RURAL ELECTRIFICATION CORPORATION LIMITED
(A Government of India Enterprise)
Regd. Office: Core-4, SCOPE Complex, 7 Lodi Road, New Delhi 110003
Tel.:+91-11 41020101; Facsimile: +91-112436 9849;
E-mail: rajeshkumar@recl.nic.in, rajeshkumar515@yahoo.com
Website: www.recindia.com & www.recindia.nic.in
Compliance/Nodal Officer: Mr. Rajesh Kumar, DGM (Finance);
E-mail: rajeshkumar@recl.nic.in, rajeshkumar515@yahoo.com;
Tel.: +91 11 43091676; Facsimile: +91 1124369849

(This is a Private Placement Offer Letter is issued in conformity with Companies Act, 2013, Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008, as amended , Form PAS-4 prescribed under Section 42 and Rule 14(1) of Companies (Prospectus and Allotment of Securities) Rules, 2014, the Companies (Share Capital and Debenture) Rules, 2014, circular no. DNBD(PD) CC No. 330 /03.10.001/2012-13 dated June 27, 2013 issued by the Reserve Bank of India on "Raising Money through Private Placement by NBFCs-Debentures etc." and circular no. DNBS(PD) CC No.349/03.10.001/2013-14 dated July 02, 2013 issued by the Reserve Bank of India on "Raising Money through Private Placement by NBFCs-Non-Convertible Debentures (NCDs) –Clarification")

(PRIVATE & CONFIDENTIAL) (FOR ADDRESSEE ONLY)
PRIVATE PLACEMENT OFFER LETTER DATED OCTOBER 10, 2014

PRIVATE PLACEMENT OFFER LETTER FOR PRIVATE PLACEMENT OF UNSECURED, REDEEMABLE, NON-CONVERTIBLE, TAXABLE BONDS IN THE NATURE OF DEBENTURES UPTO Rs. 5,00 CRORE WITH OPTION TO RETAIN OVER SUBSCRIPTION.

TRUSTEE FOR THE BONDHOLDERS IDBI Trusteeship Services Ltd.	REGISTRAR TO THE ISSUE RCMC Share Registry Pvt. Ltd.
Registered Office Asian Building, Ground Floor 17. R. Kamani Marg, Ballard Estate Mumbai (Maharashtra) – 400 001 Phone: +91 022 40807000 Fax: +91 022 66311776 Email: itsl@idbitrustee.com SEBI Registration No.:IND000000460	**Registered Office** B-106, Sector - 2, Noida – 201301 (Uttar Pradesh) Phone- 91-120-4105887 Fax- 91-120-2444346 Email: rdua@rcmcdelhi.com SEBI Registration No.: INR000000429

Listing: The Bonds are proposed to be listed on Wholesale Debt Market segment of the National Stock Exchange of India Ltd. and/or BSE Ltd. The BSE and NSE has granted the in-principle approval vide letter dated October 10, 2014 and October 10, 2014 respectively.

"Arrangers to the issue":

Axis Bank Ltd.	ICICI Securities Primary Dealership Ltd.
A. K. Capital Services Ltd.	Kotak Mahindra Bank
Barclays Bank PLC	Nomura Financial Advisory and Securities (India) Private Limited
Deutche Bank AG	SPA Capital Advisors Ltd.
Edelweiss Financial Services Limited	Tip Sons Consultancy Services Pvt. Ltd.
ICICI Bank Ltd.	Trust Investment Advisors Pvt. Ltd.
Ing Vysya Bank Ltd.	Yes Bank Ltd.

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I. DEFINITIONS/ ABBREVIATIONS

AY	Assessment Year
Articles/Articles of Association/AoA	Articles of Association of our Company as amended from time to time.
Allotment/Allot	The issue and allotment of the Bonds to the successful Applicants pursuant to this Issue.
Applicant/ Investor	A person who makes an offer to subscribe the Bonds pursuant to the terms of this Private Placement Offer Letter and the Application Form.
Auditing Standards	Standards of auditing or any addendum thereto for companies or class of companies referred to in sub-section (10) of section 143 of the Companies Act, 2013.
Associate Company	A company in which the Issuer has a significant influence, but which is not a subsidiary company of Issuer having such influence and includes a joint venture company. Significant influence means control of at least 20% of total share capital, or of business decisions under an agreement.
Application Form	The form in terms of which the Applicant shall make an offer to subscribe to the Bonds and which will be considered as the application for Allotment of Bonds for Series 125.
Arrangers to the Issue	Arrangers to the issue are the entities as listed in this Private Placement Offer Letter.
Board/ Board of Directors	The Board of Directors of Rural Electrification Corporation Limited or Committee thereof.
Bonds	Unsecured, Redeemable, Non-Convertible, Taxable Bonds in the nature of Debentures of face value of Rs.10 Lakh each offered through private placement route under the terms of this Private Placement Offer Letter.
Bondholder(s)	Any person holding the Bonds and whose name appears in the list of Beneficial Owners provided by the Depositories or whose name appears in the Register of Bondholders maintained by the Issuer/ Registrar.
Beneficial Owner(s)	Bondholder(s) holding Bond(s) in dematerialized form (Beneficial Owner of the Bond(s) as defined in clause (a) of sub-section of Section 2 of the Depositories Act, 1996).
Book Closure/Record Date	Record date of interest shall be 15 days prior to each interest payment date and 15 days prior to the date of Maturity. Interest shall be paid to the person whose name appears as sole/first in the Register of Bondholders/Beneficial Owners position of the Depositories on Record Date or to the Bondholders who have converted the Bonds to physical form and their name is registered on the registers maintained by Company/Registrar. In the event of REC not receiving any notice of transfer at least 15 days before the respective due date of payment of interest and at least 15 days prior to the maturity date, the transferees for the Bond shall not have any claim against REC in respect of interest so paid to the registered Bondholder.
BSE	BSE Limited
CAG	Comptroller and Auditor General of India
CAGR	Compounded Annual Growth Rate
CAR	Capital Adequacy Ratio
CARE	Credit Analysis & Research Limited
CRISIL	CRISIL Limited
CDSL	Central Depository Services (India) Limited
CMD	Chairman & Managing Director of REC
The Companies Act	The Companies Act, 1956, as amended and/or the Companies Act, 2013, to the extent notified by the Ministry of Corporate Affairs,

	Government of India, as applicable.
Debt Securities	Non-Convertible debt securities which create or acknowledge indebtedness and include debenture, bonds and such other securities of the Issuer, whether constituting a charge on the assets of the Issuer or not, but excludes security receipts and securitized debt instruments.
Deemed Date of Allotment	The cut-off date on which the duly authorized committee approves the Allotment of the Bonds i.e. the date from which all benefits under the Bonds including interest on the Bonds shall be available to the Bondholders. The actual allotment of Bonds (i.e. approval from the Board of Directors or a Committee thereof) may take place on a date other than the Deemed Date of Allotment.
Depository	A Depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository Participant	A Depository participant as defined under Depositories Act, 1996
Designated Stock Exchange	BSE Limited
DER	Debt Equity Ratio
DP	Depository Participant
EPS	Earnings Per Share
FIs	Financial Institutions
FIIs	Foreign Institutional Investor (as defined under the SEBI (Foreign Institutional Investors) Regulations, 1995 and registered with the SEBI under applicable laws in India.
FPI	Foreign Portfolio Investors as defined under SEBI (Foreign Portfolio Investors) Regulations, 2014 registered with SEBI.
Financial Year/ FY/ Fiscal	Period of twelve months period ending on March 31, of that particular year
IRRPL	India Ratings & Research Private Limited
GoI	Government of India/ Central Government
HUF	Hindu Undivided Family
Trustee	IDBI Trusteeship Services Ltd.
ICRA	ICRA Ltd.
Independent Director	An independent director referred to in sub-section (5) of section 149 of the Companies Act, 2013
Issuer/ REC/ Corporation/Company	Rural Electrification Corporation Limited. A company incorporated under Companies Act, 1956and having its registered office at Core-4, SCOPE Complex, 7 Lodi Road, New Delhi 110003 and bearing CIN L40101DL1969GOI005095.
“our”/”we”/”us”	Our Company together with its subsidiaries, associates and its joint venture on a consolidated basis. As the context may require.
Issue/ Offer	Private Placement of Bonds of Rs. 500 Crore with option to retain oversubscription with under this Private Placement Offer Letter
I.T. Act	The Income Tax Act, 1961, as amended from time to time
IT Department/IT Dept.	Income Tax Department
IT	Income Tax
JPY	Japanese Yen
Key Managerial Personnel	Key managerial personnel, in relation to the Company, shall mean: i. Managing Director & Chief Executive Officer or the Manager; ii. Company Secretary; iii. Whole-Time Directors;

	iv. Chief Financial Officer; and any such other officer as may be prescribed under the Companies Act.
Listing Agreement	Listing Agreement for Debt Securities issued by Securities and Exchange Board of India vide circular no. SEBI/IMD/BOND/1/2009/11/05 dated May 11, 2009 and Amendments to Simplified Debt Listing Agreement for Debt Securities issued by Securities and Exchange Board of India vide circular no. SEBI/IMD/DOF-1/BOND/Cir-5/2009 dated November 26, 2009 and Amendments to Simplified Debt Listing Agreement for Debt Securities issued by Securities and Exchange Board of India vide circular no. SEBI/IMD/DOF-1/BOND/Cir-1/2010 dated January 07, 2010 and amendment to Simplified Debt Listing Agreement for Debt Securities issued by Securities and Exchange Board of India vide circular no. CIR/IMD/DF/18/2013 dated October 29, 2013.
Memorandum/ Memorandum of Association	Memorandum of association of the Company as originally framed or as altered from time to time in pursuance of any previous company law or of the Companies Act, 2013
MF	Mutual Fund
NRIs	Non Resident Indians
NSE	National Stock Exchange of India Ltd.
NSDL	National Securities Depository Ltd.
PAN	Permanent Account Number
Private Placement	Offer of Bonds or invitation to subscribe to the Bonds of the Issuer (other than by way of public offer) through issue of this Private Placement Offer Letter to not more than 49* investors on such conditions including the form and manner of private placement as prescribed under the Companies Act, 2013, * prescribed by the Reserve Bank of India vide circular no. DNBD(PD) CC No. 330 /03.10.001/2012-13 dated June 27, 2013
Private Placement Offer Letter	Private Placement Offer Letter shall mean this Private Placement Offer Letter
GIR	General Index Registration Number
₹/INR/Rupee/Rs.	Indian National Rupee
RBI	Reserve Bank of India
RBI Act, 1934	Reserve Bank of India Act, 1934
RTGS	Real Time Gross Settlement
ROC	Registrar of Companies, National Capital Territory of Delhi & Haryana
REGISTRAR TO THE ISSUE	RCMC Share Registry Pvt. Ltd.
RBI Guidelines	Any rule, regulations, guideline or amendment as may be issued by RBI from time to time.
SEB	State Electricity Board(s)
SEBI	Securities and Exchange Board established under Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI Guidelines	Any rule, regulation or amendment as may be issued by SEBI from time to time.
SEBI Debt Regulations	Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 as amended from time to time.
SLR Bonds	Statutory Liquidity Ratio Bonds
TDS	Tax Deducted at Source

II. DISCLAIMERS

DISCLAIMER OF THE ISSUER

This Private Placement Offer Letter is neither a Prospectus nor a Statement in Lieu of Prospectus and is prepared in conformity with Companies Act, 2013, Form PAS-4 prescribed under Section 42 and Rule 14(1) of Companies (Prospectus and Allotment of Securities) Rules, 2014, SEBI Guidelines and RBI Guidelines and the relevant rules and regulations therein. This document does not constitute an offer to the public generally to subscription for or otherwise acquire the Bonds to be issued by REC. This document is for the exclusive use of the investors to whom it has been specifically addressed and it should not be circulated or distributed to third party(ies). It is not and shall not be deemed to constitute an offer or an invitation to the public in general to subscribe to the Bonds issued by the Issuer. This Bond issue is made strictly on private placement basis. Apart from this Private Placement Offer Letter, no offer document or prospectus is being prepared in connection with the offering of this Issue or in relation to Issuer.

This Private Placement Offer Letter is not intended to form the basis of evaluation for the prospective subscribers to whom it is addressed and who are willing and eligible to subscribe to the Bonds issued by REC. This Private Placement Offer Letter has been prepared to give general information regarding REC to parties proposing to invest in this issue of Bonds and it does not purport to contain all the information that any such party may require. REC believes that the information contained in this Private Placement Offer Letter is true and correct as of the date hereof. REC does not undertake to update this Private Placement Offer Letter to reflect subsequent events and thus prospective subscribers must confirm about the accuracy and relevancy of any information contained herein with REC. However, REC reserves its right for providing the information at its absolute discretion. REC accepts no responsibility for statements made in any advertisement or another material and anyone placing reliance on any other source of information would be doing so at his own risk and responsibility.

Prospective subscribers must make their own independent evaluation and judgment before making the investment and are believed to be experienced in investing in debt markets and are able to bear the economic risk of investing in Bonds. It is the responsibility of the prospective subscribers to have obtained all consents, approvals or authorizations required by them to make an offer to subscribe for, and purchase the Bonds. It is the responsibility of the prospective subscribers to verify if they have necessary power and competence to apply for the Bonds under the relevant laws and regulations in force. Prospective subscribers should conduct their own investigation, due diligence and analysis before applying for the Bonds. Nothing in this Private Placement Offer Letter should be construed as advice or recommendation by the Issuer or by the Arrangers to the Issue to subscribers to the Bonds. The prospective subscribers also acknowledge that the Arrangers to the Issue do not owe the subscribers any duty of care in respect of this private placement offer to subscribe for the Bonds. Prospective subscribers should also consult their own advisors on the implications of application, allotment, sale, holding, ownership and redemption of these Bonds and matters incidental thereto.

This Private Placement Offer Letter is not intended for distribution. It is meant for the consideration of the person to whom it is addressed and should not be reproduced by the recipient. The securities mentioned herein are being issued on private placement basis and this offer does not constitute a public offer/ invitation.

The Issuer reserves the right to withdraw the private placement of the Bond issue prior to the issue closing date(s) in the event of any unforeseen development adversely affecting the economic and regulatory environment or any other force majeure condition including any change in applicable law. In such an event, the Issuer will refund the application money, if any, along with interest payable on such application money, if any.

DISCLAIMER OF THE SECURITIES & EXCHANGE BOARD OF INDIA

This Private Placement Offer Letter has not been approved by Securities & Exchange Board of India (SEBI). The Bonds have not been recommended or approved by SEBI nor does SEBI guarantee the accuracy or adequacy of this Private Placement Offer Letter. It is to be distinctly understood that this Private Placement Offer Letter should not, in any way, be deemed or construed that the same has been cleared or vetted by SEBI. SEBI does not take any responsibility either for the financial soundness of any scheme or the project for which the Issue is proposed to be made, or for the correctness of the statements made or opinions expressed in this

Private Placement Offer Letter. Pursuant to rule 14 (3) of the Companies (Prospectus and Allotment of Securities) Rules, 2014, a copy of this Private Placement Offer Letter shall be filed with the Registrar of Companies, National Capital Territory of Delhi & Haryana along with fee as provided in the Companies (Registration Offices and Fees) Rules, 2014 and with SEBI within a period of thirty days of circulation of the Private Placement Offer Letter. However SEBI reserves the right to take up at any point of time, with REC, any irregularities or lapses in this Private Placement Offer Letter.

DISCLAIMER OF THE ARRANGERS

It is advised that REC has exercised self-due-diligence to ensure complete compliance of prescribed disclosure norms in this Private Placement Offer Letter. The role of the Arrangers to the Issue in the assignment is confined to marketing and placement of the Bonds on the basis of this Private Placement Offer Letter as prepared by REC. The Arrangers to the Issue have neither scrutinized/ vetted nor have they done any due-diligence for verification of the contents of this Private Placement Offer Letter. The Arrangers to the Issue shall use this Private Placement Offer Letter for the purpose of soliciting subscription from qualified institutional investors in the Bonds to be issued by REC on private placement basis. It is to be distinctly understood that the aforesaid use of this Private Placement Offer Letter by the Arrangers to the Issue shall neither in any way be deemed or construed that this Private Placement Offer Letter has been prepared, cleared, approved or vetted by the Arrangers to the Issue, nor do they in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Private Placement Offer Letter; nor do they take responsibility for the financial or other soundness of the Issuer, its promoters, its management or any scheme or project of REC. The Arrangers to the Issue or any of its directors, employees, affiliates or representatives do not accept any responsibility and/or liability for any loss or damage arising of whatever nature and extent in connection with the use of any of the information contained in this Private Placement Offer Letter.

DISCLAIMER OF THE STOCK EXCHANGE

As required, a copy of this Private Placement Offer Letter has been submitted to BSE and/or NSE (hereinafter collectively referred to as "Exchanges") for hosting the same on its website. It is to be distinctly understood that such submission of the document with BSE and/or NSE or hosting the same on its website should not in any way be deemed or construed that this Private Placement Offer Letter has been cleared or approved by the Exchanges; nor do they in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this document; nor do they warrant that the Issuer's bonds will be listed or continue to be listed on the Exchanges; nor do they take responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of REC. Every person who desires to apply for or otherwise acquire any bonds of the Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

DISCLAIMER OF THE RESERVE BANK OF INDIA

The Bonds have not been recommended or approved by the RBI nor does RBI guarantee the accuracy or adequacy of this Private Placement Offer Letter. It is to be distinctly understood that this Private Placement Offer Letter should not, in any way, be deemed or construed that the Bonds have been recommended for investment by the RBI. RBI does not take any responsibility either for the financial soundness of the Issuer, or the Bonds being issued by the Issuer or for the correctness of the statements made or opinions expressed in this Private Placement Offer Letter. The potential investors may make investment decision in respect of the Bonds offered in terms of this Private Placement Offer Letter solely on the basis of their own analysis and RBI does not accept any responsibility about servicing/repayment of such investment.

III. GENERAL INFORMATION

Our Company was incorporated as a private limited company under the Companies Act, 1956 on July 25, 1969 at New Delhi as "Rural Electrification Corporation Private Limited". The word "private" was deleted from the name of our Company on June 03, 1970. Our Company became a deemed public limited company with effect from July 01, 1975. Our Company was converted into a public limited company with effect from July 18, 2003.

