)	No. of shares	(₹ lakhs)
Equity share capital of ₹ 10 each fully paid up				
Balance at the beginning of the year	50,000	5.00	50,000	5.00
Add: Issued during the year	-	-	-	-
Balance at the end of the year	<b>50,000</b>	<b>5.00</b>	<b>50,000</b>	<b>5.00</b>

iii) Shareholders holding more than 5% of shares of the Company as at balance sheet date:

	As at 31 March, 2020		As at 31 March, 2019	
	No. of shares	% holding	No. of shares	% holding
49,994 Equity shares held by REC Ltd (Holding company)	50,000	100.00%	50,000	100.00%
And balance 6 equity shares through other nominee of REC Ltd.				

iv) Shares held by holding company:

	As at 31 March, 2020		As at 31 March, 2019	
	No. of shares	% holding	No. of shares	% holding
49,994 equity shares held by REC Ltd (Holding company)	50,000	100.00%	50,000	100.00%
And balance 6 equity shares through other nominee of REC Ltd.				

v) The Company has neither issued equity shares pursuant to contract without payment being received in cash or any bonus shares nor has there been any buy-back of shares in the current year and five years immediately preceding the balance sheet date.

18 Other equity

General reserve  
Retained earnings

Total other equity

	As at 31 March, 2020	As at 31 March, 2019
General reserve	3,988.55	3,988.55
Retained earnings	12,826.51	11,579.24
Total other equity	<b>16,815.06</b>	<b>15,567.79</b>

Note:

- General reserve is created from time to time by way of transfer of profits from retained earnings for appropriation purposes. General reserve is created by a transfer from one component of equity to another.
- Profits made by the company during the year are transferred to retained earnings from Statement of Profit and Loss.
- Subsequent to the year ended 31 March, 2020; the Board of Directors of the Company on a meeting held at 12 June, 2020 has proposed an annual dividend amounting to ₹ 1685 per share (FY 2018-19 - Proposed Dividend: Nil) totaling ₹ 842.50 lakhs on 50000 no. of shares, the effect of the same has not been taken into financial statements as the same is subject to the approval by the shareholders of the Company.



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**REC Power Distribution Company Limited**  
**Notes forming part of Financial Statements for the year ending 31 March, 2020**  
(All amounts in ₹ lakhs, unless stated otherwise)

	As at 31 March, 2020	As at 31 March, 2019
<b>19 Borrowings (Non current)</b>		
Lease liability	113.24	-
	<b>113.24</b>	<b>-</b>
<b>20 Other financial liabilities</b>		
Unsecured, considered good		
Earnest Money Deposits	-	24.39
Performance bank guarantee retained	119.08	-
	<b>119.08</b>	<b>24.39</b>
<b>21 Provisions (Non current)</b>		
Provision for employee benefits*		
Provision for loyalty bonus	16.56	25.77
Provision for compensated absences	15.32	24.42
	<b>31.88</b>	<b>50.19</b>
*For details refer note 43		
<b>22 Other non-current liabilities</b>		
Advance as performance bank guarantee	41.99	-
	<b>41.99</b>	<b>-</b>
<b>23 Trade payables*</b>		
Due to micro and small enterprises [refer note (a) below]	14.60	265.19
Dues to others	4,873.06	6,600.15
	<b>4,887.66</b>	<b>6,865.34</b>

\*Unsecured and unconfirmed

**a. Dues to micro and small enterprises pursuant to section 22 of the Micro, Small and Medium Enterprises Development Act (MSMED), 2006**

On the basis of confirmation obtained from suppliers who have registered themselves under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act, 2006) and based on the information available with the company, the following are the details:

(ia) Principal amount remaining unpaid to any supplier as at the end of the accounting year	14.60	265.19
(ib) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	0.26	39.41
ii) the amount of interest paid by the buyer in terms of section 16, along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-
iii) the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the Year) but without adding the interest specified under this Act;	13.51	-
iv) the amount of interest accrued and remaining unpaid at the end of each accounting year; and	53.18	39.41
v) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23.	-	-

Suppliers for whom confirmation not received is deemed not registered under MSMED Act and interest payable on payment made but not claimed has not been provided.



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**REC Power Distribution Company Limited**  
**Notes forming part of Financial Statements for the year ending 31 March, 2020**  
(All amounts in ₹ lakhs, unless stated otherwise)

**24 Other financial liabilities (Current)**

Earnest money deposits	40.94	74.44
Expenses payables	1,121.68	687.63
Advance for deposit work	6,852.14	31,368.21
Payable to related parties*	272.89	-
Current maturities of lease liability	91.75	-
Performance bank guarantee retained	28.13	-
Employee payable	1.33	-
	<b>8,408.86</b>	<b>32,130.28</b>

\*For details refer note 42

**25 Other current liabilities**

Advances from customers*	14.87	263.49
Statutory dues	407.15	586.15
Advance as performance bank guarantee	16.20	-
Statutory dues for deposit work	153.62	-
	<b>591.84</b>	<b>849.65</b>

\* Amount received as advance from revenue contracts with customers is ₹ 14.87 Lakhs in FY 2019-20 (Previous year: Nil). The previous year figure represent the amount received from REC Ltd. as advance which can be utilized only for the specific purposes.