NAME AND ADDRESS OF REGISTERED/HEAD/CORPORATE OFFICE OF THE ISSUER

Name of the Issuer	:	Rural Electrification Corporation Ltd.
Registered/ Head Office/ Corporate Office	:	Core-4, SCOPE Complex, 7, Lodi Road, New Delhi 110003
Website	:	www.recindia.gov.in
E-mail	:	investorcell@recl.nic.in
Telephone Number	:	+91-1143091675
Fax Number	:	+91-11-24369849
CIN	:	L40101DL1969GOI005095

Compliance/Nodal Officer and Director (Finance)

Compliance/Nodal Officer: **Mr. Rajesh Kumar** **Deputy General Manager (Finance)** **Rural Electrification Corporation Limited** Core-4, SCOPE Complex 7, Lodi Road, New Delhi 110 003 Tel: +91 11 4309 1676 Facsimile: +91 11 2436 9849 E-mail:rajeshkumar@recl.nic.in, rajeshkumar515@yahoo.com	**Director (Finance):** **Mr. Ajeet Kumar Agarwal,** **Rural Electrification Corporation Limited** Core-4, SCOPE Complex 7, Lodi Road New Delhi-110003 Tel: +91 11 24361914 Facsimile: +91 11 24365090 E-mail: ak.agarwal@recl.nic.in

Arrangers to the Issue

Axis Bank Ltd., Axis Bank Ltd.13th Floor Statesman House, 148 Barakhamba Road,New Delhi-110 001 Telephone No.:011 43682422 Fax No.:011 41515449 E-mail: premanshu.sharma@axisbank.com	**ICICI Securities Primary Dealership Ltd.,** ICICI Tower, 3rd Floor, NBCC Place, Pragati Vihar, Lodi Road, New Delhi – 110003 Telephone No.: 011-243690025/26 Fax No.:011-43560036 / 24390074 E-mail: s.venkatakrishnan@isedpd.com
A. K. Capital Services Ltd. 609, 6th Floor, Antriksh Bhawan 22, Kasturba Gandhi Marg New Delhi – 110 001 Telephone: (011) 23739628 Fax No.: (011) 23739627 E-mail: akdelhi@akgroup.co.in	**Kotak Mahindra Bank,** 804-805, 8th Floor, Ambadeep Building, 14 Kasturba Gandhi Marg, New Delhi-110001 Telephone No. 011-23356107/23356113 Fax No.011-23356114 E-mail: Ahmedwiquar.rahim@kotak.com
Barclays Bank PLC 8F, Ceejay House, DR A. B. Road, Worli, Mumbai - 400 018 Telephone No. 91 22 67196261 Fax No.91 22 67196187 E-mail hardik.dalal@barclays.com	**Nomura Financial Advisory & Securities (India) Private Ltd.** Ceejay House, Level 11, Plot F, Shivsagar Estate, Dr. Annie Besant Road, Worli, Mumbai – 400018 Telephone No.: +91 22 4095 3222 Fax no.: + 91 4037 4111 E-mail id: Indranil.chakravorty@nomura.com; Varda. pandey@nomura.com; prashant.dixit@nomura.com
Deutsche Bank AG The Capital, C-70, G Block, Bandra Kurla Complex, Mumbai - 400051 Telephone No.: +91(22)71584935 Fax No.: +91(22)71804884 Email sarath.pendyala@db.com	**SPA Capital Advisors Ltd.** 25, C Block, Community Centre Janakpuri, New Delhi -110058 Telephone No – 011 45675588, 011 45675522 Fax No – 011 25572763 E-mail – varunk@spacapital.com

Edelweiss Financial Services Limited, Upper Ground Floor, Mercantile House, 15, K.G.Marg, New Delhi – 110001 Telephone No.:011 43571111 Fax No.:011 43571122 E-mail: rachit.gupta@edelweissfin.com	**Tipsons Consultancy Services Pvt. Ltd.,** Sheraton House, Opp. Ketav Petrol Pump, Polytecnic Road, Ambawadi, Ahmedabad – 380015 Telephone No.: 011-23351155 Fax No.: 011-23351188 E-mail: dharmendra@tipsons.com
ICICI Bank Ltd., ICICI Bank Towers Bandra Kurla Complex, Bandra (east), Mumbai, MH 400051 Telephone No. 011 4221 8275 Fax No. 011 24360072 E-mail gmgfixedincome@icicibank.com	**Trust Investment Advisors Pvt. Ltd.,** 1101, Naman Centre, G Block, C-31, Bandra Kurla Complex, Bandra (E), Mumbai -400 051 Telephone No.: 022-40845000 Fax No.: 022-40845066 / 40845007 E-mail: mbd.trust@trustgroup.co.in
ING Vysya Bank Ltd., ING Vysya Bank Limited Plot #C12, 'G' Block, 8th Floor, Bandra Kurla Complex (BKC), Bandra (E), Mumbai 400051 Telephone No. 33095870/75/12/5423 Fax No. 26522818 E-mail group-dcmbonds@ingvysyabank.com	**Yes Bank Ltd.,** 48 - Nyaya Marg, Chanakyapuri, New Delhi - 110021 Telephone No. – 011 66569094 Fax No. – 022 41680310 E-mail – ankush.siddhu@yesbank.in

TRUSTEE FOR THE BONDHOLDERS IDBI Trusteeship Services Ltd.	REGISTRAR TO THE ISSUE RCMC Share Registry Pvt. Ltd.
Registered Office Asian Building, Ground Floor 17. R. Kamani Marg, Ballard Estate Mumbai (Maharashtra) – 400 001 India Phone: +91 022 40807000 Fax: +91 022 66311776 Email: itsl@idbitrustee.com SEBI Registration No.:IND000000460	Registered Office B-106, Sector - 2, Noida - 201301 (Uttar Pradesh) India Phone- 91-120-4105887 Fax- 91-120-2444346 Email: rdua@rcmcdelhi.com SEBI Registration No.: INR000000429

Credit Rating Agencies

CRISIL Limited CRISIL House, Central Avenue Hiranandani Business Park Powai, Mumbai - 400 076 Tel: (022) 33423000 Fax: +91-22-33423001 Website: www.crisil.com	**Credit Analysis & Research Limited** B-47, 3rd Floor, Inner Circle Connaught Place, New Delhi - 110001 Tel: (011) 45333200, 23716199 Fax: (011) 45333238, 23318701 Website: www.careratings.com
India Ratings & Research Private Limited A Fitch Group Company Wockhardt Tower, Level 4, West Wing BandraKurla Complex, Bandra (E) Mumbai - 400051 Tel: (022) 40001700 Fax: +91-22-40001701 Website: www.indiaratings.co.in	**ICRA Limited** 1105, Kailash Building 11th Floor, 26, Kasturba Gandhi Marg New Delhi - 110 001 Tel: (011) 23357940-50 Fax: +91-11-23357014 Website: www.icra.in

STATUTORY AUDITORS OF THE ISSUER

S.No.	Name	Address	Auditors of the Company Since
1	**M/s Raj Har Gopal & Co.,** Chartered Accountants,	412, Ansal Bhawan, 16, Kasturba Gandhi Marg,	July 26, 2013*

S.No.	Name	Address	Auditors of the Company Since
	ICAI Firm Registration: 002074N	New Delhi – 110001 Tel:+91 11 4152 0698/99 Email: rajhargopal1@hotmail.com Contact Person: Mr.Gopal Krishan	
2	**M/s P K Chopra & Co.,** Chartered Accountants, ICAI Firm Registration: 006747N	N-84, Pratap Building, above HDFC Bank, Connaught Place, New Delhi 110 001 Tel: +91 11 23315761 Email: pkc@pkchopra.com Contact Person: Mr. K S Ponnuswami	August 17, 2011*

Being a Government Company, the statutory auditors of the Issuer are appointed by the Comptroller and Auditor General of India ("CAG"). The annual accounts of the Issuer are reviewed every year by CAG and a report is published.

** The appointment of the Statutory Auditors for the FY 2014-15 by CAG is still awaited.*

Details of change in Auditors of the Company since last three years:

S. No.	Financial Year	Name	Address	Date of Appointment/ Resignation	Remark (if any)
1	2011-12	M/s Bansal & Co., Chartered Accountants, having Firm Registration No:001113N M/s P. K. Chopra &Co., Chartered Accountants, having Firm Registration No.006747N	A-6,MaharaniBagh, New Delhi-110065 N-Block, Bombay Life Building 2nd Floor, Above Post Office Connaught Place, New Delhi-110001	Appointed on 17.08.2011	M/s P.K. Chopra &Co. was appointed by CAG.
2.	2012-13	M/s Bansal&Co., Chartered Accountants, having Firm Registration No:001113N M/s P. K. Chopra &Co., Chartered Accountants, having Firm RegistrationNo.006747N	A-6,MaharaniBagh, New Delhi-110065 N-Block, Bombay Life Building 2ndFloor, Above Post Office Connaught Place,NewDelhi-110001	Appointed on 26.07.2012	-
3.	2013-14	M/s Raj HarGopal& Co., Chartered Accountants, having Firm Registration No.002074N M/s P.K. Chopra &Co., Chartered Accountants, having Firm RegistrationNo.006747N	412, AnsalBhawan, 16, Kasturba Gandhi Marg, New Delhi – 110001. N-Block, Bombay Life Building, 2nd Floor, Above Post Office Connaught Place,NewDelhi-110001	Appointed on 26.07.2013	M/s Raj Har Gopal& Co. was appointed by CAG.

Auditors' Qualifications

Details with respect to qualifications, reservations and adverse remarks of the auditors of the Company in the last five financial years immediately preceding the year of circulation of Private Placement Offer Letter and their impact on the financial statements and financial position of the Company and the corrective steps taken and proposed to be taken by the Company for each of the said qualifications, reservations and adverse remarks are given as under:

Financial Year	Auditors' qualifications, reservations and adverse remarks
2013-14	Nil

Financial Year	Auditors' qualifications, reservations and adverse remarks
2012-13	Nil
2011-12	Nil
2010-11	Nil
2009-10	Nil

IV. OUR MANAGEMENT

Under our Articles of Association, we are required to have not less than three directors and not more than fifteen directors. We currently have five directors out of which three are executive Directors including the Chairman and Managing Director, one Part-time Non-official Independent Directors and one Government Nominee Director.

Our Board

The following table sets forth details regarding our Board as on the date of this Private Placement Offer Letter.

Name, Fathers' Name. Designation, Occupation, DIN, Age and Nationality	Residential Address	Director of the Company Since	Other Directorships	Appointment / Resignation
Shri Rajeev Sharma S/o Shri Brahm Dutt Sharma Chairman and Managing Director *Non-Independent Director* Occupation: Service DIN: 00973413 Age: 53 years Nationality: Indian	House No. 594, Pocket-E, Mayur Vihar, Phase-II, Delhi, 110091, India.	November 29, 2011	• REC Transmission Projects Company Limited; and • REC Power Distribution Company Limited.	46/8/2011-RE dated November 29, 2011
Shri Prakash Thakkar S/o Late Shri Jaswant Rai Thakkar Director (Technical) Executive Director *Non-Independent Director* Occupation: Service DIN: 01120152 Age: 58 years Nationality: Indian	F4/203, Charmwood Village, Surajkund Road, Faridabad-121009, Haryana, India.	May 2, 2011	• REC Transmission Projects Company Limited; and • REC Power Distribution Company Limited; • Energy Efficiency Services Limited	F.46/9/2010-RE dated May 2, 2011
Shri Ajeet Kumar Agarwal S/o Late Shri Shree Gopal Agarwal Director (Finance) Executive Director *Non- Independent Director* Occupation: Service DIN: 02231613 Age: 53 years Nationality: Indian	C-601, Plot GH-7, Shiksha Niketan Apartment, Sector 5, Vasundhara, Ghaziabad, 201012, Uttar Pradesh, India	August 1, 2012	• REC Transmission Projects Company Limited; and • Indian Energy Exchange Limited.	No. 46/9/2011-RE dated May 17, 2012
Shri Badri Narain Sharma S/o Shri Sampat Raj Sharma Government Nominee Director	Pratham/22, (I/22) Somya Marg, Gandhi Nagar, Jaipur-302015, Rajasthan, India.	August 23, 2012	• Power Finance Corporation Limited • Tourism Finance Corporation of India Limited (through wife Smt. Usha Sharma)	No. 46/04/2007-RE dated August 23, 2012

Name, Fathers' Name. Designation, Occupation, DIN, Age and Nationality	Residential Address	Director of the Company Since	Other Directorships	Appointment / Resignation
Non-Executive Director Occupation: Service DIN: 01221452 Age: 54 years Nationality: Indian			• Delhi Tourism and Transport Development Corporation (through wife Smt. Usha Sharma)	
Dr. Sunil Kumar Gupta S/o. Shri Ram Niwas Gupta Non-Executive Director *Independent Director* Occupation: Practising Chartered Accountant DIN: 00948089 Age: 47 years Nationality: Indian	II-A 26, Nehru Nagar, Ghaziabad – 201001, Uttar Pradesh, India	March 16, 2012	• Punjab National Bank; • Sunil Ram Enterprises (P) Limited; • Sunil Ram Infotech India (P) Limited; • Sunil Ram Infrastructure (P) Limited; Partner in Firms: • Sunil Ram & Co.	No. 46/2/2010-RE dated March 16, 2012

None of the current Directors of the Issuer appear in the RBI's defaulter list and/or ECGC default list.

Corporate Governance

Our Company has been complying with the requirements of Corporate Governance as prescribed under Clause 49 of the listing agreement executed with the Stock Exchanges. However, on June 9, 2014 the terms of two independent directors Dr. Devi Singh and Sh. Venkatraman Subramanian expired and Dr. Govinda Marapalli Rao had resigned on February 4, 2014. With effect from February 05, 2013, the composition of Board of Directors is not in compliance with the requirements of Clause 49 of the Listing agreement. As on date, the composition of the Board of Directors comprises of three (3) Executive directors, one (1) Government Nominee and one (1) Part Time Non-official Independent Director, thereby short of 3 Part Time, Non-official Independent Directors including one women director. Hence, our Company is required to appoint three (3) more Part Time Non-official Independent Director on the Board of the Company including one women director. The Company has requested the Ministry of Power, Government of India to expedite the appointment of three Part-time Non-official Independent Director atleast including one woman director in terms of Listing Agreement and the same is under process. As soon as appointment of Part-time Independent Directors is made, the Company will be in compliance with the provisions of sub-clause (I A) of Clause 49 of the Listing Agreement relating to composition of the Board.

Relationship with other Directors

None of the Directors of the Company are, in any way, related to each other.

Details of Changes in Directors in last 3 years:

Details of Change in Directors in last three years:-					
Name	**DIN**	**Designation**	**Date of Appointment**	**Date of Cessation**	**Reason**
Shri Hari Das Khunteta*	00061925	Director (Finance)	May 5,2004	July 31,2012(A/N)	Ceased to be a Director pursuant to a notification by the MoP, GoI.
Shri Devender Singh	01792131	Government Nominee Director	August 29, 2007	August 23, 2012	Ceased to be a Director pursuant to a notification by the MoP, GoI.
Shri Prakash Thakkar	01120152	Director (Technical)	May 2, 2011	Continuing	Appointment pursuant to a notification by the MoP, GoI.

Details of Change in Directors in last three years:-					
Name	**DIN**	**Designation**	**Date of Appointment**	**Date of Cessation**	**Reason**
Dr. Devi Singh	00015681	Part time Non-official Independent Director	June10, 2011	June 09, 2014	Ceased to be a Director pursuant to a notification by MoP, GoI.
Dr.Govinda Marapalli Rao	01982343	Part time Non-official Independent Director	June 10, 2011	February 05, 2013	Consequent to nomination as a member of 14thFinance Commission
Shri Venkataraman Subramanian	00357727	Part time Non-official Independent Director	June 10, 2011	June 09, 2014	Ceased to be a Director pursuant to a notification by MoP, GoI.
Shri Rajeev Sharma	00973413	Chairman & Managing Director	November 29, 2011	Continuing	Appointment pursuant to a notification by the MoP, GoI.
Dr. Sunil Kumar Gupta	00948089	Part time Non-official Independent Director	March 16, 2012	Continuing	Appointment pursuant to a notification by the MoP, GoI.
Shri Ajeet Kumar Agarwal	02231613	Director (Finance)	August 1, 2012	Continuing	Appointment pursuant to a notification by the MoP, GoI.
Shri Badri Narain Sharma	01221452	Government Nominee Director	August 23, 2012	Continuing	Appointment pursuant to a notification by the MoP, GoI.

** Shri Hari Das Khunteta was holding additional charge of Chairman & Managing Director, REC from April 16, 2011 till November 29, 2011 as per MoP Orders No. 46/8/2010-RE dated April 11, 2011 and 46/8/2010-RE dated August 8, 2011.*

Remuneration of Directors (during the current year and last three financial years)

i. Chairman and Managing Director and Whole Time Directors

The following table sets forth the details of remuneration paid to the Whole Time Directors during the Fiscal 2015 (up to September 30, 2014):

Name of the Director	Salary& Allowances, Performance linked Incentive/Ex-gratia (₹)	Other Benefits (₹)	Total (₹)
Shri Rajeev Sharma, CMD	3100642	171154	3271796
Shri Ajeet Kumar Agarwal, Director (Finance)	2610611	154504	2765115
Shri Prakash Thakkar, Director (Technical)	2649057	169566	2818623

The following table sets forth the details of remuneration paid to the Whole Time Directors during the Fiscal 2014:

Name of the Director	Salary& Allowances, Performance linked Incentive/Ex-gratia (₹)	Other Benefits (₹)	Total (₹)
Shri Rajeev Sharma, CMD	5427152	291107	5718259
Shri Ajeet Kumar Agarwal, Director (Finance)	4428692	439554	4868246
Shri Prakash Thakkar, Director (Technical)	4816081	198140	5014221

The following table sets forth the details of remuneration paid to the Whole Time Directors during the Fiscal 2013:

Name of the Director	Salary& Allowances, Performance linked Incentive/Ex-gratia (₹)	Other Benefits (₹)	Total (₹)
Shri Rajeev Sharma, CMD	3422788	259860	3682648
Shri Hari Das Khunteta, Director (Finance) (up to July 31, 2012)	5994394	54291	6048685
Shri Ajeet Kumar Agarwal, Director (Finance) (w.e.f. August 01, 2012)	2413741	162153	2575894
Shri Prakash Thakkar, Director (Technical)	4668392	175893	4844285

The following table sets forth the details of remuneration paid to the Whole Time Director during the Fiscal 2012:

Name of the Director	Salary& Allowances, Performance linked Incentive/Ex-gratia (₹)	Other Benefits (₹)	Total (₹)
Shri Rajeev Sharma CMD (w.e.f. November 29, 2011)	840166	106900	947066
Shri J. M. Phatak CMD (upto April 16, 2011)	67598	9894	77492
Shri Hari Das Khunteta, Director (Finance)	5594951	325528	5920479
Shri Guljeet Kapoor, Director (Technical) (retired on March 31, 2011)	2622305	-	2622305
Shri Prakash Thakkar, Director (Technical) (w.e.f. May 02, 2011)	3901087	151676	4052763

ii. Part time Non official Independent Directors

The Part time Non official Independent Directors do not have any material pecuniary relationship or transaction with the Company. The Board of Directors in their meeting held on May 28, 2013 decided to pay following as sitting fee to Part time Non-official Independent Directors for Board/Committee meeting:

S. No	Meetings	Sitting fees per Meeting (in ₹)
1	Board Meeting	20,000
2	Committee Meeting	20,000

Remuneration of Part-time Non official Directors

Set forth below are the details of the sitting fees paid to Independent Directors during Fiscal 2015 (upto 30th September 2014):

S. No	Name of the Part time Non official Independent Directors	Sitting fees (in ₹)		Total (in ₹)
		Board Meeting	Committee Meeting	
1	Dr. Devi Singh	40,000	1,00,000	1,40,000
2	Shri Venkataraman Subramanian	40, 000	60,000	1,00,000
3	Dr. Sunil Kumar Gupta	80,000	40,000	1,20,000

Set forth below are the details of the sitting fees paid to Independent Directors during Fiscal 2014

S. No	Name of the Part time Non official Independent Directors	Sitting fees (in ₹)		Total (in ₹)
		Board Meeting	Committee Meeting	
1	Dr. Devi Singh	160000	355000	5
2	Shri Venkataraman Subramanian	160000	240000	4
3	Dr. Sunil Kumar Gupta	40000	-	4

Set forth below are the details of the sitting fees paid to Independent Directors during Fiscal 2013

S. No	Name of the Part time Non official Independent Directors	Sitting fees (in ₹)		Total (in ₹)
		Board Meeting	Committee Meeting	
1	Dr. Devi Singh	135000	240000	375000
2	Shri Venkataraman Subramanian	135000	150000	285000
3	Dr. Sunil Kumar Gupta	105000	30000	135000
4	Dr. Govinda Marapalli Rao*	120000	135000	255000

** Dr. Govinda Marapalli Rao ceased to be Director pursuant to a Presidential Notification No. 10/(2)-B(S)/2012 dated January 02, 2013w.e.f. February 05, 2013*

Set forth below are the details of the sitting fees paid to Independent Directors during Fiscal 2012

S. No	Name of the Part time Non official Independent Directors	Sitting fees (in ₹)		Total (in ₹)
		Board Meeting	Committee Meeting	
1	Dr. Devi Singh	120000	210000	330000
2	Dr. Govinda Marapalli Rao	90000	90000	180000
3	Shri Venkataraman Subramanian	90000	135000	225000
4	Dr. Sunil Kumar Gupta	15000	-	15000

Interests of our Directors

Except as otherwise stated in "Financial Statements – Related Party Transactions" our Company has not entered into any contract, agreements and arrangement during the three financial years preceding the date of this Private Placement Offer Letter in which the directors are interested directly or indirectly and no payments have been made to them in respect of such contracts or agreements.

All our Directors, including our Independent Director, may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a committee thereof, as well as to the extent of other remuneration and reimbursement of expenses payable to them.

Related Party Transactions

Related party transactions entered during the last 3 financial years immediately preceding the year of circulation of offer letter including with regard to loans made or guarantees given or securities provided:

FY 2013-14 and FY 2012-13:

Details of amount due from/ to the related parties :

(₹ in Crores)

Particulars	As at	
	31.03.2014	31.03.2013
Long-term Debt		
RECTPCL	60.00	35.00
RECPDCL	7.00	-
Key Managerial Personnel	0.08	0.04

Particulars	As at	
	31.03.2014	31.03.2013
Loans & Advances		
RECTPCL	3.32	1.76
RECPDCL	0.31	1.59
Key Managerial Personnel	0.09	0.11
Other Current Liabilities		
RECPDCL	2.57	-

Details of Transactions with the related parties :

(₹ in Crores)

Particulars	For the year ended	
	31.03.2014	31.03.2013
Long Term Debt - Amount Invested		
RECTPCL	25.00	35.00
RECPDCL	7.00	-
Key Managerial Personnel	0.04	0.04
Loans & Advances		
Key Managerial Personnel	0.09	0.08
Refund of Share Application Money		
EESL	-	2.50
Sale of Fixed Assets		
RECTPCL	0.05	-
Dividend from Subsidiaries		
RECTPCL	0.10	0.10
RECPDCL	0.05	0.05

(₹ in Crores)

Particulars	For the year ended	
	31.03.2014	31.03.2013
Interest Income - Loans & Advances		
RECTPCL	0.34	0.13
RECPDCL	0.01	-
Apportionment of Employee Benefit and Other Expenses		
RECTPCL	4.96	1.94
RECPDCL	3.04	2.74
Finance Cost		
Interest Paid to RECTPCL	2.95	0.04
Interest Paid to RECPDCL	0.10	-
Employee Benefits Expense - Managerial Remuneration	1.56	1.65
Other Expenses		
RECPDCL	6.47	1.04
EESL	3.98	-

FY 2011-12:

Details of amount due from/ to the related parties:

(₹ in crores)

Particulars	As at 31.03.2012
REC TPCL	1.57
REC PDCL	0.52

Details of Transactions with the related parties:

(₹ in crores)

Name	Subsidiary	Key Managerial Personnel
Advances recoverable in cash/in kind/value to be received	4.71	-
Loans & Advances	-	0.01
Remuneration	-	1.36

Interest of Key Managerial Persons/Promoters in the Offer

NIL

Litigation

Since the Government of India is the Promoter of the Company, it is not possible to give details of litigations, legal actions or directions pending or taken by any Ministry or Department of the Government or a statutory authority against the Promoter of the Company during the last three years.