**26 Provisions (Current)**

**Provision for employee benefits\***

Provision for loyalty bonus	8.53	8.42
Provision for compensated absences	5.54	1.39
	<b>14.07</b>	<b>9.81</b>

\*For details refer note 43



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REC Power Distribution Company Limited  
Notes forming part of Financial Statements for the year ending 31 March, 2020  
(All amounts in ₹ lakhs, unless stated otherwise)

	For the year ended 31 March, 2020	For the year ended 31 March, 2019
<b>27 Revenue from operations</b>		
Sale of services (from contracts with customers):*		
Execution of IT/solar implementation project	767.84	1,942.20
Consultancy engineering services	11,190.48	12,339.15
Income from REC - UE village project	763.25	969.99
	<b>12,721.57</b>	<b>15,251.34</b>
*Includes ₹ 2015.53 Lakhs (Previous year - ₹ 1364.02 Lakhs) of unbilled revenue. Refer note 39 for additional details.		
<b>28 Other income</b>		
Interest income on fixed deposits	431.83	511.01
Interest income on tax free bonds	128.37	128.02
Interest on income tax refund	117.09	-
Interest income on other financial assets measured at amortized cost	1.71	0.06
Liabilities written back	-	46.19
Liquidation damages	876.63	-
Miscellaneous income	24.13	41.08
	<b>1,579.76</b>	<b>726.36</b>
<b>29 Cost of services rendered*</b>		
Project technical services - PMC/PMA/DPR	4,071.86	4,379.87
Project outsourced manpower	3,472.72	3,185.46
Project fee Direct-Solar	-	1,170.46
Project technical services - IT execution	-	98.05
REC - UE village project expenditure	726.90	918.06
Interest expense on micro and small enterprises	13.78	-
	<b>8,285.26</b>	<b>9,751.90</b>
*Includes ₹ 985.34 Lakh (Previous year - ₹ 430.05 Lakh) of provision for expenses.		
<b>30 Finance costs</b>		
Interest on advance from BEE	-	290.28
Interest on working capital loans	-	0.03
Interest expense on lease liability	27.86	-
Interest expense on other financial liabilities measured at amortized cost	6.82	-
Interest on income tax	17.68	-
	<b>52.36</b>	<b>290.31</b>
<b>31 Employee benefits expense*</b>		
Salaries and Wages	405.41	427.79
Contribution to provident and other funds	28.84	27.54
Staff welfare expenses	23.06	24.87
	<b>457.31</b>	<b>480.20</b>
*For disclosures related to provision for employee benefits, refer note 43- Employee benefit obligations.		
<b>32 Depreciation and amortisation expense</b>		
Depreciation (Refer note 4)	162.89	97.44
Amortization (Refer note 5)	1.49	1.47
	<b>164.38</b>	<b>98.91</b>



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REC Power Distribution Company Limited  
Notes forming part of Financial Statements for the year ending 31 March, 2020  
(All amounts in ₹ lakhs, unless stated otherwise)

	For the year ended 31 March, 2020	For the year ended 31 March, 2019
<b>33 Impairment on financial assets*</b>		
Provision (net of reversal)	2,485.69	204.21
Bad Debts	184.12	-
	<b>2,669.81</b>	<b>204.21</b>
*The impairment is related to assets under contracts with customers. Refer note 45 for additional details.		
<b>34 Corporate social responsibility expenses</b>		
CSR expenditure*	89.11	81.67
	<b>89.11</b>	<b>81.67</b>
*For details refer note 50		
<b>35 Other expenses</b>		
Rent	111.05	229.70
Rates and taxes	7.29	24.86
Repairs and maintenance		
: Buildings	39.74	36.63
: Others	14.10	17.45
Power and fuel	30.21	28.60
Advertisement and business promotion	28.97	149.86
Communication cost	15.42	16.68
Travelling and conveyance	182.70	173.61
Printing and stationary	22.19	39.34
Legal, consultancy and professional expenses	71.69	115.75
Bank charges	8.87	4.35
Auditors' remuneration*	3.50	3.15
GST Audit Fee	4.30	-
Insurance	0.17	0.04
Delay payment charges	0.02	-
Loss on sale of property, plant and equipment (net)	0.13	0.01
Liquidation damages (expenses)	3.21	87.54
Miscellaneous expenses	5.28	41.73
	<b>548.84</b>	<b>969.29</b>
*Comprises of following:		
As auditors- statutory audit	2.70	2.35
As auditors- tax audit	0.80	0.80
	<b>3.50</b>	<b>3.15</b>



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REC Power Distribution Company Limited  
Notes forming part of Financial Statements for the year ending 31 March, 2020  
(All amounts in ₹ lakhs, unless stated otherwise)

	For the year ended 31 March, 2020	For the year ended 31 March, 2019
<b>36 Tax expense</b>		
(i) Current tax		
Tax pertaining to current year	943.51	1,275.46
Tax pertaining to earlier years	239.89	72.98
(ii) Deferred tax expense/(credit)	(396.41)	118.76
	<b>786.99</b>	<b>1,467.20</b>

The major components of income tax expense and the reconciliation of expense based on the domestic effective tax rate of 25.17% :

Accounting profit before income tax	2,034.26	4,101.21
At country's statutory income tax rate of 25.17% (31 March, 2019: 29.12%)	512.02	1,194.27
<b>Adjustments in respect of taxes earlier years</b>		
(i) Non-deductible expenses for tax purposes	34.13	41.86
(ii) Non-taxable incomes	(32.31)	(37.28)
(iii) Earlier year taxes	239.89	72.98
(iv) Deferred tax on allowable provisional expenditure of earlier year	(122.29)	-
(v) Deferred tax change due to rate change	155.55	195.37
	<b>786.99</b>	<b>1,467.20</b>
<b>37 Basic/Diluted earnings/ loss per share</b>		
Net profit/(loss) for the year	1,247.27	2,634.01
Weighted average number of equity shares for EPS	50,000	50,000
Par value per share (in ₹)	10	10
Earnings per share - Basic and diluted (in ₹)	2,495	5,268

**38 Leases**

The Company has leases for office building, warehouses, Office equipment and related facilities. 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.

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.