Details of Any Inquire/Investigation/Inquiry Conducted under Companies Act, 2013 and previous company law during the last three years against the Company or its subsidiaries

NIL

Frauds committed against Company

NIL

Details of default(s) and/or delay(s) in payments of any kind of statutory dues, debentures/ bonds/ debt securities and interest thereon, deposits and interest thereon, loans from any bank or financial institution and interest thereon and other financial indebtedness including corporate guarantee issued by the company.

a. The Issuer has not defaulted on payment of any kind of statutory dues to the Government of India, State Government(s), statutory/ regulatory bodies, authorities, departments etc., since inception.

b. The main constituents of the Issuer's borrowings are generally in form of debentures/ bonds/ debt securities, commercial paper, medium term notes ("MTNs"), external commercial borrowings ("ECBs"), loans from banks and financial institutions, assistance from multilateral and bilateral financing agencies etc. In respect of such borrowings, the Issuer certifies that:

    (i) it has serviced all the principal and interest liabilities on all its borrowings on time and there has been no instance of delay or default since inception; and

    (ii) it has not affected any kind of roll over or restructuring against any of its borrowings in the past.

c. The Issuer has not defaulted on any of its payment obligations arising out of any corporate guarantee issued by it to any counterparty including its subsidiaries, joint venture entities, group companies etc in the past.

Details of any inquiry, inspections or investigations initiated or conducted under the Companies Act or any previous company law in the last three years immediately preceding the year of circulation of Private Placement Offer Letter against the Company and its Subsidiaries

There has been no inquiry, inspection or investigation initiated or conducted against the Company or its subsidiaries under the Companies Act or any previous company law in the last three years immediately preceding the year of circulation of Private Placement Offer Letter. Further there was no prosecution filed, fines imposed, compounding of offences against the Company or its subsidiaries in the last three years immediately preceding the year of circulation of Private Placement Offer Letter.

Details of acts of material frauds committed against the Company in the last three years, if any, and if so, the action taken by the Company

There has been no act of material fraud committed against the Company in the last three years immediately preceding the year of circulation of Private Placement Offer Letter.

Outstanding borrowings/ debt securities issued for consideration other than cash, whether in whole or part, at a premium or discount, or in pursuance of an option

Other than and to the extent mentioned elsewhere in the Private Placement Offer Letter, the Issuer has not issued any debt securities or agreed to issue any debt securities or availed any borrowings for a consideration other than cash, whether in whole or in part, at a premium or discount or in pursuance of an option since inception.

V. MANAGEMENT'S PERCEPTION OF RISK FACTORS

The Investor should carefully consider all the information in this Private Placement Offer Letter, including the risks and uncertainties described below before making an investment in the Bonds. In this section, all figures are on standalone basis unless otherwise mentioned. The risks and uncertainties described in this section are not the only risks that we currently face. Additional risks and uncertainties not known to us or that we currently believe to be immaterial may also have an adverse effect on our business, prospects, results of operations and financial condition. In this section, unless the context otherwise requires, a reference to "the Company" and "our Company" is a reference to REC and unless the context otherwise requires, a reference to "we", "us" and "our" refers to REC and its Subsidiaries, joint ventures and associate companies, as applicable in the relevant fiscal period, on a consolidated basis.

Internal Risk Factors

***1. Our business and the industry where we profess our business are dependent on the policies and support of the Government of India and we are susceptible to changes to such policies and the level of support we receive. If the changes in Government policies are not in favour of our business, then the same are likely to adversely affect our business, financial condition and results of our operations*.**

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

Currently, we have been receiving tax concessions with respect to certain types of our bonds that enable us to price such bonds at a lower rate of interest than would otherwise be available to us. We also benefit from direct tax benefits provided by GoI.

GoI also influences the nature of our business in a number of ways. In particular, GoI establishes the schemes in which we and our borrowers participate. Like any other public sector undertakings, the GoI can also influence or determine key decisions about our Company including, dividends and the appointment of Directors of our Board. Additionally, GoI may implement policies which may not be consistent with our business objectives.

As GoI regulates the industry in which our borrowers operate, hence, our borrowers may also get significantly impacted by the policies of the GoI in a variety of ways. Additionally, GoI has in the past assisted us in procuring the repayment of our loans from our borrowers. Furthermore, the growth of our business is dependent upon the continued growth of the power sector and the overall Indian economy, which may significantly get impacted by the policies of GoI. Any unfavourable change in the government policies or any variation in the level of direct or indirect support to us, as provided by GoI, in these or other areas could have a material adverse effect on our business, financial condition and results of our operations.

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

We are a power sector-specific public financial institution. This sector has a limited number of borrowers primarily comprising of public sector utilities (State Power Utilities and State Electricity Boards), many of these public sector utilities are loss-making and therefore may not have liquidity to repay their borrowings. Our past exposure has been, and future exposure is anticipated to be, concentrated towards these borrowers.

As on March 31, 2014, we had aggregate loans outstanding to state sector borrowers of ₹124481crores (including state sector, central & state sector and central sector), which constituted about 83.75% of our total loans outstanding. Historically, state sector utilities have had relatively weak financial position and have in the past also defaulted on their indebtedness. Consequently, we have had to restructure loans sanctioned to certain SEBs, which resulted in our having to reschedule their loans and waive a part of their interest dues on account of such restructuring. There can be no assurances that the applicable SEBs and SPUs will be able to perform under the terms of the rescheduled loans.

As on March 31, 2014, our single borrower having the largest amount of outstanding loans accounted for 7.86% of our total outstanding loans and the borrower group to which we had the largest amount of outstanding loans in the aggregate accounted for 7.86% of our total outstanding loans. As on March 31, 2014 the top ten individual borrowers to whom we had the largest amount of outstanding loans in the aggregate accounted for 40.94% of our total outstanding loans and top ten borrower groups to which we had the largest amount of outstanding loans in the aggregate accounted for 40.94% of our total outstanding loans. In addition to our exposure to borrowers resulting from our outstanding loans, we may also have exposures to borrowers, including the top ten individual borrowers and borrower groups referred to above, in the form of unfunded loan sanctions.

Any negative trends or financial difficulties, particularly among the borrowers and borrower groups to whom we have the greatest exposure, including SEBs and SPUs, could increase the level of NPAs in our portfolio and that may make us unable to service our outstanding indebtedness. For the foreseeable future, we expect to continue to have a significant concentration of loans to certain borrowers, including SEBs and SPUs. Credit losses on the individual borrowers or borrower groups to whom, as well as the projects in respect of which, we have the greatest exposure could have a material adverse effect on our business, financial condition and results of our operations. Furthermore, as we continue to increase our exposure to generation projects, our individual loan size is expected to increase, thereby increasing our exposure with respect to individual projects.

3. ***We are involved in various legal proceedings. Any unfavourable development in these proceedings may have an adverse effect on financial conditions of the Company.***

We are involved in various legal proceedings, which are pending before various Courts, Tribunals and other Authorities. A summary of the same is given in litigation chapter.

If any of our on-going legal proceedings or future legal proceedings are not resolved in our favour, and if our insurance coverage or any applicable indemnities are insufficient to cover the damages awarded against us, in those circumstances, we may be required to make substantial payments or we may be required to make appropriate provisions in our financial statements, which could have a material adverse effect on our business, financial condition and results of operations.

4. ***Our competitive efficiency is dependent on our ability to maintain a low and effective cost of funds; if we are unable to do so it could have a material adverse effect on our business, financial condition and results of our operations.***

Our ability to compete effectively is dependent on our ability to maintain a low effective cost of funds. Historically, our access to funds has been enhanced and our cost of funds has been reduced by equity financing and loans received directly from the GoI, as well as tax concessions with respect to, and guarantees of, certain types of our bonds and borrowings that enable us to price such borrowings at a lower rate of interest than would have been otherwise available to us. Further, competition in our industry depends on, among other things, the ongoing evolution of GoI and state government policies relating to the power and finance industries, the entry of new participants into the industry and the extent to which existing participants in our industry seek to expand their exposure to the power sector.

There can be no assurances as to the level of direct or indirect support as may be provided to us by the GoI. If there are any unfavourable changes in the policies of the GoI in future, the same could materially increase the cost of funds available to us. In particular, the GoI has not provided us any direct funding since 2001. Consequently, our dependency on funding from the debt capital markets and commercial borrowings has increased significantly. Further, the allocation of amount in respect of tax-free bonds is subject to CBDT notification issued by MoF and we may not be able to issue such bonds prospectively. As a result of these and other factors, our Company's annualised cost of borrowings on the funds raised during Fiscal 2014 is 8.48% which may be increased during subsequent periods. While generally we have been able to pass the increased cost of funds onto our customers over this period, but we may not continue to be able to do so in future. In particular, financially stronger SPUs and private sector borrowers may seek to source their funds directly from the market if our loan products are not competitively priced, where our ability to price our products depends on our cost of capital.

Our ability to continue to obtain funds from the debt capital markets and through commercial borrowings on acceptable terms will depend on various factors including, in particular, our ability to maintain our credit ratings (which are based upon several factors and many of which are outside our control including, the economic conditions in the power sector and the Indian economy, the liquidity in the domestic and global debt markets, which has been severely restricted during the recent financial crisis and may be in the future).There can be no assurances as to whether we will be able to maintain our existing ratings. Any deterioration of our ratings (if any) could materially increase the cost of funds available to us, particularly from the debt capital markets and commercial borrowings. Furthermore, certain of our existing commercial borrowings require us to pay increased rates of interest and/or to repay the loan in its entirety in the event of a ratings downgrade. Our borrowing costs have been competitive in the past due to direct and indirect benefits, including financing we have received from GoI in future and as a result of our strong credit ratings, which may also be dependent on our relationship with GoI. If we are unable to access funds at an effective cost that is comparable to or lower than our competitors, whether due to a change in GoI policy or a reduction in our credit rating or due to other factors, we may not be able to offer competitive interest rates to our borrowers, which could adversely affect our profitability and growth, which would have an adverse effect on our business, financial condition and results of operations.

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

5. ***We may face asset liability mismatches, which could affect our liquidity and consequently have a material and adverse effect on our business, financial performance and results of operation.***

We may face potential liquidity risks due to varying periods over which our assets and liabilities mature. We currently fund our business in significant part through the use of borrowings that have shorter maturities than the maturities of all of our new substantial loan assets. In particular, in recent years we have obtained funding through the issuance of 54EC – capital gain tax exemption bonds. These bonds are subject to tax concessions for the benefit of bondholders that enable us to price such bonds at a lower rate of interest than would otherwise be available to us and thereby reduce our cost of capital. However, these bonds require a holding period of three years from the date of allotment for the bondholders to receive the benefit of these tax concessions and automatically redeemed at the end of three years from allotment. Additionally, our other financial products may have maturities that exceed the maturities of our borrowings.

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

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

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

Our business has experienced meaningful growth in scope and size since we began operations in 1969. We began financing projects outside the area of rural transmission and distribution much later in our Company's history. Since 2001, funding for generation projects has constituted an increasingly larger portion of our business. The size of the projects that we finance has increased. Further, vide its letter dated September 17, 2010, RBI has further categorised us as an IFC therefore, REC can now increase its exposure to private sector borrowers.

We intend to continue to grow our business in both scope and size, particularly with respect to generation projects, which could place significant demands on our operational, credit, financial and other internal risk controls. In addition, in September 2009, our mandate was further extended to include financing other activities with linkages to power projects, such as coal and other mining activities, fuel supply arrangements for the power sector and other power-related infrastructure.

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

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

7. ***We are currently engaged in foreign currency borrowings and we are likely to do so at increased levels in the future, which will expose us to fluctuations in foreign exchange rates and if we are unable to hedge the risk effectively, it could adversely affect our business, financial condition and results of operations.***

As on March 31, 2014, we had foreign currency borrowings outstanding equal to ₹17,621crores out of which 4.49% is the unhedged position of our total borrowings and we are likely to obtain additional foreign currency borrowings in the future, although we believe that our foreign currency hedging with respect to our existing foreign currency borrowings is effective, but there can be no assurances that it will remain effective or that we will enter into effective hedging with respect to any new foreign currency borrowings. We expect to increase our foreign currency borrowing in the future and therefore, we may be further exposed to fluctuations in foreign currency rates. Volatility in foreign exchange rates and our inability, if any, to hedge the risk effectively could adversely affect our business, financial condition and results of operations.

8. ***We are susceptible to the volatility in interest rates in our operations and therefore, we may adversely get affected due to the fluctuation in interest rates.***

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

A substantial portion of our long term loan assets permits the borrowers to seek repricing of their loans after three or ten years. As on March 31, 2014 we had long term loan assets outstanding of Rs.1,47,567crores. When interest rates decline, our borrowers may increasingly seek re-pricing of our loans to them based on the terms of their loan agreements or due to commercial considerations resulting from competitive conditions, which would result in us realising a lower rate of return on our capital committed to the re-priced loans and adversely affect our profitability, particularly if we did not have the ability to reprice our borrowings. Additionally, if we are unable or unwilling to competitively re-price our loans, we may have to face greater levels of prepayments on our loans. In a decreasing interest rate environment, prepayments may also result in a lower rate of return because we may not be able to redeploy the capital in assets yielding similar rates of return, and any prepayment premium we receive may not fully offset these lower rates of return.

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

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

9. The GoI holds a majority of our Equity Shares and therefore it can determine the outcome of shareholder voting and influence our operations.

At present, the GoI owns 65.64% (sold 1.16% equity shares under CPSEs Exchange Traded Fund) of our paid up share capital. Consequently, the GoI, acting through the MoP, will continue to control us and will have the power to elect and remove our directors and therefore determine the outcome of most of our proposals for corporate action requiring approval of our Board or shareholders, including with respect to the payment of dividends. In addition, the GoI influences our operations through its various departments and policies. Under our Articles of Association, the GoI may issue directives with respect to the conduct of our business or our affairs or impose other restrictions on us. In particular, given the importance of the power industry to the economy, the GoI could require us to take actions designed to serve the public interest in India and not necessarily to maximize our profits.

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

We have received and we are currently receiving certain tax benefits by virtue of our status as a lending institution, including as a result of our lending within the infrastructure sector, which have enabled us to reduce our effective tax rate.For Fiscal 2010, Fiscal 2011, Fiscal 2012, Fiscal 2013 and Fiscal 2014, our Company's effective tax liability as a percentage (computed by dividing our Company's standalone current tax liability by profit before tax, as per our Company's standalone financial statements) was26.20%, 26.12%, 25.70%, 26.06% and 26.11%respectively, compared to statutory corporate tax rates (including surcharge and cess) of 33.99%,33.22%, 32.45%, 32.45% and 33.99% inFiscal 2010, Fiscal 2011, Fiscal 2012, Fiscal 2013 and Fiscal 2014 respectively.The availability of these tax benefits is subject to the policies of the GoI, among other things, and there can be no assurances as to the amount of tax benefits that we will receive in the future, if any.

If the laws or regulations regarding these or other tax benefits were to change further, our taxable income and tax liability may increase, which may adversely affect our financial condition and results of operations.

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

We have historically granted certain loans to our borrowers where the value of the security for the loan may be less than the amount of the loan, where we have funded the loan prior to obtaining security or where the loans have been granted without security. As on March 31, we had total loan assets outstanding of ₹148641crores, of which ₹114130 crores or 76.78%, were secured by charges on assets, ₹29682 crores or 19.97% were backed by way of state government guarantee, ₹3201 crores or 2.15% were loans to government and ₹1628 crores, or 1.10%, were unsecured loan assets. Although legislation in India are now effective enough to strengthen the rights of creditors to obtain faster realization of collateral in the event of loan default, we may nonetheless not be able to realise the full value of our collateral due to certain factors, including delays occasioned by the fact that the loan was granted by us as a part of consortium of lenders or delays in us taking immediate action in bankruptcy foreclosure proceedings, market downturns that affect the value of the collateral, defects in the perfection of collateral and fraudulent transfers by borrowers. Further, upon the occurrence of certain events a specialised regulatory agency may obtain jurisdiction over the assets of our borrowers, which may delay actions on behalf of the borrower's creditors. Any failure to recover the expected value of collateral security could expose us to a potential loss.

In addition, the RBI has devised a corporate debt restructuring system that establishes an institutional mechanism for timely and transparent restructuring of corporate debt. The applicable RBI guidelines envisage that, with respect to corporate debts amounting to ₹10 crores or more, lenders holding more than 75% of such debt and 60% of the creditors in number, in case of accounts where recovery suits have been filed can decide to restructure the debt and such a decision would be binding on the remaining lenders. In situations where other lenders own more than 75% of the debt of one of our borrowers, we could be required by the other lenders to agree to restructure the debt, regardless of our preferred method of settlement. We may also be a part of a syndicate of lenders wherein the majority elects to pursue a different course of action than the course of action favourable to us, whether or not such debt is subject to RBI guidelines. Any such debt restructuring could lead to an unexpected loss that could adversely affect our business, financial condition and results of operations.

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

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

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

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

As on March 31, 2014 , ₹24160 crores, or 16.25%, of our loans assets outstanding were to borrowers that are private sector power utilities (including project-specific special purpose vehicles).We expect to increase our exposure to private sector power utilities (including joint sector). The ability of private sector power utility borrowers and, in particular project-specific special purpose vehicles, to perform their obligations will depend primarily on the financial condition of the projects, which may be affected by many factors beyond the borrowers' control, including competition, as well as other risks such as those relating to operating costs and regulatory issues. If borrowers with non-recourse or limited recourse loans were to be adversely affected by these or other factors and were unable to meet their obligations, the value of the underlying assets available to repay the loans may be insufficient to pay the full principal and interest on the loans, which could expose us to significant losses. Any significant losses could have an adverse effect on our business, financial condition and results of operations.

14. Certain SEBs which were our borrowers have been restructured and we may not have transferred the liabilities associated with our loans to newly formed entities, which may affect our ability to enforce the applicable provisions of the original loan agreements.

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

15. Our contingent liabilities and commitments could adversely affect our financial condition.

As on March 31, 2014, our Company had on a standalone basis, non-funded contingent liabilities and commitments of ₹1380.83crores(as disclosed in our standalone financial statements) as follows:

Contingent liabilities	Amount (INR in crores)
Letters of comfort commitments*	1273.81
Claim against our Company not acknowledged as debts	56.16
Estimated amount of the contracts remaining to be executed on capital account and not provided for	16.44
Other Commitments	34.42
Total	**1380.83**

** The Company has issued Letters of comfort ("LoCs") to some of their borrowers against loan amount sanctioned to them. These LoCs are basically used by borrowers to give comfort to LC issuing banks for procurement of power equipments or otherwise similar facilities during execution of contracts.*

If these contingent liabilities and commitments were to fully materialise or materialise at a level higher than we expect, our financial condition could be adversely affected.

16. Our cash flow reflects negative cash flows from operations in view of presentation of borrowings and lendings in different categories. There is no assurance that such negative cash flow from operations shall not recur in future Fiscal periods and in case it recurs then it may adversely affect our business.

In view of opinion of a committee of Institute of Chartered Accountants of India (ICAI), our outward cash flows relating to disbursement of loans and advances (net of any repayments we receive) is reflected in Cash Flow from our operating activities whereas the inward cash flows from external funding taken (net of any repayments of such funding) to disburse these loans and advances are reflected in our Cash Flows from financing activities. Consequently, Cash Flow of our Company (standalone basis) reflects negative net Cash Flow from operating activities of,₹ 15,813.83 crores, ₹20,065.72 crores and ₹17,282.79 crores for FY 2012, FY 2013 and FY 2014 respectively. However, if we classify both borrowings as well as lendings under Cash Flow from operating activities, the said position may not reflect negative operating cash flows.