**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:

Particulars	31 March, 2020
Short-term leases	80.14
Leases of low value assets	2.28
Variable lease payments	-
<b>Total</b>	<b>82.42</b>

**B Total cash outflow for leases for the year ended 31 March 2020 was ₹ 170.41 Lakhs.**

Particulars	31 March, 2020
Short-term leases	80.14
Long-term leases	87.99
Leases of low value assets	2.28
<b>Total</b>	<b>170.41</b>

**C The Company has total commitment for short-term leases of ₹ 58.85 Lakhs as at 31 March 2020.**



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**REC Power Distribution Company Limited**  
**Notes forming part of Financial Statements for the year ending 31 March, 2020**  
(All amounts in ₹ lakhs, unless stated otherwise)

**D Maturity of lease liabilities**

The lease liabilities are secured by the related underlying assets. Future minimum lease payments were as follows:

31 March 2020	Minimum lease payments due		
	Within 1 year	1-3 years	More than 3 years
Lease payments	96.59	138.45	-

- E On transition to Ind AS 116 the weighted average incremental borrowing rate applied to lease liabilities recognized under Ind AS 116 was 12%.

The following is a reconciliation of the financial statement line items from Ind AS 17 to Ind AS 116 at 1 April 2019:

Particulars	Carrying amount as at 31 March, 2019	Remeasurement	Ind AS 116 carrying amount as at 1 April, 2019
Property, plant and equipment	-	265.12	265.12
Lease liabilities	-	(265.12)	(265.12)
<b>Total impact on retained earnings</b>	<b>-</b>	<b>-</b>	<b>-</b>

- F Set out below are the carrying amount of lease liabilities and the movement during the period:

Particulars	31 March, 2020
As at 1 April, 2019	265.12
Additions	-
Accretion of interest	27.86
Payments	(87.99)
<b>As at 31 March, 2020</b>	<b>204.99</b>
Current	91.75
Non current	113.24

**G Extension and termination options**

The Company has lease contracts for "office block and work sites" which are used for regular operations of its business. 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.

**H Other transition details**

- Effective 1 April 2019, the Company has adopted Ind AS 116 "Leases" and applied modified retrospective approach where right of use as on the date of transition has been assumed to be equal to lease liability recognized at transition, with suitable adjustments of prepaid and accruals of rentals to all lease contracts existing as at 1 April 2019.  
On transition, the adoption of new standard resulted in recognition of lease liability of ₹ 265.12 Lakhs and corresponding right of use asset of ₹ 265.12 Lakhs.
- For contracts in place as at 1 April 2019, Company has elected to apply the definition of a lease from Ind AS 17 and has not applied Ind AS 116 to arrangements that were previously not identified as lease under Ind AS 17.
- Instead of performing an impairment review on the right -of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of Ind AS 116.
- On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Group has applied the optional exemptions to not recognize right -of-use assets but to account for the lease expense on a straightline basis over the remaining lease term.



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39 Revenue from contracts with customers under Ind AS 115 are as follow:-

A The Company is engaged in providing following services-

RECPDCL provides consultancy services in Power Distribution sector to states/Union Territories under various central/state Government schemes such as Third Party Inspection Agency (TPIA)/Project Management Agency (PMA)/Project Management Consultancy (PMC) under Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY)/Integrated Power Development Scheme (IPDS)/Restructured Accelerated Power Development and Reforms Programme (R-APDRP)/Backward Regions Grant Fund (BRGF) and other state schemes. The major activities undertaken in these types of projects include inspection of Village Electrification, Substation and Feeder inspection & Material inspection, Survey & preparation of Detailed project report, assisting DISCOMS in bid management, supervision & monitoring of electrification work and assisting Distribution Companies (DISCOMs) in closure of the project. The company is also working in various Smart Metering/ Smart Grid and Information Technology (IT) projects as Project Implementing Agency (PIA)/Project Management Agency (PMA) for implementation of various distribution infrastructure projects under various Govt. schemes and also working as monitoring agency for monitoring and supervision of Un-Electrified (UE) village electrification works and Household electrification work.

B Significant management judgments on revenue recognition

Recognized amounts of contract revenues and related receivables when the contract has been approved by the parties, in writing, to the contract, the parties to contract are committed to perform their respective obligations under the contract, and the contract is legally enforceable. Revenue from the contracts recognized over the period of time as and when the performance obligation is satisfied based on management's best estimates of each contract's outcome and stage of completion which is determined based on progress, efforts, cost incurred to date bear to the total estimated cost of the transaction, time spend, service performed (generally mentioned in the contracts with the customer) or any other method that management considered appropriate. When there is uncertainty as to collectability, revenue recognition is postponed until such uncertainty is resolved.

Also while allocating that transaction price to the specific performance obligations identified in the contract. The transaction price is allocated to the performance obligations based on its relative standalone selling price, which generally is not readily available, hence management estimates the stand alone selling prices basis upon its experience and contractual negotiations.

C Segregation of revenue

RECPDCL's revenue mostly comes from core business of sale of services as consultancy i.e. PMA/PMC/PIA, TPIA and Quality Control Projects and some turnkey projects of Solar/IT implementation from projects within India. In case of execution of IT/Solar implementation projects revenue is recognized at a point in time specifically when the control of goods/services is transferred to the customer. The total business portfolio of RECPDCL includes various Central/State Govt. entities e.g. State Distribution Companies (DISCOM), Power and Electricity Departments of States/UTs, Central Public Sector Undertaking (CPSUs) [Energy Efficiency Services Limited (EESL), Power Grid Corporation of India Limited (PGCIL), Solar Energy Corporation of India Ltd. (SECI) etc].

In accordance with Ind AS 115, set out below is the disaggregation of the Company's revenue from contracts with customers:

State/Union Territory of supply of services	As at	As at
	March 31, 2020	March 31, 2019
Andhra Pradesh	34.60	253.33
Arunachal Pradesh	410.56	1,678.31
Assam	220.59	443.65
Bihar	352.63	209.41
Chhattisgarh	459.94	399.95
Delhi	1,803.74	2,478.95
Goa	802.91	369.20
Jharkhand	402.82	561.06
Jammu and Kashmir	392.24	2,345.75
Karnataka	898.25	1,041.69
Madhya Pradesh	237.92	284.42
Rajasthan	772.96	772.62
Telangana	92.82	520.20
Tripura	59.98	57.19
Uttar Pradesh	4,265.35	3,705.98
West Bengal	1,406.97	90.40
Maharashtra	107.29	39.23
<b>Total revenue from contracts with customers</b>	<b>12,721.57</b>	<b>15,251.34</b>



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REC Power Distribution Company Limited  
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D Reconciliation of revenue recognized with contract price

	As at March 31, 2020	As at March 31, 2019
Contract price*	12,721.57	15,251.34
Adjustments for:		
Rebates and discounts	-	-
Revenue from contracts with customers	12,721.57	15,251.34

\* It includes services in the form of execution of IT/Solar implementation projects, Consultancy engineering services and Income from REC - UE Village project.

E Reconciliations of unbilled revenue

Opening balance	1,364.02	5,109.31
Invoices raised during the period	(1,282.97)	(5,109.31)
Revenue recognized during the period	2015.53	1,364.02
Closing balance	2096.58	1364.02

F Reconciliations of advances from customers

Opening balance	-	236.43
Revenue recognized during the period	-	(236.43)
Addition during the period	14.87	-
Closing balance	14.87	-

G Reconciliations of cost of fulfillment carried forward

Opening balance	-	-
Addition during the period*	128.21	-
Closing balance	128.21	-

\* The revenue from J&K PIA project of ₹ 712 Lakhs for the period from April 19 to March 20 could not be recognized as revenue due to uncertainty about realisation of consideration after revocation of special status to J&K and bifurcation of J&K into union territory. Accordingly, the expenses of ₹ 128.21 Lakhs incurred for the same period which is directly relatable cost to the J&K contract will be recognized as an asset in the books and in the balance sheet will be reflected as deferred revenue expenses

H Remaining performance obligations

	As at 31 March, 2020	As at 31 March, 2019
Amount of the unsatisfied performance obligations (or partially unsatisfied)	33,790.83	31,939.35

The remaining performance obligation disclosure provides the aggregate amount of the transaction price yet to be recognized as at the end of the reporting period and an explanation as to when the company expects to recognize these amounts in revenue. Remaining performance obligation estimates are subject to change and are affected by several factors, including terminations, changes in the scope of contracts, periodic revalidations, adjustment for revenue that has not materialized. The entity expects to satisfy the above performance obligations within the contracted terms, 44% of the unsatisfied performance obligation as at 31 March, 2020 will be achieved in next Financial Year and the balance thereafter.

I Contract balances

	As at 31 March, 2020	As at 31 March, 2019
Assets		
Contract balances	9,694.50	11,482.75
Contract assets		
Unbilled revenue*	2,096.58	1,364.02
Cost of fulfillment carried forward**	128.21	-
Contract liability		
Advances from customers***	14.87	-



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**REC Power Distribution Company Limited**  
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\***Unbilled Revenue** is the contract asset that has been recognized due to satisfaction of the performance obligation, but the invoicing of the same is pending.

\*\***Cost of fulfillment** relates to contract assets recognized equivalent to the recoverable costs incurred in fulfilling a contract (contract related) with a customer, which generates or enhances the resources of the entity that will be used in satisfying the future performance obligations.

\*\*\***Advance from customers** are contract liabilities, where money has been received and performance obligations are not yet satisfied.

- J Company has not incurred any cost for obtaining contracts except administrative cost required for preparation of offers and the same is charged to Statement of Profit and Loss.

**40 Govt Grant**

Government of Jammu & Kashmir, Power Development Department has appointed REC Power Distribution Company Limited as a Project Implementing Agency (PIA) for design, engineering, procurement, supply, erection, testing and commissioning of all the material and services works to be taken-up for execution of distribution work under PMDP in 5 circle of J&K state on nomination basis, as per actual cost to be discovered through competitive biddings. 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 interest earned thereto are classified under "Advance for Deposit Work" under the head "Other Financial Liabilities".

During the year, interest earned of ₹ 1012.46 Lakhs (Previous year ₹ 1196.86 Lakhs) has been taken to Advance for Deposit Work account. Further, during the year, an amount of ₹ 2059.22 Lakhs (Previous year ₹ 1142.53 Lakhs) has been refunded back to MoP out of the total interest on advance for deposit work.

The movement of Grant is explained as under:

Particulars	Year ended 31 March, 2020	Year ended 31 March, 2019
Opening Balance	18,119.46	21,612.53
Add: Grant received during the year*	3,103.30	255.86
Add: Interest earned during the year	1,012.46	1,196.86
Less: Amount refunded to Govt. during the year	(2,059.22)	(1,142.53)
Less: Disbursement out of Grant	(17,437.41)	(3,803.27)
Closing Balance	2,738.59	18,119.46

\* This represents amount received of ₹ 3103.30 Lakhs from performance bank guarantee encashment

**41 Advance for deposit work**

Government of Jammu & Kashmir, Power Development Department has appointed REC Power Distribution Company Limited as a Project Implementing Agency (PIA) for design, engineering, procurement, supply, erection, testing and commissioning of all the material and services works to be taken-up for execution of distribution work under RAPDRP and IPDS in 5 circle of J&K state on nomination basis, as per actual cost to be discovered through competitive biddings. Further RECPDCL has been appointed as material procurement agency under Saubhagya and DDUGJY Schemes for north eastern states by REC Ltd, Chandigarh Smart Grid scheme and NSGM scheme by Chandigarh Electricity Department (CED), on nomination basis as per actual cost to be discovered through competitive bidding. 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 interest earned thereto are classified under "Advance for Deposit Work" under the head "Other Financial Liabilities".