17. ***Our success depends majorly upon our management team and skilled personnel and our ability to attract and retain such persons and disassociation of our key personnel could adversely affect our business and our ability to pursue our growth strategies.***

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

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

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

19. ***We are subject to restrictive covenants under our credit facilities that limit our flexibility in managing our business. Such restrictive covenants may restrict our operations or ability to expand and may adversely affect our business.***

There are restrictive covenants in the agreements we have entered into with certain banks and financial institutions for our borrowings. These restrictive covenants require us to maintain certain financial ratios, our existing credit rating and to seek the prior permission of these banks and financial institutions for various activities, including, among others, change in capital structure, issue of equity, preferential capital or debentures, raising any deposits, selling or transferring any part of our business, effecting any scheme of acquisition, merger, amalgamation or reconstitution, implementing a new scheme of expansion or creation of a subsidiary. Such restrictive covenants may restrict our operations or ability to expand and may adversely affect our business. Further, these restrictive covenants may also affect some of the rights of our shareholders, including the payment of the dividends in case of any default in debt to such lenders. Additionally, these banks and financial institutions also have the powers to appoint a nominee director on our Board, with the prior approval of the GoI, in case of any default on our part in payment of interest or principal towards some of our borrowings. Furthermore, we may not have received the consent from some of our lenders for raising new loans/debentures.

20. ***The power sector financing industry is becoming increasingly competitive and our profitability and growth will depend on our ability to compete effectively and maintain a low effective cost of funds so as to maintain our interest income and grow our portfolio of assets.***

Our interest rate margins are determined by the cost of our funding relative to the pricing of our loan products. The cost of our funding and the pricing of our loan products are determined by a number of factors, many of which are beyond our control. Our annualised cost of borrowings on funds raised during Fiscal 2014 is 8.48%. However, we may not be able to maintain the same during subsequent periods without raising funds from debt market through various concessional debt issues. While we have generally been able to pass on the increased cost of funds to our customers over this period, we may not be able to continue to do so in future. In the event we were to suffer a decline in interest rate margins, we would be required to increase our lending activity in order to maintain our then current profit level. However, there can be no assurances that we will be able to do so and we may suffer reduced profitability or losses in the event our interest rate margins were to decrease the same may adversely affect our business, financial condition and results of operations.

Since, there is intense competition among Indian public and private sector banks, foreign banks operating in India and financial institutions to lend to the power sector, this competitive pressure affects the Indian financial sector and our growth will depend in large part on our ability to respond in an effective and timely manner to the said competitive pressures. In particular, the Electricity Act provides for opportunities in the private sector involvement in the Indian power sector.

Many of our existing and future competitors may have greater and more inexpensive resources than we do. Therefore, our ability to compete effectively is dependent on our ability to maintain a low effective cost of funds.

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

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

- non conversion of letter of assurance/MoU by coal suppliers into binding fuel supply agreement;
- delays in development of captive coal mines;
- political, regulatory, fiscal, monetary and legal actions and policies that may adversely affect the viability of projects to which we lend;
- changes in government and regulatory policies relating to the power sector;
- delays in the construction and operation of projects to which we lend;
- adverse changes in demand for, or the price of, power generated or distributed by the projects to which we lend;
- the willingness and ability of consumers to pay for the power produced by projects to which we lend;
- shortages of, or adverse price developments for, raw materials and key inputs for power production including domestic and imported coal and natural gas;
- delays in inviting bids for procurement of power by DISCOMS;
- delay in obtaining forest clearance, land acquisition, right of way clearance and other relevant clearances;
- adverse geological conditions;
- effectiveness of current technology and its obsolescence.
- increased project costs due to environmental challenges and changes in environmental regulations;
- potential defaults under financing arrangements of project companies and their equity investors;
- failure of co-lenders with us under consortium lending arrangements to perform on their contractual obligations;
- failure of third parties such as contractors, fuel suppliers, sub-contractors and others to perform their contractual obligations in respect of projects to which we lend;
- adverse developments in the overall economic environment in India;

- adverse fluctuations in interest rates or currency exchange rates;
- economic, political and social instability or occurrences of events such as natural disasters, armed conflict and terrorist attacks, particularly where projects are located or in the markets they are intended to serve;
- Technology obsolescence in renewable energy project;
- Inherent risk relating to signing, execution, honouring etc. of power purchase agreements and non allowability of pass through of escalation in the cost etc. in the dynamic environment; and
- Rehabilitation, resettlement, local public agitation etc. on project sites/resources.

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

22. Negative trends in the Indian power sector or the Indian economy could adversely affect our business, financial condition and results of operations.

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

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

Additionally, these policies will need continued support from stable and experienced regulatory regimes throughout India that not only stimulate and encourage the continued movement of capital into power development, but also lead to increased competition, appropriate allocation of risk, transparency and more efficient power supply and demand management to the end consumer.
The allocation of capital and the continued growth of the power sector are also linked to the continued growth of the Indian economy generally. In particular, the growth of the power industry will be affected by consumers' income levels and the extent to which they would be willing to pay or can be induced to pay for power.

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

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

23. Material changes in the regulations that govern us and our borrowers could cause our business to suffer.

We are regulated by the Companies Act and some of our activities are subject to supervision and regulation by statutory authorities including the RBI, SEBI and Stock Exchange. Additionally, our borrowers in the power sector are subject to supervision and regulation by the CERC and SERC. Further, we are subject to changes in Indian law, as well as to changes in regulation and government policies and accounting principles. We also receive certain benefits and take advantage of certain exemptions available to our classification as a public financial institution u/s 4A of the Companies Act, 1956.

The statutory and regulatory framework for the Indian power sector has changed in many important ways in recent years and the impact of these changes is yet to be seen. The Electricity Act, 2003 provides for a framework for reforms in the sector, but in many areas the details and timing are yet to be determined. It is expected that many of these reforms will take time for implementation. Furthermore, there could be additional changes in the areas on tariff and other policies, the unbundling of the SPUs, restructuring of companies in the power sector, open access and parallel distribution, and licensing requirements for, and tax incentives applicable to companies in the power sector. In 2007, the GoI reviewed the Electricity Act, 2003. We presently do not know the nature or extent of the review that may come in future, and cannot assure that such review will not have an adverse impact on our business, financial condition and results of operations and performance.

The aforesaid and other laws and regulations, governing our borrowers and us could change in the future and any such changes could adversely affect our business, financial condition and results of operations.

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

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

25. We have been granted exemption from applicability of some of the provisions of prudential norms by the RBI upto March 2016. We cannot assure that such exemption shall continue to be granted by RBI which may affect our business.

On December 13, 2006, our Board of Directors approved our Prudential Norms and amendments thereto were approved on February 21, 2009, September 25, 2010, May 28, 2013 and May 26, 2014. However, in order to bring all "systemically important" government-owned NBFCs within the framework of the RBI prudential norms, the RBI had advised us on December 12, 2006 to submit a 'road map' for compliance with various elements of the regulations governing NBFCs. We have submitted the road map to RBI through the MoP. RBI vide its letter dated June 29, 2010 granted exemption to REC from RBI prudential exposure norms in respect of Central and State entities in power sector till March 31, 2012. In response to our submission for further extending the exemption period till at least the end of XIIth plan, forwarded to RBI by MoP vide letter dated January 16, 2012, RBI, vide its letter dated April 4, 2012 has agreed to extend the exemption from adhering to RBI prudential norms till March 31, 2013, subject to furnishing a roadmap which has been duly submitted by us, for compliance with the RBI prudential norms as laid down in Non-Banking Financial Companies (Non Deposit Accepting or Holding) Prudential Norms (Reserve Bank) Directions, 2007 as amended from time to time, within three years beginning April 1, 2013.

Accordingly, REC submitted the roadmap for compliance of the RBI Prudential Norms in phased manner w.e.f. 2012-13, vide letter dated 22nd June, 2012 to Ministry of Power which was forwarded to RBI on 6th July, 2012. RBI, vide letter dated 25th July, 2013 has conveyed to REC that matters relating to restructuring/reschedulement/ renegotiation of assets and credit concentration norms are under consideration of the Bank and advised REC to take steps to comply with the prudential norms of RBI by 31st March, 2016. Subsequently, RBI vide letter dated April 4 2014, has exempted REC from credit concentration norms in respect of exposure to Central/ State Government entities till March 31 2016 and with regard to Restructuring of assets, REC has been advised that it may follow the instructions contained in RBI Circular DNBS.CO.PD.367/03.10.01/2013-14 dated January 23, 2014 issued vide Notification No. DNBS (PD) No. 271/ CGM (NSV)-2014 of the same date. Necessary steps would be taken by 31st March, 2016 in terms of RBI letters dated 04th April, 2012, 25th July, 2013 and 04th April, 2014. However, REC has taken up the matter with RBI and also through the Ministry of Power, for suitable directions in this regard and necessary action shall be taken in subsequent years in the manner so advised by RBI. If RBI does not extend the exemption as mentioned above, we may have to comply with the extant RBI prudential norms with respect to exposure norms, capital adequacy etc. which may affect our business.

Further, our Company also submitted a letter dated March 30, 2013 to RBI in respect of making provision of 0.25% of outstanding standard assets, RBI vide its letter no. DNBS.CO.ZMD-N 538/55.18.003/2013-14 dated July 25, 2013 has agreed to our proposal and has directed to make the said provision in a phased manner upto March 31, 2015 on yearly incremental basis. However, the company has changed its accounting policy regarding provision on standard assets which is now created at 0.25% of the outstanding standard assets as against creating it in a phased manner upto 31.03.2015. RBI has also directed to comply with prudential norms by March 31, 2016.

Further, RBI, vide its letter dated September 17, 2010 had categorized REC as an Infrastructure Finance Company (IFC) in terms of instructions contained in RBI Circular CC No.168 dated February 12, 2010. As an IFC, the total permissible exposure for lending in the private sector is 25% of owned funds in case of single borrower and 40% in case of a single group of borrowers and exposure for lending and investing taken together can be upto 30% and 50% of owned funds, respectively. REC is also required to maintain a Capital to Risk Weighted Assets Ratio (CRAR) of 15% (with a minimum Tier I Capital of 10%). Accordingly, the Prudential Norms were modified with the approval of our Board on September 25, 2010. In view of the exemption granted by RBI, our maximum credit exposure limits to Central and State power Utilities vary from 50% to 250% of our net worth, depending upon entity appraisal.

26. We are subject to stringent labour laws and trade union activity and any work stoppage could have an adverse material effect on our business, financial condition and results of operations.

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

Moreover, we are one of the few government enterprises which have a registered trade union under the Indian Trade Unions Act, 1926.The revision in the pay scales of certain class of employees with effect from January 1, 2007 has been implemented provisionally by the REC. On final approval of such revision, additional financial implication may be involved, which has not been quantified and provided for. Although we consider our relations with our unionised employees to be stable and have till date not lost any time on account of strikes or labour unrest, our failure to effectively renegotiate wage revisions or other legitimate union activity could result in work stoppages and any such work stoppage, though not quantifiable, could have an adverse effect on our business, financial condition and results of operations.

27. We may not be in compliance with all the terms of the Equity Listing Agreement

Our Company has complied with the requirements of Corporate Governance as prescribed under Clause 49 of the equity listing agreement executed with the stock exchanges. However, with effect from February 05, 2013, the composition of Board of Directors is not in compliance with the requirements of Clause 49 of the equity listing agreement. As on date, the composition of the Board of Directors comprises of three (3) Executive directors, one (1) Government Nominee and one (1) Part

Time Non-official Independent Director, thereby short of 3 Part Time, Non-official Independent Directors including one women director. Hence, our Company is required to appoint three (3) more Part Time Non-official Independent Director on the Board of the Company including one women director. Our company has requested MoP, Govt. of India to expedite the appointment of 3 part-time non-official independent directors. As soon as appointment of 3 part-time non-official independent directors is made the company will be compliant with the provisions of sub-clause (1A) of clause 49 of the listing agreement relating to composition of the Board.

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

We own or lease properties for the purposes of our offices (registered office, corporate office and project offices) and for residential purposes for our employees. Some of these properties may not have been constructed or developed in accordance with local planning and building laws and other statutory requirements. In addition, there may be certain irregularities in title in relation to some of our owned/leased properties. For example, some of the agreements for such arrangements may not have been duly executed and/or adequately stamped or registered in the land records of the local authorities or the lease deeds have expired and have not yet been renewed. Our business may be adversely affected if we are unable to continue to utilise these properties as a result of any irregularity of title or otherwise.

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

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

As on March 31, 2014, our Company has made investments aggregating to an amount of approximately ₹1707.79 crores on a standalone basis, of which ₹1,660.26 crores is in debt instruments. While we believe that our debt investments carry interests at prevailing market rates, when invested these rates can change due to various factors that may affect the value of our investments and consequently, at a particular point in time these instruments may carry interest at a lower rate than the prevailing market rate.

30. ***Changes in legislation, including tax legislation, or policies applicable to us could adversely affect our results of operations.***

The Finance Minister has presented the Direct Tax Code Bill, 2010 ("DTC Bill") on August 30, 2010. On the finalisation of the DTC Bill and on obtaining the approval of the Indian cabinet, the DTC Bill will be placed before the Indian Parliament for its approval and notification as an Act of Parliament. Accordingly, it is currently unclear what effect this would have on our financial statements. However, under the proposed DTC Bill, the deductions under Section 36(1)(viia) (c) and 36(1)(viii) of the IT Act, which are currently available to the Company, would not be available and therefore the same may increase our tax liability. If the DTC Bill is passed in its entirety, then we may get affected, directly or indirectly, by any provision of the code, or its application or interpretation, including any enforcement proceedings initiated under it and any adverse publicity that may be generated due to scrutiny or prosecution under the code. Hence the same may have a material adverse effect on our business, financial condition and results of operations.

31. ***Our insurance may not be adequate to protect us against all potential losses to which we may be subject.***

We maintain insurance for our physical assets such as our office and residential properties against standard fire and special perils (including earthquake). In addition, we maintain a group personal accident insurance as well as directors' and officers' insurance policy. However, the amount of our insurance coverage may be less than the replacement cost of such property and the same may not be sufficient enough to cover all financial losses that we may suffer should a risk materialise. If we were to incur a significant liability for which we were not fully insured, it could have a material adverse effect on our operations.

In addition, in the future, we may not be able to maintain insurance of the types or in the amounts which we deem necessary or adequate or at premiums which we consider acceptable. The occurrence of an event for which we are not adequately or sufficiently insured or the successful assertion of one or more large claims against us that exceed available insurance coverage, or changes in our insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), could have a material and adverse effect on our business, financial condition, results of operations and cash flows.

32. ***Any cross default of financial indebtedness may trigger payment to all other borrowings made by the Company thereby adversely affecting the liquidity position of the Company which may adversely affect our financial condition.***

Our Company has given cross default covenant in few of its borrowings which means that if the Company defaults in any of its obligation under those loans, the loans which have the cross default clause will also become payable even if there is no breach of covenant or default of payment on those loan. On occurrence of any such default, the same would have an impact on the liquidity in case of happening of such event.

33. ***We have entered and may enter into certain transactions with related parties, which may not be on an arm's length basis or may lead to conflicts of interest.***

We have entered and may enter into transactions with related parties, including our Directors. There can be no assurance that we could not have achieved more favourable terms on such transactions had they not been entered into with related parties. Furthermore, it is likely that we will enter into related party transactions in the future. There can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition and results of operations. The transactions we have entered into and any future transactions with related parties have involved or could potentially involve conflicts of interest.

34. ***Our Directors may have interests in companies/entities similar to ours, which may result in a conflict of interest that may adversely affect future financing opportunity referrals.***

Some of our Directors have interests in other companies, which are in businesses similar to our Company, which may result in potential conflict of interest. Accordingly, potential conflicts of interest may arise out of common business objectives shared by us and our Directors and there can be no assurance that these or other conflicts of interest will be resolved in an impartial manner.

35. ***Any downgrading of our debt rating or India's sovereign rating by a credit rating agency could have a negative impact on our business.***

Any adverse revisions of our credit rating or India's sovereign credit ratings for domestic and international debt by credit rating agencies may adversely impact our ability to raise additional financing, the interest rates and other commercial terms at which such additional financing is available. This could have a material adverse effect on our business and financial performance and our ability to obtain financing for lending operations.

36. ***Our ability to raise foreign currency borrowings may be constrained by Indian law.***

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

37. Our Company may be exposed to cyber crime risks which may lead to destruction of our data etc.

With the computerisation of the accounting, payroll, human resource systems and other areas of our Company, there is every possibility of cyber crimes and frauds related to hacking of internal systems, possibility of manual intervention which may lead to destruction of our data. In a case if the said destruction of data happens, the same may have an adverse material effect on our business financial conditions and results of our operations.

RISKS RELATING TO INVESTMENT IN THE BONDS:

38. There has been only a limited trading in the bonds of such nature and the price of the Bonds may be volatile subject to fluctuations.

There has been only a limited trading in bonds of such nature in the past. Although the Bonds are proposed listed on BSE, there can be no assurance that a public market for these Bonds would be available on a sustained basis. The liquidity and market prices of the Bonds can be expected to vary with changes in market and economic conditions, our financial condition and prospects and other factors that generally influence market price of Bonds. Such fluctuations may significantly affect the liquidity and market price of the Bonds, which may trade at a discount to the price at which the Bonds are being issued.

Further, the price of our Bonds may fluctuate after this Issue due to a wide variety of factors, including:

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

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

39. Debenture Redemption Reserve for the Bonds is not created on privately placed debentures.

According to the Companies (Share Capital and Debentures) Rules, 2014 dated 31.03.2014:
For NBFCs registered with the RBI under Section 45-IA of the RBI (Amendment) Act, 1997, the adequacy of the DRR will be 25% of the value of debentures issued through public issue as per present SEBI (Issue & Listing of Debt Securities) Regulation 2008, and no DRR is required in case of privately placed debentures. Therefore creation of DRR is not envisaged against the Bonds being issued under the terms of this Private Placement Offer Letter.

40. The Bondholder(s) may not be able to recover, on a timely basis or at all, the full value of the outstanding amounts and/or the interest accrued thereon in connection with the Bonds.

Our ability to pay interest accrued on the Bonds and/or the principal amount outstanding from time to time in connection therewith would be subject to various factors, including our financial condition, profitability and the general economic conditions in India and in the global financial markets. We cannot assure you that we would be able to repay the principal amount outstanding from time to time on the Bonds and/or the interest accrued thereon in a timely manner, or at all.

41. There is no assurance that the Bonds issued pursuant to this Issue will be listed on Stock Exchange in a timely manner, or at all.

In accordance with Indian law and practice, permissions for listing and trading of the Bonds issued pursuant to this Issue will not be granted until after the Bonds have been issued and allotted. Approval for listing and trading will require all relevant documents authorising the issuing of Bonds to be submitted. There could be a failure or delay in listing the Bonds on the Stock Exchange. If permission to deal in and for an official quotation of the Bonds is not granted by the Stock Exchange, our Company will forthwith repay, without interest, all monies received from the Applicants in accordance with prevailing law in this context, and pursuant to the Private Placement Offer Letter.

42. Any downgrading in credit rating of our Bonds may affect the trading price of our Bonds and our prospective fund raising activities.

The Bonds proposed to be issued under this Issue have been rated "AAA/Stable" by CRISIL, "CARE AAA (Triple A)" by CARE, [ICRA]AAA by ICRA and "IND AAA" by IRRPL. These credit ratings may be suspended, withdrawn or revised at any time by the assigning Credit Rating Agencies. Any revision or downgrading in the above credit rating may lower the value of the Bonds and may also affect REC's ability to raise further debt on competitive terms.

43. Payments made on the Bonds will be subordinated to certain tax and other liabilities preferred by law.

The Bonds will be subordinated to certain liabilities preferred by law such as to claims of the GoI on account of taxes, and certain liabilities incurred in the ordinary course of our transactions. In particular, in the event of bankruptcy, liquidation or winding-up, our assets will be available to pay obligations on the Bonds only after all of those liabilities that rank senior to these Bonds have been paid. In the event of bankruptcy, liquidation or winding-up, there may not be sufficient assets remaining, after paying amounts relating to these proceedings, to pay amounts due on the Bonds. Further, there is no restriction on the amount of debt securities that we may issue that may rank above the Bonds.

External Risk Factors

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

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

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

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

The recent global financial turmoil, an outcome of the sub-prime mortgage crisis which originated in the USA, led to a loss of investor confidence in worldwide financial markets. Indian financial markets also experienced the effect of the global financial turmoil, which is evident from the sharp decline in indexes of stock exchanges. Any prolonged financial crisis may have an adverse impact on the Indian economy, thereby resulting in a material adverse effect on our business, financial condition and results of operations.

45. ***Shortages in the supply of crude oil, natural gas or coal (domestic and imported) could adversely affect the Indian economy and the power sector projects to which we have exposure and the same may have a material adverse effect on our business, financial condition and results of our operations.***

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

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

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

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

We are incorporated in India, derive our revenues from operations in India and all of our assets are located in India. Consequently, our performance may be affected by interest rates, government policies, taxation, social and ethnic instability and other political and economic developments affecting India.
The Government has traditionally exercised and continues to exercise a significant influence over many aspects of the economy. Our business, and the market price and liquidity of our Equity Shares, may be affected by changes in the Government's policies, including taxation.