The movement of deposit for work is explained as under:

Particulars	Year ended 31 March, 2020	Year ended 31 March, 2019
Opening Balance	6,584.07	-
Add: Fund received during the year*	6,944.70	54,597.02
Add: Interest earned during the year	149.44	123.49
Less: Amount refunded during the year	-	-
Less: Disbursement out of Fund	(10,231.40)	(48,136.44)
Closing Balance	3,446.81	6,584.07

\* This includes amount received of ₹ 1256.78 Lakhs from performance bank guarantee encashment



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**REC Power Distribution Company Limited**  
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 (All amounts in ₹ lakhs, unless stated otherwise)

**42 Related party transactions**

In accordance with the requirements of Indian Accounting Standard -24 the names of the related parties where control /ability to exercise significant influence exists, along with the aggregate amount of transactions and year end balances with them as identified and certified by the management are given below :

**a. Details of related parties:**

Description of relationship	Names of related parties
Ultimate Holding Company	Power Finance Corporation Limited
Holding company	REC Limited (Formerly Rural Electrification Corporation Limited)
Fellow subsidiaries	REC Transmission Projects Company Limited (RECTPCL)
Society registered for undertaking CSR activities	REC Foundation
Key management personnel (KMP)	Mr. Sanjeev Kumar Gupta, Director (Chairman w.e.f. 1st June, 2020) Mr. Ajeet Kumar Agarwal, Chairman (till 31st May, 2020) Mr. Sanjay Garg, Director (till 31st March, 2020) Mr. Sanjay Kumar, Director Mr. Ajay Choudhury, Director Mr. Vijay Kumar Singh, Director* Mr. R. Lakshmanan, IAS, Chief Executive Officer
<b>Companies under Common Control :</b> REC Transmission Projects Company Limited (RECTPCL) is under common control.	<b>Details of the subsidiaries of RECTPCL is as follows:</b> 1. Dumka Transmission Limited 2. Chandl Transmission Limited 3. Mandar Transmission Limited 4. Koderma Transmission Limited 5. Osmanabad Maharashtra Line 6. Bidar Karnataka Line 7. Gadag Karnataka Part A Line 8. Solar Energy Rajasthan Part A Line 9. Solar Energy Rajasthan Part B Line 10. Solar Energy Rajasthan Part C Line 11. Raigarh Madhya Pradesh Line

\* Appointed subsequent to 31st March, 2020.

**b. Transactions with Holding Company and KMP are as under:**

	Year ended	Holding Company	Society registered for undertaking CSR activities	Key management personnel
<b>(i) Transactions during the year</b>				
Services rendered	Year ended 31 March, 2020	1,090.07	9.34	-
	Year ended 31 March, 2019	1,116.59	7.70	-
Services received from related party	Year ended 31 March, 2020	720.02	-	-
	Year ended 31 March, 2019	950.30	-	-
Remuneration to KMP's (through Holding Company)	Year ended 31 March, 2020	-	-	16.82
	Year ended 31 March, 2019	-	-	24.49
Reimbursement of expenditure incurred by the Company on behalf of the related party	Year ended 31 March, 2020	-	271.67	-
	Year ended 31 March, 2019	-	277.43	-
Interest income from investment in tax free bonds	Year ended 31 March, 2020	84.45	-	-
	Year ended 31 March, 2019	84.22	-	-
Dividend on equity shares	Year ended 31 March, 2020	-	-	-
	Year ended 31 March, 2019	2,255.00	-	-
<b>(ii) Outstanding Balances at Year End</b>				
Trade payables	Year ended 31 March, 2020	272.89	-	-
	Year ended 31 March, 2019	136.56	-	-
Trade receivables	Year ended 31 March, 2020	377.23	-	-
	Year ended 31 March, 2019	60.61	1.23	-
Non-current investment (Investment in tax free bonds incl. of accrued interest)	Year ended 31 March, 2020	1,071.66	-	-
	Year ended 31 March, 2019	1,071.43	-	-
Other current liabilities	Year ended 31 March, 2020	-	14.87	-
	Year ended 31 March, 2019	-	263.49	-

With respect to the key management personnel, disclosure has been given for those relatives with whom the Company has made transactions during the year. (if any)

**Key management personnel remuneration includes the following expenses:**

	Year ended 31 March, 2020	Year ended 31 March, 2019
Short-term employee benefits	14.66	20.62
Post-employment benefits	2.16	3.87
<b>Total remuneration</b>	<b>16.82</b>	<b>24.49</b>

**Note:**

As provisions for gratuity and leave benefits are made for the Company as a whole, the amounts pertaining to the Key management personnel are not specifically identified and hence are not included above.

**c. Advances/Dues from directors & other key officers of the company:**

Designation of officer	As at 31 March, 2020	Maximum amount outstanding for the year ended 31 March, 2020	As at 31 March, 2019	Maximum amount outstanding for the year ended 31 March, 2019
Chairman	NIL	NIL	NIL	NIL
Company Secretary	NIL	NIL	NIL	NIL



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**REC Power Distribution Company Limited**  
**Notes forming part of Financial Statements for the year ending 31 March, 2020**  
(All amounts in ₹ lakhs, unless stated otherwise)

**43 Employee benefit obligations**

**Defined contribution plans**

The Company makes contributions to the Provident Fund for all eligible employees. Under the plan, the Company is required to contribute a specified percentage of payroll costs. Accordingly, the Company has recognized ₹ 28.84 Lakhs as expense in the statement of profit and loss during the current year (Year ended 31 March, 2019 ₹ 27.96 Lakhs).

**Defined benefit plans**

The Company offers the following employee benefit schemes to its employees:

**i. Loyalty incentive**

The Loyalty benefit 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. The liability for the same is recognized on the basis of actuarial valuation.

**ii. Leave encashment**

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 recognized on the basis of actuarial valuation.

The following table sets out the funded status of the defined benefit schemes and the amount recognized in the financial statements:

Components of Employee expense	For the year ended 31 March, 2020		For the year ended 31 March, 2019	
	Loyalty incentive	Leave encashment	Loyalty incentive	Leave encashment
Current service cost	10.74	9.80	14.28	11.88
Interest cost	1.31	1.98	1.47	1.11
Actuarial losses/(gains)	(0.43)	10.09	0.03	(0.48)
<b>Total Expense recognized in the Statement of profit and loss</b>	<b>11.62</b>	<b>21.87</b>	<b>15.78</b>	<b>12.51</b>

**Net asset/(liability) recognized in the  
Balance Sheet**

	As at 31 March, 2020		As at 31 March, 2019	
	Loyalty incentive	Leave encashment	Loyalty incentive	Leave encashment
Present value of Defined benefit obligation	25.09	20.85	34.18	25.81
Funded status [Surplus / (Deficit)]	(25.09)	(20.85)	(34.18)	(25.81)
<b>Net Asset/(Liability) recognized in the Balance Sheet</b>	<b>(25.09)</b>	<b>(20.85)</b>	<b>(34.18)</b>	<b>(25.81)</b>

**Change in Defined benefit obligations (DBO) during the year**

	For the year ended 31 March, 2020		For the year ended 31 March, 2019	
	Loyalty incentive	Leave encashment	Loyalty incentive	Leave encashment
Present value of DBO at beginning of the year	34.18	25.81	19.06	14.41
Current service cost	10.74	9.80	14.28	11.88
Interest cost	1.31	1.98	1.47	1.11
Actuarial (Gains)/Losses	(0.43)	10.09	0.03	(0.48)
Benefits paid	(20.72)	(26.83)	(0.65)	(1.11)
<b>Present value of DBO at the end of the year</b>	<b>25.09</b>	<b>20.85</b>	<b>34.18</b>	<b>25.81</b>

**Actuarial assumptions**

Discount rate*	7.69%	6.80%	7.69%	7.69%
Expected return on plan assets	NA	NA	NA	NA
Salary escalation	NA	6.00%	NA	6.00%
<b>Attrition</b>				
upto 30 Years	3.00%	3.00%	3.00%	3.00%
From 31 to 44 Years	2.00%	2.00%	2.00%	2.00%
Above 44 Years	1.00%	1.00%	1.00%	1.00%
Method used **	PUCM	PUCM	PUCM	PUCM

\*The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations. The estimate of future salary takes into account the inflation, seniority, promotion, increments and other relevant factors.

\*\*Projected unit credit method



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REC Power Distribution Company Limited  
Notes forming part of Financial Statements for the year ending 31 March, 2020  
(All amounts in ₹ lakhs, unless stated otherwise)

Maturity profile of Defined benefit obligations (DBO)- Leave encashment

Sr. No.	Year	31 March, 2020	31 March, 2019
a)	0 to 1 Year	5.54	1.39
b)	1 to 2 Year	0.40	0.46
c)	2 to 3 Year	0.39	0.48
d)	3 to 4 Year	0.37	0.47
e)	4 to 5 Year	0.36	0.46
f)	5 to 6 Year	0.35	0.46
g)	6 Year onwards	13.45	22.06

Sensitivity analysis in respect of Defined benefit obligation\*

Particulars		Loyalty incentive		Leave encashment	
		31 March, 2020	31 March, 2019	31 March, 2020	31 March, 2019
a) Impact of the change in discount rate					
	Present Value of Obligation at the end of the period	25.09	34.18	20.86	25.82
a)	Impact due to increase of 0.50 %	(0.24)	(0.33)	(1.81)	(1.91)
b)	Impact due to decrease of 0.50 %	0.24	0.33	2.03	2.12
b) Impact of the change in salary increase					
	Present Value of Obligation at the end of the period	25.09	34.18	20.86	25.82
a)	Impact due to increase of 0.50 %	0.24	0.33	2.03	2.15
b)	Impact due to decrease of 0.50 %	(0.24)	(0.33)	(1.83)	(1.95)

\*Sensitivities due to mortality & withdrawals are not material & hence impact of change due to these not calculated.

\*Sensitivities as rate of increase of pensions in payment, rate of increase of pensions before retirement & life expectancy are not applicable.



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REC Power Distribution Company Limited  
Notes forming part of Financial Statements for the year ending 31 March, 2020  
(All amounts in ₹ lakhs, unless stated otherwise)

44 Financial instruments

i) Financial instruments by category measured at amortized cost:

Particulars	As at 31 March, 2020	As at 31 March, 2019
<b>Financial assets</b>		
Investments*	1,581.14	1,580.67
Loans**	66.46	70.11
Trade receivables	9,694.50	11,482.75
Cash and cash equivalents	2,281.08	4,019.56
Other bank balances	10,303.36	32,795.07
Other financial assets	2,096.58	1,364.02
<b>Total</b>	<b>26,023.12</b>	<b>51,312.18</b>
<b>Financial liabilities</b>		
Borrowings	113.24	-
Trade payable	4,887.66	6,865.34
Other financial liabilities	8,527.94	32,154.67
<b>Total</b>	<b>13,528.84</b>	<b>39,020.01</b>

\* Aggregate fair value of investment in tax free bonds ₹ 1,929.36 lakhs ( 31 March 2019 : ₹ 1,846.44 lakhs)

\*\* Loans include security deposits and retention money. Security deposits are carried at amortized cost using incremental borrowing rate applicable to the Company. Retention money does not have define contractual maturity and accordingly, the amount of retention money given is representative of its amortized cost.

The carrying amounts of financial assets and liabilities are considered a reasonable approximation of their fair values.

ii) Fair values hierarchy

The Company does not have any financial assets or financial liabilities carried at fair value.