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

47. ***Difficulties faced by other financial institutions or the Indian financial sector generally could cause our business to suffer.***

We are exposed to the risks resulting from our participation in the Indian financial sector. This sector in turn may be affected by financial difficulties and other problems faced by Indian financial institutions. Any major difficulty or instability experienced by the Indian financial sector could create adverse market perception, which in turn could adversely affect our business, financial condition and results of operations.

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

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

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

Terrorist attacks and other acts of violence or war may negatively affect the Indian markets in which our securities trade and also adversely affect the worldwide financial markets. These acts may also result in a loss of business confidence, make travel and other services more difficult and eventually adversely affect our business. Any deterioration in relations between India and its neighbouring countries may result in actual or perceived regional instability. Events of this nature in the future could have a material adverse effect on our ability to develop our operations. As a result, our business, prospects, results of operations and financial condition could be materially adversely affected by any such events.

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

The World has experienced natural calamities such as earthquakes, tsunami, floods and droughts in the past few years. For example recent floods in Jammu and Kashmir, Uttarakhand and China, Hurricane in U.S. and Caribbean, earthquakes in Japan and India (Sikkim) and tsunami in Japan. The extent and severity of these natural disasters determines their impact on the Indian economy. Such unforeseen circumstances of below normal rainfall and other natural calamities could have a negative impact on the Indian economy, especially on the rural areas, which could adversely affect our business, financial condition and results of operations.

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

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

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

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

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

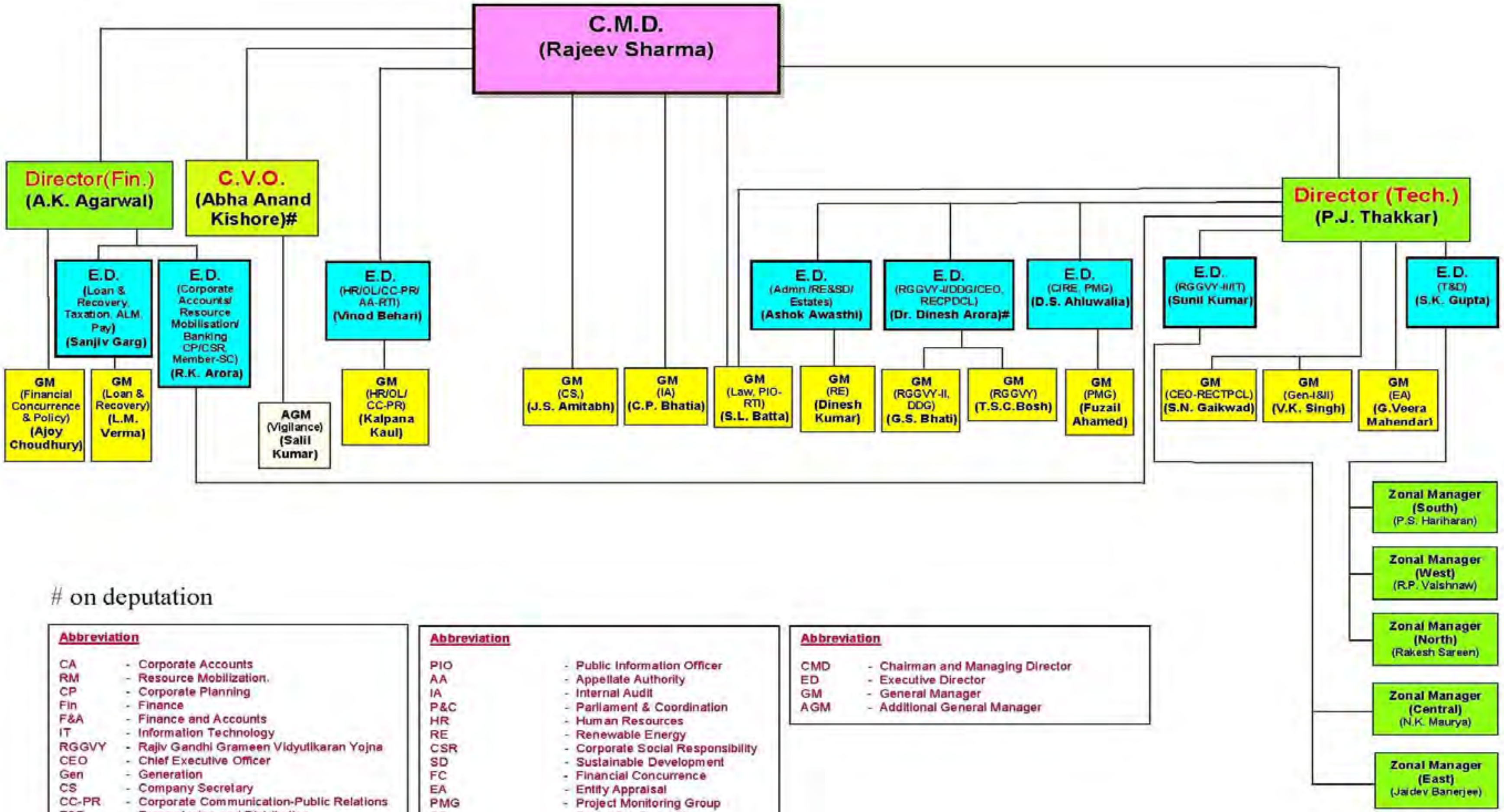
The Indian capital market is developing and maturing at good pace and the same may cause a shift in the pattern of power sector financing. In particular, financially stronger SPUs might source their fund requirement directly from the market. We have a large exposure to SPUs and such changes may have an adverse impact on our profitability and growth, which would have a negative effect on our business, financial condition and results of our operations.

54. Recent global economic conditions have been unprecedented and challenging and have had, and continue to have, an adverse effect on the Indian financial markets and the Indian economy in general, which has had, and may continue to have, a material adverse effect on our business, financial condition and results of operations.

Recent global market and economic conditions have been unprecedented and challenging with tighter credit conditions and recession in most major economies. Continued concerns about the systemic impact of potential long-term and wide-spread recession, energy costs, geopolitical issues, the availability and cost of credit, and the global housing and mortgage markets have contributed to increased market volatility and diminished expectations for western and emerging economies as well as the United States of America and international capital and credit markets. These conditions, combined with volatile oil prices, declining business and consumer confidence and increased unemployment, have contributed to volatility of unprecedented levels.

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

EXISTING CORPORATE ORGANOGRAM (AS ON OCTOBER 08, 2014)



on deputation

Abbreviation

CA	-	Corporate Accounts
RM	-	Resource Mobilization.
CP	-	Corporate Planning
Fin	-	Finance
F&A	-	Finance and Accounts
IT	-	Information Technology
RGGVY	-	Rajiv Gandhi Grameen Vidyutikaran Yojna
CEO	-	Chief Executive Officer
Gen	-	Generation
CS	-	Company Secretary
CC-PR	-	Corporate Communication-Public Relations
T&D	-	Transmission and Distribution
RTI	-	Right to Information

Abbreviation

PIO	-	Public Information Officer
AA	-	Appellate Authority
IA	-	Internal Audit
P&C	-	Parliament & Coordination
HR	-	Human Resources
RE	-	Renewable Energy
CSR	-	Corporate Social Responsibility
SD	-	Sustainable Development
FC	-	Financial Concurrence
EA	-	Entity Appraisal
PMG	-	Project Monitoring Group
SC	-	Screening Committee

Abbreviation

CMD	-	Chairman and Managing Director
ED	-	Executive Director
GM	-	General Manager
AGM	-	Additional General Manager

VI. BRIEF SUMMARY OF BUSINESS/ ACTIVITIES OF ISSUER AND ITS LINE OF BUSINESS SUMMARY OF BUSINESS

We are a public financial institution in the Indian power infrastructure sector. We are engaged in the financing and promotion of transmission, distribution and generation including renewable energy projects throughout India. We commenced our operations in 1969 for the purpose of developing the power infrastructure in rural areas. We have contributed to the development of rural India and India's agriculture through our funding of transmission and distribution projects in rural areas. Our mandate has evolved in accordance with the development priorities of GoI and, since Fiscal 2003 we are permitted to finance all segments of the power sector, including generation, transmission and distribution, throughout the country. Our mandate was further extended to include financing other activities with linkages to power projects, such as coal and other mining activities, fuel supply arrangements for the power sector and other power-related infrastructure. In June 2011, we have set up a separate division for funding renewable projects in order to further achieve the goal of conserving fossil fuels and reducing our carbon foot prints.

REC is one of only 14 Indian public sector undertakings to be granted "*Navratna*" status by the Department of Public Enterprise by virtue of our operational efficiency and financial strength. The GoI has rated our performance as "*Excellent*" continuously since Fiscal 1994. We have also been ranked among the top ten public sector undertakings in India by the Ministry of Heavy Industries and Public Enterprises for Fiscal 2000, Fiscal 2001, Fiscal 2002, Fiscal 2004 and Fiscal 2005.

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

The President of India, acting through nominees from the Ministry of Power ("**MoP**"), currently holds 65.64% of the issued and paid up equity capital of our Company. The GoI, acting through the MoP, oversees our operations and has the power to appoint Directors to our Board.

OUR STRENGTHS

We believe that the following are our primary strengths:

- Our financial position is strong and our business is profitable.
- We are uniquely positioned to access and appraise borrowers in the Indian power sector.
- We occupy a key strategic position in the GoI's plans for growth of the power sector.
- We have an experienced management team with sector expertise.
- Pan India presence through our zonal/project offices in most of state capitals.

OUR STRATEGY

The key elements of our business strategy are as follows:

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

HIGHLIGHTS OF REC

1. Rural Electrification Corporation Limited was incorporated on July 25, 1969 under Companies Act, 1956. REC is a Government of India, Public Sector Enterprise.

2. REC was declared as Public Financial Institution under Section 4A of the Companies Act, 1956 on February 11, 1992 and registered as Non-Banking Financial Company under Section 45-IA of the RBI Act 1934 from February 10, 1998.

3. REC has been categorized as Infrastructure Finance Company by RBI *vide* its letter dated September 17, 2010.

4. Nodal Agency for channelizing finance to aid Rajiv Gandhi Gramin Vidyutikaran Yojana having the object of achieving 100% rural electrification.

5. National Electricity Fund (Interest Subsidy Scheme) has been set up by Ministry of Power to provide interest subsidy on loans disbursed to the State Power Utilities, Distribution Companies (DISCOMS) - both in public and private sector, to improve the infrastructure in distribution sector.REC is the nodal agency for the scheme with a mandate to operationalize the scheme through which amount for interest subsidy will be provided.

OFFICES

REC has an all India presence through its branch network of 18 project offices and 2 sub-offices spread across India.

FUNCTIONS

The registered office at New Delhi looks at the matters relating to Planning and Policy formulation, Resource Mobilization, Financial Operations etc. Project/Field offices attend functions relating to preliminary processing of new schemes, monitoring of ongoing schemes, scrutiny of loan claims, recovery of dues and maintain liaison with SEBs and State Governments for effective implementation of rural electrification programme funded by the Corporation.

OUR PRODUCTS

Our principal products are long-term loans and short-term loans. Additionally, we may offer debt-refinancing and bridge loans from time to time.

Long-term Loans

We offer our long-term loans to central-sector power utilities, state-sector power utilities, joint-sector power utilities, state power departments, private sector power utilities and rural electricity cooperatives. Our long-term loans generally are sanctioned with respect to a specific power-related project at project inception or as bulk loans for procurement of equipment.

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

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

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

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

However, in case of renewable energy power generation projects, apart from the main security, additional security in the form of mortgage of immoveable assets, personal guarantees or corporate guarantee are also obtained.

We propose to give corporate term loans/guarantee assistance to the borrowers, which can be extended/used either for the purpose for equity infusion in new projects or acquisition of an existing power project. Presently, Company has not extended any such loans/guarantees to the borrowers.

Short-term Loans

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

We offer our short-term loans with a maturity of up to one year. Our current short-term loans also contain a roll-over provision that permits the borrower to extend the term of the loan, subject to our approval. Our short-term loan facilities bear a fixed interest rate. Interest on short-term loans is payable monthly and principal may be repaid in monthly instalments or in a lump-sum at maturity, at the option of the borrower.

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

Other

Debt Refinancing

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

Bridge Loans

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

Short-term Loans to Equipment Manufacturers

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

Medium-term Loans

We offer medium-term loans (MTL) to the Central/ State Government Power Utilises and State Governments that are not in default to our Company for the following purposes:

- purchase of fuel for power plant
- system and network maintenance including transformer repairs
- purchase of power
- any other requirement due to inadequate tariff revision, repayment of loan obligation, delay in receipt of support from Govt. etc.

MTL are not provided to the following category of customer:

- who are in default to REC, or
- utilities categorised as Grade "C"
- utilities that have availed Transitional Financing Loan (TFL) facility

These loans have a loan period of more than One to Three years. As on March 31, 2014 MTL outstanding amounted to ₹3145.83crores

Loans for Power Purchase through Indian Energy Exchange

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

Rajiv Gandhi GrameenVidyutikaranYojana

Government of India, in April 2005, launched the "Rajiv Gandhi GrameenVidyutikaranYojana (RGGVY) Scheme of Rural Electricity Infrastructure and Household Electrification" vide O.M. No. 44/19/2004 D (RE), dated March 18,2005, for providing access to electricity to all rural households. REC is the Nodal Agency for implementation of the Scheme. Under the scheme 90% capital subsidy is being provided by GoI which is released through REC to the respective Implementing Agencies of the State.

648 RGGVY projects covering 1,11,998 Un-electrified villages , 3,72,482 Partially Electrified villages and 275.53 lakh Below Poverty Line (BPL) households with the total project cost of INR 43579.23 crores have been sanctioned under X and XI –Plan, that covers 579 districts in 27 States across the country.

273 projects covering 12,141 Un-electrified villages, 2, 30,024 Partially electrified villages, 5,33,991 Habitations and 13.17 lakh BPL Households with the total project cost of ₹23594.31 crore have been sanctioned under XII Plan so far.

Cumulatively, works in 1,08,280 Un-electrified villages, 3,05,094 Partially electrified villages have been completed and free electricity service connections to 216.83 lakh BPL households have been provided up to March 31, 2014.

National Electricity Fund (NEF)

National Electricity Fund (Interest Subsidy Scheme) has been set up by Ministry of Power to provide interest subsidy on loans disbursed to the State Power Utilities, Distribution Companies (DISCOMS) - both in public and private sector, to improve the infrastructure in distribution sector. Under NEF scheme, interest subsidy would be provided on loans taken by private and public power utilities in distribution sector for all Distribution Sector Infrastructure capital projects provided that the proposed works have not been funded through the R-APDRP or RGGVY schemes.

National Electricity Fund would provide interest subsidy aggregating to ₹ 8466 crores spread over 14 years forloan disbursement amounting to₹ 25,000 crores for distribution schemes sanctioned during the 2 years viz.2012-13 and 2013-14.REC during 2012-13 & 2013-14 has conveyed approval for projects of loan amounting to ₹26,530 crores to 25 discoms of 14 states. The fund has achieved its initial objective of expediting investment in distribution sector and compliance of reforms based criteria's by discoms. Since, the interest subsidy shall be released on the basis of continual improvement in performance of discoms, to be evaluated on annual basis during the loan tenure, it is expected that this will supplement the efforts and result in improvement in distribution sector in the country. NEF scheme would give an opportunity to REC to enhance its business prospects in the power distribution sector

Rural Electrification Corporation Ltd. is the nodal agency for the scheme with a mandate to operationalize the scheme through which amount for interest subsidy will be provided, with the approval of Steering Committee constituted for National Electricity Fund scheme. As nodal agency, REC will receive fee against service charges at the rate of 0.5% of the total loan amount approved by the steering committee. The major objective of the scheme is to expedite capital expenditure in the distribution projects and since REC is the major player in the financing of the distribution sector projects in India, this would give an opportunity to REC to enhance its business prospects in the power distribution sector.

Resource Mobilisation

We generally fund our assets, primarily comprising loans to the power sector, with borrowings of various maturities in the domestic and international markets. Our market borrowings include bonds, short-term loans, medium-term loans, long-term loans and external commercial borrowings. As on March 31, 2014, we had total outstanding borrowing of ₹126240.19crores.

The following table sets forth our indebtedness classified by Rupee-denominated and foreign currency-denominated sources and the percentages such resources constituted of our total indebtedness as on March 31, 2012, 2013 and 2014. The Rupee equivalents of foreign currency-denominated debts (other than those that are already fully hedged) are translated with reference to rates of exchange prevailing as at the end of all the periods indicated.

(All figures are in (INR) crores, except in percentages)

Resource Denomination	As on March 31, 2014					
	2012		2013		2014	
	Amount	%	Amount	%	Amount	%
Rupee	79,358.38	88.12	92,552.98	85.86	108,619.04	86.04
Foreign currency	10,698.09	11.88	15,238.19	14.14	17,621.15	13.96
	90,056.47	**100**	**107,791.17**	**100**	**126,240.19**	**100**

Domestic Borrowings

In terms of domestic resources, a significant proportion of our Rupee denominated funds are raised through privately placed bond issues in the domestic market and term loans. We have a diverse investor base of banks, financial institutions, mutual funds, insurance companies, provident fund trusts, gratuity fund trusts and superannuation trusts and individuals.

The following table sets forth our outstanding Rupee-denominated indebtedness by type and the percentage such indebtedness constituted of our total Rupee-denominated indebtedness as on March 31, 2012, 2013 and 2014.

(All figures are in (INR) crores, except in percentages)

Rupee Denominated	As on March 31					
	2012		2013		2014	
	Amount	%	Amount	%	Amount	%
Taxable bonds	54,654.85	68.87	64,037.81	69.19	75289.46	69.32
54EC Capital Gain Tax Exemption bonds	13,341.03	16.81	15,186.50	16.41	15492.52	14.26
Infrastructure bonds	376.32	0.48	376.32	0.41	376.32	0.35
Tax-free bonds	3,000.00	3.78	5,648.41	6.10	11648.41	10.72
Commercial term loans / WCDL / STL	7,961.54	10.03	6,308.80	6.82	3264.40	3.01
GoI loans	24.64	0.03	15.14	0.01	7.93	0.01
Commercial paper	0.00	0.00	980.00	1.06	2540.00	2.34
Total	**79,358.38**	**100.00**	**92,552.98**	**100.00**	**108619.04**	**100.00**

Taxable Bonds

We issue secured/ unsecured, non-convertible, redeemable, taxable, senior/subordinate bonds typically with a maturity of three to ten years from the date of issuance and bearing a fixed interest rate that depends upon market conditions at the time of issuance.

The weighted average annualised interest rate on taxable bonds issued during the Fiscal 2012, Fiscal 2013 and Fiscal 2014 was 9.36%, 9.08% and 9.12% respectively. The weighted average annualised interest rate on all of our outstanding taxable bonds as on March 31, 2014, was 9.04%(excluding Zero Coupon Bonds) and 9.03% (including zero coupon bonds)

The taxable bonds are offered on a domestic private placement basis and listed on the “whole sale debt market segment” of the BSE and/or NSE.

54EC – Capital Gain Tax Exemption Bonds

We began issuing 54 EC – capital gain tax exemption bonds in Fiscal 2001. Section 54EC of the Income Tax Act, relating to exemption of taxes on long term capital gains, if invested in these bonds, subject to limits and qualifications. We are, therefore, able to price such bonds at a lower rate of interest than would otherwise be available to us. In order to qualify for the tax exemption, these bonds must be held for no less than three years. These bonds have put dates or maturity dates at three years from issuance, up to Fiscal 2007 and thereafter automatic redemption after lock in period and maturity i.e. at end of three years.

Since January 2007, the GoI has limited that amount of our bonds that an individual investor can utilise to offset long term capital gains to INR 0.50 crore in a financial year which has reduced the amount of bonds we have been able to offer for subsequent periods.

The weighted average annualised interest rate on 54EC – capital gain tax exemption bonds issued during the year ended Fiscal 2012, Fiscal 2013 and Fiscal 2014 was 6.00%. The weighted average annualised interest rate on all of our outstanding 54EC –capital gain tax exemption bonds, as on March 31, 2014 was 6.00%.

The 54EC – capital gain tax exemption bonds are offered on a domestic private placement basis and are not listed on any exchange.

Infrastructure Bonds

We have issued infrastructure bonds, in Fiscal 2002 to 2005 u/s 88 of the Income Tax Act, and in Fiscal 2011 and 2012, issued u/s 80CCF of the Income Tax Act.

Under provisions of Section 88 of the Income Tax Act 1961, deduction is allowed from the amount of income tax (as computed before allowing the deductions under Chapter VI) on investor's total income, on investment of these bonds.

Under provisions of Section 80CCF of the Income Tax Act 1961, deduction is allowed from gross total income of an assessee on investment in these bonds and terms of the issue were subject to Notification No. 48/2010/F NO 149/84/2010-SO (TPL) issued by CBDT.

The weighted average annualised interest rate on Infrastructure Bonds issued during the Fiscal 2011 and Fiscal 2012 was 8.14% and 8.98% respectively. The weighted average annualised interest rate on all of our outstanding Infrastructure Bonds, as on March 31, 2014 was 8.49%.

Our infrastructure bonds typically have a maturity of five, ten and fifteen years from the date of issuance and bear a fixed interest rate with put option after three, five and seven years.

The infrastructure bonds were offered on a domestic private placement basis and bond issued in fiscal 2011 are listed on NSE and tradable after lock in period.

Tax-free Bonds

We have issued tax-free bonds up to Fiscal 2002 and thereafter issued in Fiscal 2012, Fiscal 2013 and Fiscal 2014. Under provisions of the Income Tax Act, interest on these bonds was tax exempt for bondholders and we were therefore able to price such bonds at a lower rate of interest than would otherwise have been available to us. The weighted average interest annual rate on all of our outstanding tax free bonds as on March 31, 2014 was 8.15%.

The tax-free bonds issued up to fiscal 2002, were offered on a domestic private placement basis and listed on the “whole sale debt market segment” of the NSE.

The tax-free bonds issued in fiscal 2012, were offered under domestic public issue and listed on the “whole sale debt market segment” of the BSE.

The tax-free bonds issued in fiscal 2013& fiscal 2014, were offered under domestic public issue& private placement and listed on the "retail debt market segment" and “whole sale debt market segment” respectively of the BSE and NSE.

Our tax free bonds typically have a maturity of ten, fifteen and twenty years from the date of issuance and bear a fixed interest rate.

Term loans from commercial banks and financial institutions

As on March 31, 2014 we had a total of Rupee denominated term loan facilities from commercial banks and financial institutions, 3 of which were secured and 1 of which were unsecured. These facilities are obtained on commercial terms and have varying maturity dates and interest rates.

The weighted average annualised interest rate on all of our outstanding indebtedness under term loan facilities from commercial banks and financial institutions as on March 31, 2014 was 8.36%.

Loans from GoI: As on March 31, 2014, we had a total of 11 Rupee-denominated unsecured loans from GoI. These loans are unsecured, have a maturity of thirty years and have a five-year moratorium on payment of principal. The weighted average annualised interest rate on our outstanding loans from the GoI, as on March 31, 2014 was 7.54%.

Commercial Paper: The Company mobilised funds through Commercial Paper during various years. These are obtained on varying maturity dates and interest rates.

The weighted average annualised interest rate on all new borrowings through Commercial Paper during Fiscal 2014 was 8.84% respectively. The weighted average annualised interest rate on all borrowings through Commercial Paper outstanding as on 31.03.2014 was 9.94% respectively

Foreign Currency Resources

We first began arranging for foreign currency borrowings during Fiscal 2007. As on March 31, 2014, outstanding liability is ₹ 17621.15 crores.

External Commercial borrowings in foreign currency

In Fiscal 2012, the Issuer raised ECB under:

- Syndicated loan agreement through Bank of Tokyo-Mitsubishi, UFJ, Ltd., Mizuho Corporate Bank Ltd., ANZ Ltd and SMBC bank for USD 300 million. Loan under this agreement bear a variable interest at a spread of 142 basis points over six-month USD LIBOR and will mature in 2016. As on March 31, 2014, this loan facility was fully drawn and fully hedged USD 300 million at 7.3325% per annum.

- CHF Bond through Reg S for CHF 200 million. Loan under this agreement bear fixed rate of interest at 3.50% p.a. and will mature in 2017. As on March 31, 2014, this loan facility was fully drawn and is not hedged.

- Syndicated loan agreement through Bank of Tokyo-Mitsubishi, UFJ, Ltd., Mizuho Corporate Bank Ltd. and SMBC bank for JPY 19,029 million. Loan under this agreement bear a variable interest at a spread of 220 basis points over six-month JPY LIBOR and will mature in 2017. As at March 31, 2014, this loan facility was fully drawn and hedged with principal only swap at 4.56% p.a.

In Fiscal 2013, the Issuer raised ECB under

- Syndicated loan agreement through State Bank of India and Sumitomo Mitsui Banking Corporation for USD 250 million. Loan under this agreement bear a variable interest at a spread of 190 basis points over six-month USD LIBOR and mature in 2015. As on 31 March 2014, this loan facility was fully drawn and fully hedged USD 150 million at 7.5845% and principal only swap for USD 100 million at 5.592% pa.

- Syndicated loan agreement through Bank of America N.A and State Bank of India for USD 250 million. The loan under this agreement bear a variable interest at a spread of 145 basis points over six-month USD LIBOR and mature in 2015. As on 31 March 2014, this loan facility was fully drawn and USD 25 million hedged through Call-spread options strategy and the balance is unhedged.

- Bilateral loan agreement with State Bank of India for USD 250 million. Loan under this agreement bear a variable interest at a spread of 140 basis points over six-month USD LIBOR and mature in 2015. As at 31 March 2014, this loan facility was fully drawn and USD 50 million hedged through Call-spread options strategy and the balance is unhedged.

In Fiscal 2014, the Issuer raised ECB as under

- Syndicated loan agreement through State Bank of India, Sumitomo Mitsui Banking Corporation and Hong Kong and Shanghai Banking Corporation for USD 285 million. Loan under this agreement bear a variable interest at a spread of 150 basis points over six-month USD LIBOR and will mature in 2018. As on 31 March 2014, this loan facility was fully drawn and hedged through principal only swap at 6.2031% pa.

  Bilateral credit agreements: We also have five foreign currency loan facilities from external bilateral credit agencies.

  In Fiscal 2006, we also entered into a loan agreement with JICA for financial assistance of JPY 20,629 million restated to 16,949.38 million w.e.f. 29.08.2012. This agreement bears a fixed interest rate of 0.75% per annum and matures in 2021. The GoI has guaranteed borrowings under this facility for which we pay a guarantee fee. As of March 31, 2014, entire amount of JPY 16,949.38 million (equivalent to INR 820.12 crores) has been drawn under this facility.

  In Fiscal 2008, we entered into a second loan agreement with JICA for financial assistance of JPY 20,902 million restated to JPY 13,000 million w.e.f. 18.02.2012. This agreement bears a fixed interest rate of 0.65% per annum and matures in 2023. The GoI has guaranteed borrowings under this facility for which we pay a guarantee fee. As on March 31, 2014, JPY 10,367.39 million (equivalent to INR 561.62 crores) has been drawn under this facility.

  In Fiscal 2007, we entered into a loan agreement with KfW for financial assistance of Euro 70 million. Loans under this agreement bears a fixed interest rate of 3.73% per annum and matures in 2018. The GoI has guaranteed borrowings under this facility for which we pay a guarantee fee. As of March 31, 2014, entire loan amount of Euro 70 million (equivalent to INR 454.02 crores) has been drawn under this facility.

In Fiscal 2009, we entered into a second loan agreement with KfW for financial assistance of Euro 70 million. This agreement bears a fixed interest rate of 2.89% per annum and matures in 2020. The GoI has guaranteed borrowings under this facility for which we pay a guarantee fee. As of March 31, 2014, entire loan amount of Euro 70 million (equivalent to INR 480.97 crores) has been drawn under this facility.

In Fiscal 2012, we entered into a third loan agreement with KfW for financial assistance of Euro 100 million. This agreement bears a fixed interest rate of 1.86% per annum and matures in 2020. The GoI has guaranteed borrowings under this facility for which we pay a guarantee fee. As on March 31, 2014, Euro 50.00 million (equivalent to INR 384.12 crores) has been drawn under this facility.

BUSINESS DETAILS OF SUBSIDIARIES AND THEIR SPECIAL PURPOSE VEHICLES (SPVs):

1) **REC Transmission Projects Company Limited** - RECTPCL was incorporated on January 8, 2007 as a public limited company and its registered office is situated at Core-4, SCOPE Complex, 7, Lodi Road, New Delhi 110 003, India. It received its certificate of commencement of business on February 5, 2007. RECTPCL is engaged inter alia in the business of, to promote, organise or carry on the business of consultancy services and/or project implementation in any field of activity relating to transmission and distribution of electricity in India or abroad.

2) **REC Power Distribution Company Limited** - RECPDCL was incorporated on July 12, 2007 as a public limited company and its registered office is situated at Core-4, SCOPE Complex, 7, Lodi Road, New Delhi 110 003, India. It received its certificate of commencement of business on July 31, 2007. RECPDCL is presently engaged inter alia in the business of, to promote, develop, construct, own, operate, distribute and maintain 66KV and below voltage class electrification, distribution, electric supply lines or distribution system.

3) **Nellore Transmission Limited** - Nellore Transmission Limited was incorporated as a Special Purpose Vehicle, as a wholly owned subsidiary of REC Transmission Projects Company Limited, on 6th February, 2013 to undertake activities for implementation of Transmission System for Connectivity for NCC Power Projects Ltd. (1320MW). Due to discovery of higher levelised tariff as compared to tariff as per prevailing CERC norms, Ministry of Power has de-notified the subject project for which SPV was initially incorporated.

4) **Baira Siul Sarna Transmission Limited** – Baira Siul Sarna Transmission Limited was incorporated as a Special Purpose Vehicle, as a wholly owned subsidiary of REC Transmission Projects Company Limited, on 24th January, 2013 to undertake activities for implementation of BairaSiul HEP – Sarna 220kV line. Due to revision in the estimated project cost for which SPV was incorporated, CEA has advised to put bidding process on hold.

5) **NRSS XXIX Transmission Limited** - NRSS XXIX Transmission Limited was incorporated as a Special Purpose Vehicle, as a wholly owned subsidiary of REC Transmission Projects Company Limited, on 29th July, 2013 to undertake activities for implementation of Transmission System for Northern Region System Strengthening Scheme, NRSS-XXIX. The company has been transferred to Sterlite Display Technologies Limited (investing affiliate of Stexlite Grid Limited) on August 04, 2014.

6) **Gadarwara (A) Transco Limited**

Gadarwara (A) Transco Limited has been incorporated as a Special Purpose Vehicle, as a wholly owned subsidiary of REC Transmission Projects Company Limited, on 5th August, 2014 to undertake activities for implementation of Transmission System associated with Gadarwara STPS (2x800 MW) of NTPC (Part-A). A two stage Bidding process featuring separate Request for Qualification (RFQ) and Request for Proposal (RFP) has been adopted in accordance with tariff based competitive bidding guidelines of Ministry of Power, GoI for selection of developer as Transmission Service Provider. The selection of developer for the Responses to RFQ for the project has been opened on 15thSeptember,

2014. Eleven bidders have participated at the RFQ stage and the responses received are under evaluation. The process of selection of developer is expected to conclude during FY 2014-15.

7) **Gadarwara (B) Transmission Limited**

Gadarwara (B) Transmission Limited has been incorporated as a Special Purpose Vehicle, as a wholly owned subsidiary of REC Transmission Projects Company Limited, on 30thJuly, 2014 to undertake activities for implementation of Transmission System associated with Gadarwara STPS (2x800 MW) of NTPC (Part-B). A two stage Bidding process featuring separate Request for Qualification (RFQ) and Request for Proposal (RFP) has been adopted in accordance with tariff based competitive bidding guidelines of Ministry of Power, GoI for selection of developer as Transmission Service Provider. The Responses to RFQ for the project has been opened on 15th September, 2014. Eleven bidders have participated at the RFQ stage and the responses received are under evaluation. The process of selection of developer is expected to conclude during FY 2014-15.

8) **Vindhyachal Jabalpur Transmission Limited**

Vindhyachal Jabalpur Transmission Limited has been incorporated as a Special Purpose Vehicle, as a wholly owned subsidiary of REC Transmission Projects Company Limited, on 14th August, 2014 to undertake activities for implementation of Transmission System Strengthening associated with Vindhyachal-V. A two stage Bidding process featuring separate Request for Qualification (RFQ) and Request for Proposal (RFP) has been adopted in accordance with tariff based competitive bidding guidelines of Ministry of Power, GoI for selection of developer as Transmission Service Provider. The RFQ for the project has been issued on 20th August, 2014 and the responses are due for opening on 19th September, 2014.The process of selection of developer is expected to conclude during FY 2014-15.

9) **Maheshwaram Transmission Limited**

Maheshwaram Transmission Limited has been incorporated as a Special Purpose Vehicle, as a wholly owned subsidiary of REC Transmission Projects Company Limited, on 14th August, 2014 to undertake activities for implementation of Connectivity Lines for Maheshwaram (Hyderabad) 765/400 kV Pooling S/s. A two stage Bidding process featuring separate Request for Qualification (RFQ) and Request for Proposal (RFP) has been adopted in accordance with tariff based competitive bidding guidelines of Ministry of Power, GoI for selection of developer as Transmission Service Provider. The RFQ for the project has been issued on 21st August, 2014 and the responses are due for opening on 22nd September, 2014.The process of selection of developer is expected to conclude during FY 2014-15.

VII. BRIEF HISTORY OF ISSUER SINCE INCORPORATION, DETAILS OF ACTIVITIES INCLUDING ANY REORGANIZATION, RECONSTRUCTION OR AMALGAMATION, CHANGES IN CAPITAL STRUCTURE, (AUTHORIZED, ISSUED AND SUBSCRIBED) AND BORROWINGS

CONSTITUTION

REC was incorporated on July 25, 1969 under the Companies Act. REC is a Government of India ("**GOI**") Public Sector Enterprise with standalone net worth of over ₹ 20,669.46 crores as on March 31, 2014. It provides financial assistance to SEB, State Government Departments and Rural Electric Cooperatives for village electrification and energisation of pump sets for increasing agricultural production and to other Centre / State utilities as also the private sector utilities. REC was declared as a Public Financial Institution under section 4A of the Companies Act, 1956 in February 1992 and registered as Non-Banking Financial Company under Section 45-IA of the RBI Act, 1934 in February 1998. It is also the nodal agency for channelizing finance to aid the GOI's social and economic objective of achieving 100% rural electrification. REC's importance has been further enhanced by the virtual absence of private sector investments in rural electrification.

OWNERSHIP

REC is a GoI Public Sector Enterprise. In the past, it has received funding support from the GoI in the form of regular equity infusion, loans, guarantees and allocation of tax-free bonds. The Government has also allowed raising Capital Gains Tax Exemption Bonds (u/s 54EC of the IT Act), Infrastructure Bonds (u/s 80CCF of the IT Act) and Tax Free Bonds. GoI support has also been forthcoming in the form of State Government Guarantee and access to the Central Plan Appropriation ("**CPA**") for recovering over dues from various SEBs.

Changes in the Registered and Corporate Office

Our Registered and Corporate Office is currently situated at Core-4, SCOPE Complex, 7, Lodi Road, New Delhi 110 003, India. Our registered office was initially situated at Floor No. 3, Jeevan Vihar, Parliament Street, New Delhi 110001, India, pursuant to a resolution of our Board dated September 5, 1969. The table below encapsulates changes in our registered office since our incorporation.

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

Major Events and Milestones

Calendar Year	Event
1969	Incorporation of our Company
1970	Commenced lending operations to SEBs
1974	Authorised by the Ministry of Irrigation and Power to finance rural electrification under the 'Minimum Needs Programme'
1979	CIRE set up in Hyderabad
1988	Launch of Kutir Jyoti and Jal Dhara programmes for rural electrification
1992	Declared a Public Financial Institution under Section 4A of the Companies Act, 1956
1993	Entered into MoU with the Ministry of Power for the year 1993-1994 for the first time to achieve certain performance related targets
1998	Registered as a NBFC under Section 45(IA) of the RBI Act.
2001	Allowed to issue Capital Gains Tax Exemption Bonds under Section 54 EC of the IT Act.

Calendar Year	Event
	Up gradation from Schedule 'B' to Schedule 'A' Corporation
2002	Grant of Mini Ratna- I status
2005	Appointed as the nodal agency for RGGVY
2006	Entered into agreement with Japan International Cooperation Agency for availing a loan facility of JPY 20,629 million Entered into agreement with KfW, Frankfurt am Main for availing a loan facility of Euro 70 million
2008	Launch of Initial Public Offer and dilution of Promoter's shareholding from 100% to 81.82%. Gross proceeds from IPO was₹ 819.63 crores. Listed Equity Shares of the Company on NSE and BSE Accorded "*Navratna*" status by the Department of Public Enterprise, GoI for our operational efficiency and financial strength, which affords greater operational freedom and autonomy in decision making.
2009	Received 'LAAA' rating from ICRA in relation to ₹ 25,000 crores long term borrowing programme for the Fiscal 2010
2010	Follow-on issue of Equity Shares resulting in (a) raising ₹ 2,647.50 crores of gross proceeds through fresh issue and (b) GoI reducing its ownership to 65.64% RBI categorised REC as an Infrastructure Finance Company ("IFC") Entered into two offshore syndicated facility agreements for availing loan facilities of USD 400 million and USD 70 million respectively REC was included in the MSCI emerging marketing index
2011	REC successfully priced a USD 500 million 4.25% 5-year Reg S Senior Unsecured Notes transaction. REC was the first Indian NBFC –IFC to enter into the international debt market Entered into two offshore bilateral loan agreements for availing a loan facility of USD 100 million each from the Bank of Tokyo-Mitsubishi UFJ Ltd. and Mizuho Corporate Bank, Ltd. Completed a US$ 300 Million Syndicated Term Loan Facility with Australia and New Zealand Banking Group Limited, the Bank of Tokyo-Mitsubishi UFJ Ltd. and Mizuho Corporate Bank, Ltd.
2012	REC has been rated excellent for fiscal 2011 in terms of MoU signed with Govt of India for the 18^{th} year in succession since fiscal 1994 when the first MoU was signed. REC was appointed as Nodal Agency for implementation of National Electricity Fund. REC has issued tax free bond of ₹ 3,000 crores under Section 10(15)(iv)(h) of the IT Act in the Fiscal 2012. CHF Bond through Reg S for CHF 200 million were issued by REC which were listed in the Six Swiss Exchange, Switzerland.
2013	REC has issued tax free bond of ₹ 2648.41 crores under Section 10(15)(iv)(h) of the IT Act in the Fiscal 2013. REC received DSIJ PSU Award, 2012 for "Fastest Growing Operational Metrics" in Non-Manufacturing Navratna Category. REC received CIDC Vishwakarma Award 2013 in the category of "Achievement Award for Industry Doyen. REC received Award in the Category of "Non-Banking Financial Services" by India Pride Awards, Dainik Bhaskar and DNA.

Calendar Year	Event
2014	REC has been rated excellent for fiscal 2013 in terms of MoU signed with GoI for the 20th year in succession, since fiscal 1994 when the first MoU was signed. Entered into offshore syndicated facility agreements for availing loan facility of USD 285 million from Hong Kong and Shanghai Banking Corporation Limited, State Bank of India, Singapore Branch and Sumitomo Mitsui Banking Corporation as Mandated Lead Arrangers and Book runners (MLAB's) in November. REC has issued tax free bonds of INR 6,000 crores under Section 10(15)(iv)(h) of the Income Tax Act in the Fiscal 2014. REC named 'Best Employer India 2013' and also been awarded 'The Aon Hewitt Voice of Employee Award Public Sector Enterprise India 2013' by Aon Hewitt. "Best Governed Company" by Institute of Company Secretaries of India and REC has been awarded "ICSI National Award for excellence in corporate governance".

Details regarding acquisition of business/undertakings, mergers, amalgamation, revaluation of assets

Our Company has neither acquired any entity, business or undertakings nor undertaken any mergers, amalgamation, or revaluation of assets in the last fiscal.

Holding entity- Our Promoter

Our Promoter is the President of India, acting through the MoP, holding 65.64% of our Equity Share capital as on date.

Joint Ventures

Energy Efficiency Services Limited **("EESL")**

ENTITIES IN WHICH WE HAVE EQUITY INVESTMENT

Indian Energy Exchange Limited ("IEX")

Pursuant to a resolution dated July 31, 2007, our Company approved the acquisition of 8% of the initial capital of ₹ 10 crores of IEX and pursuant to resolution dated August 13, 2007, the equity stake of our Company was reduced from 8% to 5% of the then equity share capital of IEX, reducing the amount of consideration paid by our Company to ₹1.25 crores. Consequent upon further allotment of shares by IEX to Jindal Power Limited, the percentage of shareholding of REC in IEX has reduced from 5% to 4.68%. Certain significant details of IEX are provided hereunder:

IEX was incorporated on March 26, 2007 and received its certificate of commencement of business on April 17, 2007. Its registered office is situated at First Floor, Malkani Chambers, Off Nehru Road, Vile Parle (East), Mumbai 400 099, Maharashtra, India. The Company is engaged in the business of setting up trading in power in India and is India's first power exchange having national wide automated and online electricity trading platform.

The equity shares of IEX are not listed on any stock exchange. As per the latest available shareholding pattern, REC holds less than 5% shareholding in IEX.