45 Financial risk management

i) Risk management

The Company is exposed to various risks in relation to financial instruments . The Company's financial assets and liabilities by category are summarised in Note 44. The main types of risks are credit risk, liquidity risk and market risk.

The Company's risk management is coordinated in close co-operation with the Board of Directors, and focuses on securing the Company's short to medium term cash flows. The Company does not engage in trading of financial assets for speculative purposes.

A) Credit risk

a) Credit risk rating

The entity assesses and manages credit risk of financial assets based on following categories arrived on the basis of assumptions, inputs and factors specific to the class of financial assets.

A: Low credit risk on financial reporting date

B: Moderate credit risk

C: High credit risk

The entity provides for expected credit loss based on the following:

Asset entity	Basis of categorization	Provision for expected credit loss
Low credit risk	Cash and cash equivalents, other bank balances, loans, investments and other financial assets	12 month expected credit loss
	Contract asset and trade receivable	Lifetime expected credit loss



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REC Power Distribution Company Limited  
Notes forming part of Financial Statements for the year ending 31 March, 2020  
(All amounts in ₹ lakhs, unless stated otherwise)

Assets are written off when there is no reasonable expectation of recovery, such as litigation of debtor decided against the entity or funds not allocated against grant. The entity continues to engage with parties whose balances are written off and attempts to enforce repayment. The entity has written off certain irrecoverable debts.

Credit risk assets are as follows:

Credit rating	Particulars
A: Low credit risk	Cash and cash equivalents, other bank balances, loans, investments and other financial assets
B: Medium credit risk	Trade receivables
C: High credit risk	Trade receivables

b) Credit risk exposure

(i) Provision for expected credit losses

The entity provides for expected credit losses for following financial assets –

31 March, 2020

Particulars	Estimated gross carrying amount at default	Expected credit losses	Carrying amount net of impairment provision
Investments	1,581.14	-	1,581.14
Cash and cash equivalents	2,281.08	-	2,281.08
Other bank balances	10,303.36	-	10,303.36
Loans	66.46	-	66.46
Trade receivables	15,652.67	(5,958.17)	9,694.50
Other financial assets	2,096.58	-	2,096.58

31 March, 2019

Particulars	Estimated gross carrying amount at default	Expected credit losses	Carrying amount net of impairment provision
Investments	1,580.67	-	1,580.67
Cash and cash equivalents	4,019.56	-	4,019.56
Other bank balances	32,795.07	-	32,795.07
Loans	70.11	-	70.11
Trade receivables	15,285.47	(3,802.72)	11,482.75
Other financial assets	1,364.02	-	1,364.02

(ii) Expected credit loss for trade receivables under simplified approach

31 March, 2020

Particulars	Gross carrying value	Expected loss rate	Expected credit loss (provision)	Carrying amount (net of impairment)
>1 year	7,092.01	14.71%	1,043.28	6,048.73
1 year - 2 year	4,214.33	25.19%	1,061.68	3,152.65
2 year - 3 year	986.24	50.00%	493.12	493.12
>3 Years	3,360.09	100.00%	3,360.09	-
Total	15,652.67	38.06%	5,958.17	9,694.50



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**REC Power Distribution Company Limited**  
**Notes forming part of Financial Statements for the year ending 31 March, 2020**  
(All amounts in ₹ lakhs, unless stated otherwise)

31 March, 2019

Particulars	Gross carrying value	Expected loss rate	Expected credit loss (provision)	Carrying amount (net of impairment)
>1 year	9,413.64	10.36%	975.45	8,438.19
1 year - 2 year	3,151.66	8.75%	275.81	2,875.84
2 year - 3 year	337.43	50.00%	168.71	168.71
>3 Years	2,382.74	100.00%	2,382.74	-
<b>Total</b>	<b>15,285.47</b>	<b>24.88%</b>	<b>3,802.72</b>	<b>11,482.75</b>

Note: The entity has measured the expected credit loss on trade receivables using simplified approach on lifetime basis. For the same the Company has used the practical expedient available under Ind As 109 and computed the expected credit loss using the provision Matrix.

**Reconciliation of loss provision – Trade receivables**

Reconciliation of loss allowance	Total
Loss allowance on 1 April, 2018	3,598.51
Provision created during the period	204.21
Loss allowance on 31 March, 2019	3,802.72
Provision created during the period	2,485.69
Provisions utilized during the period	(330.24)
Loss allowance on 31 March, 2020	5,958.17

**B) Liquidity risk**

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Company manages liquidity risk by maintaining adequate reserves, back-up facilities such as deposits and by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows.

**Maturities of financial liabilities**

All the financial liabilities of the Company are current in nature and are maturing within 12 months period, except for earnest money deposits, Performance bank guarantee and lease liability which are recoverable in more than 12 months period. However expected date of the same is not determinable.

**C) Market risk**

**Interest rate risk**

As the Company does not have any borrowings outstanding, it is not exposed to interest rate risk.

**46 Capital management policies and procedures**

The Company's capital includes issued share capital and all other distributable reserves. The primary objective of the Company's capital management is to maximize shareholder value and to maintain an optimal capital structure to reduce the cost of capital. The Company does not have any external borrowings and all its capital needs are met by capital or shareholders only.



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47 Contingencies and commitments

	As at 31 March, 2020	As at 31 March, 2019
(a) Income tax demand against Notice U/s 245 of Income Tax Act for AY 2011-12	-	20.88
(b) Income tax demand against Notice U/s 245 of Income Tax Act for AY 2012-13	-	0.18
(c) Income tax demand against Notice U/s 245 of Income Tax Act for AY 2016-17	-	117.32
(d) Income tax demand against Notice U/s 245 of Income Tax Act for AY 2017-18	-	301.15
(e) Un-expired performance bank guarantees *	3,078.34	2,985.51
(f) Committed liability against corporate social responsibility	128.28	114.36
	<b>3,206.62</b>	<b>3,539.40</b>

\* Secured against current assets of the Company.