Universal Commodity Exchange Limited ("UCX")

Pursuant to a Board resolution dated December 16, 2011, our Company approved the acquisition of 16% of the initial capital of INR 100 crores of UCX by paying the consideration amount of INR 16 crores. Certain significant details of UCX are provided hereunder:

UCX was incorporated on February 25, 2008. Its registered office is situated at Exchange House, Building No. 8 (105), Sector II, Millennium Business Park, Mahape, Navi Mumbai, Maharashtra-400710. UCX is engaged in the business of commodity exchange.

The equity shares of UCX are not listed on any stock exchange. As per the latest available shareholding pattern, REC holds 16% shareholding in UCX.

'Small is Beautiful' Fund ("SBF")

SBF is an Indian venture capital fund organised and settled as a contributory trust and registered with SEBI as a Venture Capital Fund. KSK Trust Private Limited is the trustee for SBF. The office of SBF is situated at Plot No. 84, Kaveri Hills, Phase II, Madhapur, Hyderabad – 500033, Andhra Pradesh, India. SBF is engaged in the business of making investments in power generation and other allied projects in Indian power sector.

CAPITAL STRUCTURE

1. The equity share capital of our Company, as on September 30, 2014, is set forth below:

(₹ in crores, except share data)

		Aggregate value at nominal value
A)	**AUTHORISED SHARE CAPITAL**	
	1,200,000,000 Equity Shares of face value of ₹10/- each	1,200.00
B)	**ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL**	
	987,459,000 Equity Shares of face value of ₹10/- each fully paid up	987.46
C)	**SECURITIES PREMIUM ACCOUNT**	3223.72

***Notes**:*

Since the present offer comprises of issue of non-convertible debt securities, it shall not affect the paid-up equity share capital or share premium account of the Company after the offer.

2. Changes in the Capital Structure for last five years

There is no change in the capital structure of the Company as on September 30, 2014, for the last five years other than as mentioned below.

3. Share Capital History for last five years

Date of Issue/ allotment	No. of Equity Shares of our Company	Face Value (₹)	Issue price (₹)	Nature for allot-ment	Conside-ration in Cash/ other than cash	Equity Share Capital (₹)	Cumulative		
							Share Premium (₹in crores)	Equity Share Capital (₹ in crores)	No. of Equity Shares
March 5, 2010**	128,799,000	10	(193-215)	Further public offering	Cash	1,287,990,000	3222.43	987.46	9,874,590,00

** *Allotment pursuant to the FPO of our Company comprising of a fresh issue of 128,799,000 Equity Shares and an offer for sale of 42,933,000 Equity Shares by the President of India, acting through the MoP, at an issue price of ₹ 193- ₹215 per Equity Share.*

Our Company has not made any issue of Equity Shares during the preceding one year from the date of this Private Placement Offer Letter.

4. Our Shareholding Pattern

The table below represents the shareholding pattern of our Company as per clause 35 of the Listing Agreement, as on September 30, 2014:

Sr. No. (I)	Category of shareholder (II)	Number of share-holders (III)	Total number of shares (IV)	Number of shares held in dematerialized form (V)	Total shareholding as a percentage of total number of shares: As a percentage of (A+B)[1] (VI)	As a percentage of (A+B+C) (VII)	Shares Pledged or otherwise encumbered: Number of shares (VIII)	As a percentage (IX) = (VIII) / (IV) * 100
(A)	**Promoter and Promoter Group[2]**							
(1)	**Indian**							
(a)	Individuals/Hindu Undivided Family	0	0	0	0.00	0.00	0	0.00
(b)	Central Government/ State Government(s)	1	648168218	648168218	65.64	65.64	0	0.00
(c)	Bodies Corporate	0	0	0	0.00	0.00	0	0.00
(d)	Financial Institutions/Banks	0	0	0	0.00	0.00	0	0.00
(e)	Any Other (Total)	0	0	0	0.00	0.00	0	0.00
	Sub-Total (A)(1)	**1**	**648168218**	**648168218**	**65.64**	**65.64**	**0**	**0.00**
(2)	**Foreign**							
(a)	Individuals (Non-Resident Individuals/Foreign Individuals)	0	0	0	0.00	0.00	0	0.00
(b)	Bodies Corporate	0	0	0	0.00	0.00	0	0.00
(c)	Institutions	0	0	0	0.00	0.00	0	0.00
(d)	Qualified Foreign Investor	0	0	0	0.00	0.00	0	0.00
(e)	Any Other (Total)	0	0	0	0.00	0.00	0	0.00
	Sub-Total (A)(2)	**0**	**0**	**0**	**0.00**	**0.00**	**0**	**0.00**
	Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	**1**	**648168218**	**648168218**	**65.64**	**65.64**	**0**	**0.00**
(B)	**Public shareholding[3]**							
(1)	**Institutions**							
(a)	Mutual Funds/UTI	67	26292919	26292919	2.66	2.66	N.A.	N.A.
(b)	Financial Institutions/Banks	20	3780100	3780100	0.38	0.38	N.A.	N.A.
(c)	Central Government/State Government(s)	0	0	0	0.00	0.00	N.A.	N.A.
(d)	Venture Capital Funds	0	0	0	0.00	0.00	N.A.	N.A.
(e)	Insurance Companies	25	50243625	50243625	5.09	5.09	N.A.	N.A.
(f)	Foreign Institutional Investors	467	196349986	196349986	19.88	19.88	N.A.	N.A.
(g)	Foreign Venture Capital Investors	0	0	0	0.00	0.00	N.A.	N.A.
(h)	Qualified Foreign Investor	0	0	0	0.00	0.00	N.A.	N.A.
(i)	Any Other (Total)	0	0	0	0.00	0.00	N.A.	N.A.
	Sub-Total (B)(1)	579	276666630	276666630	28.02	28.02	N.A.	N.A.
(2)	**Non-institutions**							
(a)	Bodies Corporate	1442	28921928	28921928	2.93	2.93	N.A.	N.A.
(b)	Individuals						N.A.	N.A.
	(i) Individuals holding nominal share capital upto Rs.1 lakh	225027	27136742	27123893	2.75	2.75	N.A.	N.A.
(c)	(ii) Individuals holding nominal share capital in excess of Rs.1 lakh	91	4750384	4750384	0.48	0.48	N.A.	N.A.
(d)	Others	0	0	0	0	0	N.A.	N.A.
(d1)	NON RESIDENT INDIANS	1880	827238	827238	0.08	0.08	N.A.	N.A.
(d2)	CLEARING MEMBERS	210	492519	492519	0.05	0.05	N.A.	N.A.
(d3)	TRUSTS	21	495341	495341	0.05	0.05	N.A.	N.A.

Sr. No. (I)	Category of shareholder (II)	Number of share-holders (III)	Total number of shares (IV)	Number of shares held in dematerialized form (V)	Total shareholding as a percentage of total number of shares		Shares Pledged or otherwise encumbered	
					As a percentage of (A+B)[1] (VI)	As a percentage of (A+B+C) (VII)	Number of shares (VIII)	As a percentage (IX) = (VIII) / (IV) * 100
	Sub-Total (B)(2)	**228671**	**62624152**	**62611303**	**6.34**	**6.34**	N.A.	N.A.
	Total Public Shareholding (B)= (B)(1)+(B)(2)	**229250**	**339290782**	**339277933**	**34.36**	**34.36**	N.A.	N.A.
	TOTAL (A)+(B)	**229251**	**987459000**	**987446151**	**100.00**	**100.00**	0	0.00
(C)	Shares held by Custodians and against which Depository Receipts have been issued	0	0	0	N.A.	0.00	N.A.	N.A.
C1	Promoter and Promoter Group	0	0	0	N.A.	0.00	N.A.	N.A.
C2	Public	0	0	0	N.A.	0.00	N.A.	N.A.
	GRAND TOTAL (A)+(B)+(C)	**229251**	**987459000**	**987446151**	**100.00**	**0.00**	**0**	**0.00**

5. **Except as set forth below, none of our Directors hold any Equity Shares as on September 30, 2014**

1.	Mr. Rajeev Sharma	-	60 Equity Shares
2.	Mr. Prakash Thakkar	-	4030 Equity Shares
3.	Mr. Ajeet Kumar Agarwal	-	242 Equity Shares

6. **Our top ten shareholders and the number of Equity Shares held by them, as on September 30, 2014 are as follows:**

S. No.	Name of the shareholders	Shares	% to total no. of Equity Shares	Category
1	PRESIDENT OF INDIA	648168218	65.64%	POI
2	LIFE INSURANCE CORPORATION OF INDIA	41783217	4.23%	INS
3	DB INTERNATIONAL (ASIA) LTD	20838660	2.11%	FII
4	HDFC STANDARD LIFE INSURANCE COMPANY LIMITED	16998517	1.72%	LTD
5	HSBC GLOBAL INVESTMENT FUNDS A/C HSBC GIF MAURITIU	10652231	1.08%	FII
6	VANGUARD EMERGING MARKETS STOCK INDEX FUND ASERIE	6564335	0.66%	FII
7	CPSE ETF	6297638	0.64%	MUT
8	HDFC TRUSTEE COMPANY LIMITED-HDFC EQUITY FUND	6051850	0.61%	MUT
9	WISDOMTREE TRUST A/C WISDOMTREE INDIA INVESTMENT P	5317421	0.54%	FII
10	ABU DHABI INVESTMENT AUTHORITY - GULAB	4584881	0.46%	FII
	Total	767256968	77.70%	

7. **List of Top 10 Bondholders of the Company as on September 30 , 2014:**

S. No.	Name	Total face value amount of bonds held (₹ in crore)
1	LIFE INSURANCE CORPORATION OF INDIA P & GS FUND	76494000000
2	LIFE INSURANCE CORPORATION OF INDIA	61827000000
3	STATE BANK OF INDIA	39050000000
4	CBT EPF-05-C-DM	25185000000
5	PUNJAB NATIONAL BANK	18665000000
6	RELIANCE INDUSTRIES LIMITED	14700000000
7	COAL MINES PROVIDENT FUND ORGANISATION	14420000000

S. No.	Name	Total face value amount of bonds held (₹ in crore)
8	CBT EPF-05-B-DM	13376400000
9	CBT EPF-11-C-DM	10783000000
10	CBT EPF-05-A-DM	10756000000

8. No Equity Shares of the Company as on September 30, 2014, are pledged or otherwise encumbered by the Promoters.

9. The Company has not issued any Equity Shares or debt securities for consideration other than cash, whether in whole or part, since its incorporation.

10. Our Company has not undertaken any acquisition or amalgamation in the last one year prior to filing of this Private Placement Offer Letter.

11. Our Company has not undergone any reorganization or reconstruction in the last one year prior to issue of this Private Placement Offer Letter.

12. Other than debt securities issued by the Company, as detailed below and outstanding as on September 30, 2014, our Company has not issued any debt securities:

(a) for consideration other than cash;
(b) at a premium or a discount; and/or
(c) in pursuance of an option.

A. Zero Coupon Bonds:

Sr. No.	Instrument Type	Date of Issuance	Number of Bonds/instruments	Face Value per Bond (₹)	Discount Per Bond (₹)
1	Zero Coupon Bonds	15.12.2010	3,92,700	30,000	16,422
2	Zero Coupon Bonds	03.02.2011	89,510	30,000	17,033

B. Foreign Currency Bonds:

Sr. No.	Instrument Type	Date of Issuance	Issue Size	Issue Value (%)	Discount (%)
1	International Bonds	25.01.2011	USD 500 million	98.971	1.029
2	International Bonds	07.03.2012	CHF 200 million	99.932	0.068

C. Commercial Papers

Sr. No.	Date Of Issuance/Value Date	Number of Commercial Papers (CP/s) issued	Face Value per CP (₹)	Discount Per CP (₹)
1.	04.07.2014	39000	500000	19626.00
2.	05.08.2014	31000	500000	25810.00

D. Bonds issued at premium

Sr. No.	Date Of Issuance/Value Date	Number of Bonds/ instrument	Face Value per Bond (₹)	Premium per Bond (₹)
1.	29.11.2012	500	1000000	1000
2.	29.08.2013	13500	1000000	726
3.	11.10.2013	1500	1000000	1727

13. Amount of corporate guarantees issued by the Issuer in favour of various counter parties including its Subsidiaries, Joint Venture entities, Group Companies etc. - NONE

BRIEF NOTE ON PUBLIC OFFERS

A. INITIAL PUBLIC OFFER (IPO)

Our Company had made an IPO of 156,120,000 Equity Shares for cash at a price of ₹ 105 per Equity Share (including a premium of ₹ 95 per Equity Share) aggregating to ₹ 1,639.30 crores through a prospectus dated February 28, 2008. The said IPO comprised a fresh issue of 78,060,000 Equity Shares and an offer for sale of 78,060,000 Equity Shares by our Promoter. Further, the said IPO comprised a net issue of 152,217,000 Equity Shares to the public and a reservation of 3,903,000 Equity Shares for subscription by certain eligible employees.

The IPO opened on February 19, 2008 and closed on February 22, 2008. Allotment of Equity Shares and dispatch of refunds pursuant to the IPO of our Company was made on March 5, 2008 and March 8, 2008, respectively. Trading at NSE and BSE in equity shares allotted in IPO commenced on March 12, 2008.

B. FURTHER PUBLIC OFFER (FPO)

Our Company had made an FPO of 171,732,000 Equity Shares for cash at a price of ₹ 193 – ₹ 215 per Equity Share (including a premium of ₹ 183 - ₹ 205 per Equity Share) aggregating to ₹3,529.94 crores through a prospectus dated February 25, 2010. The said FPO comprised a fresh issue of 128799000 Equity Shares and an offer for sale of 42933000 Equity Shares by our Promoter. Further, the said FPO comprised a net issue of 171382000 Equity Shares to the public and a reservation of 350000 Equity Shares for subscription by certain eligible employees. The opening date of FPO was February 19, 2010 and the closing date was February 23, 2010. Dispatch of refunds pursuant to the FPO was made on and March 6, 2010 and trading at NSE and BSE in equity shares allotted in FPO commenced on March 8, 2010

FINANCIAL INDEBTEDNESS (ON STANDALONE BASIS)

Set forth below is a brief summary of our Company's significant outstanding secured borrowings of ₹ 67700.72 crores and unsecured borrowings of ₹ 71008.24 crores, as on September 30, 2014 together with a brief description of certain significant terms of such financing arrangements.

Secured term loans from banks and financial institutions availed by our Company

(All figures are in (₹) crores, except in percentages)

Sr. No.	Name of the Lender	Loan documentation	Facility/ Amount Sanctioned (₹crores)	Amount outstanding (₹crores) as on September 30, 2014	Rate of interest (%)	Repayment Date/Schedule	Security
1	State Bank of Saurashtra	Agreement for Hypothecation of Goods and Assets dated March 23, 2005	100.00	9.70	7.25 being BPLR minus 4.25, subject to a maximum of 7.25, payable on monthly rests.	10 year tenor with a 5 year moratorium, repayable in 10 half-yearly equal instalments commencing from September 2010.	The term loan is secured by a charge on the receivables of our Company, both present and future, save and except certain specific receivables hypothecated to IL&FS Trust Company Limited ("ITCL"), and the security trustee for the charged receivables is ITSL on the basis of joint hypothecation agreement last updated on September 24, 2010.
2	LIC	Term loan Agreement dated August 6, 2004	2000.00	1000.00	7.35 being annualised G-Sec for 10 years + 100 bps, for a period of seven days reckoned two working days prior to the date of disbursement.	Repayable in 10 equal annual instalments after a moratorium of 5 years starting from October 1, 2010	
3	LIC	Term loan Agreement dated March 24, 2004	500.00	150.00	6.231 being average 10 years' G-Sec for a period of seven days reckoned two working days prior to the date of disbursement.	Repayable in 10 equal annual instalments after a moratorium of 5 years starting from October 1, 2008	
4	LIC	Term loan Agreement dated January 29, 2004	1000.00	300.00	6.242 being average 10 years G-Sec reckoned from one week prior to the date of disbursement.	Repayable in 10 equal annual instalments after a moratorium of 5 years starting from October 1, 2008	
5							
	Total of Term Loans from banks and financial institutions			**1459.70**			

Unsecured loans availed by our Company
Set forth below is a brief summary of our outstanding unsecured borrowings.

(All figures are in (₹) crores, except in percentages)

Sr. No.	Name of the Lender	Loan documentation	Facility/Amount Sanctioned (₹crores)	Amount outstanding, as on September 30, 2014	Rate of interest (% p.a.)	Repayment Date/ Schedule
A.	Unsecured Term Loans; Set forth below is a brief summary of our outstanding unsecured term loans.					
1	Bank of Maharashtra	Term Loan Agreement dated June 30, 2010	250.00	125.00	8 (fixed) payable with monthly rests	50% principal payable at the end of fourth year and remaining at the end of 5th year from the date of drawl.
B.	Long term loans availed by our Company from the MoF** Set forth below is a brief summary of our outstanding unsecured long term borrowings from the MoF, GoI with a brief description of certain significant terms of such financing arrangements.					
4	MoF Sanction letter 37(6)/PF-I/84.39 dated November 12, 1984	Sanction letter	10.00	0.40	6.50% for the first 10 years; 6.75% for the next 10 years, and 7.50% for the remaining 10 years	
5	MoF Sanction letter 37(6)PF-I/84-49 dated January 18, 1985	Sanction letter	7.40	0.30	6.50% for the first 10 years; 6.75% for the next 10 years, and 7.50% for the remaining 10 years	
6	MoF Sanction letter 37(2)PF-I/85-4 dated April 17, 1985	Sanction letter	7.50	0.30	6.50% for the first 10 years; 6.75% for the next 10 years, and 7.50% for the remaining 10 years	
7	MoF Sanction letter 37(2)PF-I/85-16 dated June 18, 1985	Sanction letter	7.50	0.30	6.50% for the first 10 years; 6.75% for the next 10 years, and 7.50% for the remaining 10 years	
8	MoF Sanction letter 37(2)PF-I/85-25 dated July 8, 1985	Sanction letter	7.50	0.30	7.00% for the first 10 years; 7.25% for the next 10 years, and 8.00% for the remaining 10 years	
9	MoF Sanction letter 37(2)/PF-I/85-59 dated November 22, 1985	Sanction letter	20.00	1.60	7.00% for the first 10 years; 7.25% for the next 10 years, and 8.00% for the remaining 10 years	
10	MoF Sanction letter 37(2)PF-I/85-88 dated February 4, 1986	Sanction letter	20.00	1.60	7.00% for the first 10 years; 7.25% for the next 10 years, and 8.00% for the remaining 10 years	
11	MoF Sanction letter 37(2)/PF-I/85-100 dated March 6, 1986	Sanction letter	14.16	1.13	7.00% for the first 10 years; 7.25% for the next 10 years, and 8.00% for the remaining 10 years	
C.	**Foreign Currency Borrowings**					

Sr. No.	Name of the Lender	Loan documentation	Facility/Amount Sanctioned (₹crores)	Amount outstanding, as on September 30, 2014	Rate of interest (% p.a.)	Repayment Date/ Schedule
1	Japan Bank for International Cooperation	Loan Agreement No. ID-P169 dated March 31, 2006 (1)	JPY 16,949 million (Revised wef August 29, 2012)	₹482.86 crores i.e. JPY 9090.71 million	0.75%	15 years tenor with a moratorium of 5 years. Repayable in semi-annual instalments beginning March 20, 2011 (JPY 982.34 million), and in equal instalments ending Sep 20, 2018, instalment of JPY 638.94 million & Instl of JPY 148.27 million each from March 20, 2019 till March 20, 2021
2	Japan Bank for International Cooperation	Loan Agreement No ID-P190 dated March 10, 2008 (1)	JPY 13,000 million (Revised wef February 18, 2012)	₹362.01 crores i.e. JPY 6539.34 million	0.65%	15 years tenor with a moratorium of 5 years. Repayable in semi-annual instalments beginning March 20, 2013 ending March 20, 2023
3	KfW, Frankfurt am Main^	Loan Agreement dated August 8, 2006(1)	Euro 70 million	₹221.18 crores i.e. Euro 33.16 million	3.73%	12 years tenor with a moratorium of 3 years. Repayable in 19 semi-annual instalments beginning December 30, 2009
4	KfW, Frankfurt am Main ^	Loan agreement dated March 16, 2009(1)	Euro 70 million	₹347.38 crores i.e. Euro 50.56 million	2.89%	12 years tenor with a moratorium of 3 years. Repayable in 18 semi-annual instalments beginning June 30, 2012
5	KfW, Frankfurt am Main^	Loan agreement dated March 30, 2012 (1)	Euro 100 million	₹430.99 crores i.e. Euro 53.34 million	1.86%	12 years tenor with a moratorium of 3 years. Repayable in 19 semi-annual instalments beginning June 30, 2015
6	Syndicated Unsecured Borrowings	Credit Agreement dated September 6, 2010	USD 400 million	₹1,788.96 crores i.e. USD 400 million	6 Months USD Libor plus 1.39%	5 Years Tenor, Repayable on September 22, 2015
7	Bilateral Unsecured Borrowings	Loan Agreement dated October 18, 2010	USD 70 million	₹311.36 crores i.e. USD 70 million	6 Months USD Libor plus 1.75%	5 Years Tenor, Repayable on October 28, 2015
8	Bilateral Unsecured Borrowings	Agreement dated March 23, 2011	USD 100 million	₹446.50 crores i.e. USD 100 million	6 Months USD Libor plus 1.29%	5 Years Tenor, Repayable on March 30, 2016
9	Bilateral Unsecured Borrowings	Agreement dated March 23, 2011	USD 100 million	₹446.50 crores i.e. USD 100	6 Months USD Libor plus 1.29%	5 Years Tenor, Repayable on March 30, 2016