48 Impact of Covid-19 Outbreak

The novel coronavirus (COVID-19) pandemic is spreading around the globe rapidly. The virus has taken its toll on not just human life, but businesses and financial markets too, the extent of which is currently indeterminate. The Government of India has also announced a compulsory lockdown from 22 March 2020. The Company is carefully considering the accounting implications of this situation. However as of now the management has been able to cope with the situation very well. Due to the lockdown the operations at the different sites of the Company has been partially affected, as the Company has adopted the offline work policy for most of the works. Further, the above does not impact the revenue recognition of the Company. During the period of lockdown the company has booked revenue as unbilled revenue and the Company has not raised any invoice. The expenses (Vendor Exp., Administrative Exp., Employee salary etc.) has been recognized in the period/year to which these expenses pertain.

Also as the Company deals with the Government departments or Companies, it seems non-probable to the management that any of the customers of the Company will default any payments. However there has been a few cases of delays in the collection, but the management estimates that these are receivable very soon, once the situations get normalized.

49 Impairment of non financial assets

In the opinion of management, there is no impairment of the non financial assets of the Company in terms of IND AS-36. Accordingly, no provision for impairment loss has been made.

50 Corporate social responsibility expenses

Disclosure on CSR Expenses U/s 135 of the Companies Act, 2013

	Year ended 31 March, 2020
(a) Gross Amount to be spent by the Company during the year	
FY 2019-20	104.17
FY 2018-19	113.69

Details of CSR Expenditure during the financial year 2019-20:

a) CSR budget as per Companies Act, 2013 for the F.Y. 2019-20	104.17
b) C/F of unsanctioned CSR fund from earlier years	1.52
c) Sanctioned amount during the year	101.71
d) Un-Sanctioned amount of CSR during the year (a+b-c)	3.98
e) C/F Un-Disbursed amount of earlier Years	111.70
f) Fund disbursed from current year sanctioned	10.21
g) Fund disbursed from earlier years Sanctioned	78.90
h) Un disbursed balance as on 31.3.2020 (c+e-f-g)	124.30
i) Total unspent balance as on 31.3.2020 (d+h)	128.28

Amount spent during the year on the following :

	Year ended 31 March, 2020	Year ended 31 March, 2019
-Contribution towards study & research (AIIMS) (₹ 62.93 Lakhs)*	6.50	12.48
-Contribution towards skill development (₹ 4.02 Lakhs)*	-	0.54
-Contribution towards procurement of Life Saving Ambulance (₹ 22.13 Lakhs)*	-	1.11
-Contribution towards setting up 3 Nos of Powered Community Water Centre (₹ 48.87 Lakhs)*	0.63	43.64
-Contribution towards MSGA selected as IA by MeECL for Indoor Badminton Court (₹ 31.21 Lakhs)*	1.56	5.90
-Contribution towards devp. of infrastructure facilities in Kandmal Dist. Hospital (₹ 74.00 Lakhs)*	70.30	-
-Contribution towards devp. of infrastructure facilities in SUKMA dist. Hospital (₹ 36.00 Lakhs)*	-	18.00
-Contribution towards devp. of infrastructure facilities in Goa (₹ 40.82 Lakhs)*	10.21	-
-Contribution towards devp./enhancement of education facility in Kishori Raman Girls Inter College, Mathura (₹ 35.89 Lakhs)*	-	-
-Contribution towards devp./enhancement of education facility in Research & Rehabilitation Centre by Chetna Himachal Pradesh (₹ 25 Lakhs)*	-	-
-Contribution towards education**	(0.09)	-
<b>Total expenses recognized in Profit &amp; Loss A/c during the year</b>	<b>89.11</b>	<b>81.67</b>

\*Sanctioned Amount for CSR activities identified as per Section 135 of the Companies Act, 2013.

\*\*Unutilized CSR fund refunded by the party.



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**51 Merger of RECTPCL**

With a view to have better operational efficiency and to reap the benefits of higher capital base, pooled resources and to create one big Consultancy firm and in terms of Ministry of Power's (MoP) Office Memorandum dated 30 August, 2017 and MoP approval letter dated 11 November, 2019, the unlisted wholly owned subsidiary companies of REC Limited i.e. REC Power Distribution Company Limited (RECPDCL) and REC Transmission Projects Company Limited (RECTPCL), have initiated the requisite process under which RECTPCL (Transferor company) along with its wholly owned subsidiaries, will merge into RECPDCL (Transferee company), subject to the requisite approvals/sanctions of the shareholders/creditors of the transferor and transferee companies, Central Government and such other Competent Authority(ies), as may be required.

52 There are no foreign currency transactions during the year. Therefore no disclosures are required under Schedule III of the Companies Act, 2013.

53 As per the provision of the Companies Act, 2013 the figures have been rounded off to the nearest of Lakhs and decimal thereof.

54 The Company is operating in a single segment i.e. providing engineering consultancy services and therefore disclosure requirements of Ind AS 108 is not applicable.

55 The figures have been regrouped and reclassified, wherever necessary for better presentation.

56 Negative figures have been shown in bracket.

**Summary of significant accounting policies 1 to 3**

The accompanying notes from 4 to 56 are integral part of the financial statements.

These are the financial statements referred to in our report of even date.

For AKG & Associates  
Chartered Accountants  
Firm Registration No. 002688N

  
CA Harvinder Singh  
Partner  
Membership No. 087889

Place : Delhi

Date: 12/06/2020

UDIN:- 20087889AAAACP3962

For and on behalf of Board of Directors of  
REC Power Distribution Company Limited

  
Vijay Kumar Singh  
Director  
DIN - 02772733

  
Ajoy Choudhury  
Director  
DIN - 06629871