Sr. No.	Name of the Lender	Loan documentation	Facility/Amount Sanctioned (₹crores)	Amount outstanding, as on September 30, 2014	Rate of interest (% p.a.)	Repayment Date/ Schedule
				million		
10	Syndicated Unsecured Borrowings	Syndicated Term Loan Facility Agreement dated August 12, 2011	USD 300 million	₹1,367.24 crores i.e. USD 300 million	6 Months USD Libor plus 1.42%	5 Years Tenor, Repayable on August 19, 2016
11	Syndicated Unsecured Borrowings	Syndicated Facility Agreement dated March 6, 2012	JPY 19,029 million	₹ 1,184.43 crores i.e. JPY 19,029 million	6 Months JPY Libor plus 2.20%	5 Years Tenor, Repayable on April 10, 2017
12	Syndicated Unsecured Borrowings	Syndicated Facility Agreement dated September 07, 2012	USD 250 million	₹1366.49 Crores i.e. USD 250 million	6 months USD LIBOR plus 1.90%	3 years Tenor. Repayable USD 150 Million & USD 100 Million on September 17, 2015 & November 19, 2015 respectively
13	Syndicated Unsecured Borrowings	Syndicated Facility Agreement dated January 28, 2013	USD 250 million	₹1522.43 crores i.e. USD 250 million	6 months USD LIBOR plus 1.45%	3 years Tenor. Repayable USD 250 Million on February 05, 2016
14	Bilateral Unsecured Borrowings	Bilateral Facility Agreement dated March 11, 2013	USD 250 million	₹1503.34 crores i.e. USD 250 million	6 months USD LIBOR plus 1.40%	3 years Tenor. Repayable USD 250 Million on March 20, 2016
15	Syndicated Unsecured Borrowings	Syndicated Facility Agreement dated November 22, 2013	USD 285 million	₹1780.28 crores i.e. USD 285 million	6 months USD LIBOR plus 1.50%	5 years Tenor. Repayable USD 285 Million on December 02, 2018
16	Syndicated Unsecured Borrowings	Syndicated Facility Agreement dated May 21, 2014	USD 250 million	₹1495.95 crores i.e. USD 250 million	6 months USD LIBOR plus 1.70%	5 years Tenor. Repayable USD 250 Million on May 29, 2019
17	Syndicated Unsecured Borrowings	Syndicated Facility Agreement dated July 17, 2014	USD 230 million plus green shoe	₹1392.95 crores i.e. USD 230 million	6 months USD LIBOR plus 1.50%	5 years Tenor. Repayable USD 230 Million on July 24, 2019
18	International Bond	Rural Electrification Corporation Limited U.S.$500,000,000 4.250 per cent. Notes due 2016	USD 500 million	₹2679.14 crores i.e. USD 500 million	4.25% p.a.	5 Years Tenor, Repayable on January 25, 2016
19	International Bond	Rural Electrification Corporation Limited 3.5% Bonds 2012 – 2017 of	CHF 200 million	₹1288.20 crores i.e. CHF 200 million	3.50% pa	5 Years Tenor, Repayable on March 7, 2017

Sr. No.	Name of the Lender	Loan documentation	Facility/Amount Sanctioned (₹crores)	Amount outstanding, as on September 30, 2014	Rate of interest (% p.a.)	Repayment Date/ Schedule
		CHF 200 million				
	Total Unsecured Loans from banks and other institutions			**20549.12**		

** *These loans were sanctioned for relending to the state governments to be used for relending to state governments/state electricity board for rural electrification programme in the state plans under the 'Minimum Needs Programme'. There is a rebate of 0.25% for prompt repayment or interest payments on these loans.*

(1) *The loan shall be utilized only for such purposes for which the facility has been granted and is secured by a guarantee provided by the Republic of India, represented by its President for the entire amount*

^ *Our Company has also entered into three financing agreements with KfW, dated August 8, 2006, March 16, 2009 and March 30, 2012 for a grant of Euro 500,000 each, to be utilized for strengthening the power distribution companies by capacity building measures initiated by our Company. The amount received by our Company under this agreement is not repayable except in the event that (a) certain obligations cast upon our Company are violated, or (b) the said amount is not used for the stipulated purpose(s).*

Bonds issued by our Company

(All figures are in ₹crores, except in percentages)

S. No.	Nature of the Bond's	Date of Allotment	Total value of bonds (₹crores)	Amount outstanding, as on September 30 2014 (₹crores)	Interest Coupon rate (%)	Tenor/ Period of maturity	Redemption Date/ Schedule	Credit Rating	Secured/ Unsecured	Security
A.	Secured taxable bonds Set forth below is a brief summary of our secured outstanding taxable bonds.									See Below Table
1	Secured non-convertible redeemable 'taxable non-priority sector bonds – 2014' ('73rd Series') in the nature of debentures.	October 8, 2004	233.90	46.78	6.90 payable annually	10 years	Redeemable at par in 5 equal instalment at the end of each sixth/seventh/ eighth/ ninth and tenth year, respectively, from the Deemed Date of Allotment.	CRISIL: AAA/Stable	Secured	
2	Secured non-convertible redeemable 'taxable non-priority sector bonds – 2015' ('75th Series')	March 17, 2005	500.00	50.00	7.20 payable annually	10 years with moratorium of 5 years	Redeemable at par in ten equal instalment redeemed at the end of each fifth year and 6 months, sixth, sixth year and 6 months,	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind)	Secured	

S. No.	Nature of the Bond's	Date of Allotment	Total value of bonds (₹crores)	Amount outstanding, as on September 30 2014 (₹crores)	Interest Coupon rate (%)	Tenor/ Period of maturity	Redemption Date/ Schedule	Credit Rating	Secured/ Unsecured	Security
	in the nature of debentures.						seventh year and 6 months, eighth year and six months, ninth, ninth year and six months, and tenth year, respectively, from the date of allotment.			
3	Secured non-convertible redeemable 'taxable bonds – 2015' ('77th Series') in the nature of debentures.	June 30, 2005	985.50	197.10	7.30 payable annually	10 years with moratorium of 5 years	Redeemable at par in 5 equal instalment at the end of each sixth, seventh, eighth, ninth and tenth year, respectively, from the date of allotment	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind)	Secured	
4	Secured non-convertible redeemable 'taxable bonds – 2016' ('78th Series') in the nature of debentures.	January 31, 2006	1795.70	1795.70	7.65 payable annually	10 years	Redeemable at par on the expiry of 10 years from the date of allotment. January 31, 2016	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind)	Secured	
5	Secured non-convertible redeemable 'taxable bonds-2016' ('79th Series') in the nature of debentures.	March 14, 2006	500.00	500.00	7.85 payable half yearly	10 years	Redeemable at par on the expiry of 10 years from the date of allotment. March 14, 2016	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind)	Secured	
6	Secured non-convertible	March 20, 2006	500.00	500.00	8.20 payable annually	10 years	Redeemable at par on the expiry of 10	CRISIL: AAA/Stable;	Secured	

S. No.	Nature of the Bond's	Date of Allotment	Total value of bonds (₹crores)	Amount outstanding, as on September 30 2014 (₹crores)	Interest Coupon rate (%)	Tenor/ Period of maturity	Redemption Date/ Schedule	Credit Rating	Secured/ Unsecured	Security
	redeemable 'taxable bonds – 2016' ('80th Series') in the nature of debentures.						years from the date of allotment. March 20, 2016	CARE: CARE AAA; FITCH: AAA(ind)		
7	Secured non-convertible redeemable 'taxable bonds – 2017' ('81st Series') in the nature of debentures.	January 20, 2007	314.80	314.80	8.85 payable annually	10 years	Redeemable at par on the expiry of 10 years from the date of allotment. January 20, 2017	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind)	Secured	
8	Secured non-convertible redeemable 'taxable bonds – 2017' ('82nd Series') in the nature of debentures.	September 28, 2007	883.10	883.10	9.85 payable annually	10 years	Redeemable at par on the expiry of 10 years from the date of allotment. September 28, 2017	CRISIL: AAA/Stable; ICRA: LAAA; FITCH: AAA(ind)	Secured	
9	Secured non-convertible redeemable 'taxable bonds – 2018' ('83rd Series') in the nature of debentures	February 28, 2008	685.20	685.20	9.07 payable annually	10 years	Redeemable at par on the expiry of 10 years from the date of allotment.	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	
10	Secured non-convertible redeemable 'taxable bonds – 2018' ('85th	June 13, 2008	500.00	500.00	9.68 payable annually	5 years	Redeemable at par on the expiry of 10 years from the date of allotment.	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH:	Secured	

S. No.	Nature of the Bond's	Date of Allotment	Total value of bonds (₹crores)	Amount outstanding, as on September 30 2014 (₹crores)	Interest Coupon rate (%)	Tenor/ Period of maturity	Redemption Date/ Schedule	Credit Rating	Secured/ Unsecured	Security
	Series') in the nature of debentures.						June 13, 2018	AAA(ind) ICRA: LAAA		
11	Secured non-convertible redeemable 'taxable bonds - 2018' ('86th A Series') in the nature of debentures	July 29, 2008	500.00	500.00	10.70 payable annually	10 years	Redeemable at par on the expiry of 10 years from the date of allotment. July 29, 2018	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	
12	Secured non-convertible redeemable 'taxable bonds – 2018' ('86th B – III Series') in the nature of debentures.	August 14, 2008	432.00	432.00	10.85 payable annually	10 years	Redeemable at par on the expiry of 10 years from the date of allotment. August 14, 2018	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	
13	Secured non-convertible redeemable 'taxable bonds – 2018' ('87th – II Series') in the nature of debentures.	September 30, 2008.	657.40	657.40	10.85 payable annually	10 years	Redeemable at par on the expiry of 10 years from the date of allotment September30,2018	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind)	Secured	

S. No.	Nature of the Bond's	Date of Allotment	Total value of bonds (₹crores)	Amount outstanding, as on September 30 2014 (₹crores)	Interest Coupon rate (%)	Tenor/ Period of maturity	Redemption Date/ Schedule	Credit Rating	Secured/ Unsecured	Security
14	Secured non-convertible redeemable 'taxable bonds – 2018' ('87th A – III Series') in the nature of debentures.	October 24, 2008	61.80	61.80	11.15payable annually	10 years	Redeemable at par on the expiry of 10 years from the date of allotment. October 24, 2018	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	
15	Secured non-convertible redeemable 'taxable bonds – 2019' ('88th Series') in the nature of debentures,	January 15, 2009	1495.00	1495.00	8.65 payable annually	10 years	Redeemable at par on the expiry of 10 years from the date of allotment. January 15, 2019	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	
16	Secured non-convertible redeemable 'taxable bonds – 2019' ('90th Series') in the nature of debentures.	August 3, 2009	2000.00	2000.00	8.80 payable annually	10 years	Redeemable at par on the expiry of 10 years from the date of allotment. August 03, 2019	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	
19	Secured non-convertible redeemable 'taxable bonds – 2019' ('90th B Series- II') in the nature of debentures.	September 4, 2009	868.20	868.20	8.72 payable annually	10 years	Redeemable at par on the expiry of 10 years from the date of allotment. September 04, 2019	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	
20	Secured non-convertible	October 6, 2009	1040.00	1040.00	8.80, payable annually	10 years	Redeemable at par on the expiry of 10	CRISIL: AAA/Stable;	Secured	

S. No.	Nature of the Bond's	Date of Allotment	Total value of bonds (₹crores)	Amount outstanding, as on September 30 2014 (₹crores)	Interest Coupon rate (%)	Tenor/ Period of maturity	Redemption Date/ Schedule	Credit Rating	Secured/ Unsecured	Security
	redeemable 'taxable bonds – 2019' ('90th C Series- II') in the nature of debentures.						years from the date of allotment. October 06, 2019	CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA		
21	Secured non-convertible redeemable 'taxable bonds – 2019' ('91st Series- II') in the nature of debentures.	November 17, 2009	995.90	995.90	8.80 payable annually	10 years	Redeemable at par on the expiry of 10 years from the date of allotment. November 17, 2019	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	
22	Secured non-convertible redeemable 'taxable bonds – 2020' ('92nd Series- II') in the nature of debentures.	January 22, 2010	945.30	945.30	8.65 payable annually	10 years	Redeemable at par on the expiry of 10 years from the date of allotment. January 22, 2020	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	
23	Secured non-convertible redeemable 'taxable bonds – 2015' ('93rd Series- II') in the nature of debentures.	February 19, 2010	443.10	443.10	8.45 payable annually	5 years	Redeemable at par on the expiry of 5 years from the date of allotment. February 19, 2015	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	
24	Secured non-convertible redeemable 'taxable bonds – 2016' ('116	October 17, 2013	430.00	430.00	9.05 payable annually	3 years	Redeemable at par on the expiry of 3 years from the date of allotment. October 17, 2016	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH:	Secured	

S. No.	Nature of the Bond's	Date of Allotment	Total value of bonds (₹crores)	Amount outstanding, as on September 30 2014 (₹crores)	Interest Coupon rate (%)	Tenor/ Period of maturity	Redemption Date/ Schedule	Credit Rating	Secured/ Unsecured	Security
	Series- I') in the nature of debentures.							AAA(ind) ICRA: LAAA		
25	Secured non-convertible redeemable 'taxable bonds – 2018' ('116 Series- II') in the nature of debentures.	October 17, 2013	850.00	850.00	9.24 payable annually	5 years	Redeemable at par on the expiry of 5 years from the date of allotment. October 17, 2018	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	
26	Secured non-convertible redeemable 'taxable bonds – 2018' ('117 Series') in the nature of debentures.	November 06, 2013	2878.00	2878.00	9.38 payable annually	5 years	Redeemable at par on the expiry of 5 years from the date of allotment. November 06, 2018	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	
27	Secured non-convertible redeemable 'taxable bonds – 2019' ('118 Series') in the nature of debentures.	January 03, 2014	1655.00	1655.00	9.61 payable annually	5 years	Redeemable at par on the expiry of 5 years from the date of allotment. January 03, 2019	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	
28	Secured non-convertible redeemable 'taxable bonds – 2019' ('119 Series') in the nature of debentures.	February 05, 2014	2090.00	2090.00	9.63 payable annually	5 years	Redeemable at par on the expiry of 5 years from the date of allotment. February 05, 2019	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	

S. No.	Nature of the Bond's	Date of Allotment	Total value of bonds (₹crores)	Amount outstanding, as on September 30 2014 (₹crores)	Interest Coupon rate (%)	Tenor/ Period of maturity	Redemption Date/ Schedule	Credit Rating	Secured/ Unsecured	Security
29	Secured non-convertible redeemable ‘taxable bonds – 2017’ (‘120 Series’) in the nature of debentures.	March 10, 2014	1100.00	1100.00	9.67 payable annually	3 years	Redeemable at par on the expiry of 3 years from the date of allotment. March 10, 2017	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	
30	Secured non-convertible redeemable ‘taxable bonds – 2017’ (‘121 Series’) in the nature of debentures.	March 26, 2014	1600.00	1600.00	9.52 payable annually	3 years	Redeemable at par on the expiry of 3 years from the date of allotment. March 26, 2017	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	
31.	Secured non-convertible redeemable ‘taxable bonds – 2019’ (‘122 Series’) in the nature of debentures.	June 18, 2014	1700.00	1700.00	9.02 payable annually	5 years	Redeemable at par on the expiry of 5 years from the date of allotment. June 18, 2019	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	
1	Secured non-convertible redeemable ‘taxable non-priority sector bonds –(‘123 Series Tranche 1’) in the nature of debentures.	July 17, 2014	Rs. 1515	Rs. 1515	9.40 payable annually	7 years	Redeemable at par on the expiry of 7 years from the date of allotment. July 17, 2021	CRISIL: AAA/STABLE; CARE:CARE AAA; ICRA: [ICRA] AAA; IRPL: IND AAA	Secured	
2.	Secured non-	August 8, 2014	Rs. 1660	Rs. 1660	9.27 payable	2 years	Redeemable at par	CRISIL:	Secured	

S. No.	Nature of the Bond's	Date of Allotment	Total value of bonds (₹crores)	Amount outstanding, as on September 30 2014 (₹crores)	Interest Coupon rate (%)	Tenor/ Period of maturity	Redemption Date/ Schedule	Credit Rating	Secured/ Unsecured	Security
	convertible redeemable 'taxable non-priority sector bonds –('123 Series Tranche 2') in the nature of debentures.				annually		on the expiry of 2 years from the date of allotment. August 8, 2016	AAA/STABLE; CARE:CARE AAA; ICRA: [ICRA] AAA; IRPL: IND AAA		
3.	Secured non-convertible redeemable 'taxable non-priority sector bonds –('123 Series Tranche 3') Option I in the nature of debentures.	August 25, 2014	Rs. 1275	Rs. 1275	9.25 payable annually	3 years	Redeemable at par on the expiry of 3 years from the date of allotment. August 25, 2017	CRISIL: AAA/STABLE; CARE:CARE AAA; ICRA: [ICRA] AAA; IRPL: IND AAA	Secured	
4	Secured non-convertible redeemable 'taxable non-priority sector bonds –('123 Series Tranche 3') Option II in the nature of debentures.	August 25, 2014	Rs. 1955	Rs. 1955	9.34 payable annually	10 years	Redeemable at par on the expiry of 10 years from the date of allotment. August 25, 2024	CRISIL: AAA/STABLE; CARE:CARE AAA; ICRA: [ICRA] AAA; IRPL: IND AAA	Secured	
5	Secured non-convertible redeemable 'taxable non-priority sector bonds –('123	September 08, 2014	Rs. 2750	Rs. 2750	8.97 payable annually	2 years	Redeemable at par on the expiry of 2 years from the date of allotment. September 08, 2016	CRISIL: AAA/STABLE; CARE:CARE AAA; ICRA: [ICRA] AAA; IRPL: IND AAA	Secured	

S. No.	Nature of the Bond's	Date of Allotment	Total value of bonds (₹crores)	Amount outstanding, as on September 30 2014 (₹crores)	Interest Coupon rate (%)	Tenor/ Period of maturity	Redemption Date/ Schedule	Credit Rating	Secured/ Unsecured	Security
	Series Tranche 4') in the nature of debentures.									
6	Secured non-convertible redeemable 'taxable non-priority sector bonds –('124 Series Tranche 1') in the nature of debentures.	September 24, 2014	Rs. 2610	Rs. 2610	9.06 payable annually	3 years	Redeemable at par on the expiry of 3 years from the date of allotment. September 23, 2017	CRISIL: AAA/STABLE; CARE:CARE AAA; ICRA: [ICRA] AAA; IRPL: IND AAA	Secured	
B.	Capital gains tax exemption bonds under Section 54EC of the Income Tax Act Set forth below is a brief summary of our outstanding capital gains tax exemption bonds issued under Section 54EC of the IT Act, together with a brief description of certain significant terms of such financing arrangements. These bonds are not proposed to be listed on any stock exchange.									
1.	Secured non-convertible redeemable taxable -54 EC long term capital gains tax exemption bonds Series VIII' issued in Fiscal 2012	On Tap Basis	3,039.13	3,039.13	6.00 payable annually	3 years	Redemption at par on the expiry of 3 years from the Deemed Date of Allotment. **	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	
2.	Secured non-convertible redeemable taxable -54 EC long term capital gains tax exemption bonds Series	On Tap Basis	4903.25	4903.25	6.00 payable annually	3 years	Redemption at par on the expiry of 3 years from the Deemed Date of Allotment. **	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind)	Secured	

S. No.	Nature of the Bond's	Date of Allotment	Total value of bonds (₹crores)	Amount outstanding, as on September 30 2014 (₹crores)	Interest Coupon rate (%)	Tenor/ Period of maturity	Redemption Date/ Schedule	Credit Rating	Secured/ Unsecured	Security
	VIII' issued in Fiscal 2013									
3.	Secured non-convertible redeemable taxable -54 EC long term capital gains tax exemption bonds Series IX' issued in Fiscal 2014	On Tap Basis	5349.91	5349.91	6.00 payable annually	3 years	Redemption at par on the expiry of 3 years from the Deemed Date of Allotment. **	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind)	Secured	
4	Secured non-convertible redeemable taxable -54 EC long term capital gains tax exemption bonds Series IX' issued in Fiscal 2015	On Tap Basis	2,320.94	2,320.94	6.00 payable annually	3 years	Redemption at par on the expiry of 3 years from the Deemed Date of Allotment. **	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind)	Secured	
C.	Tax Free Bonds under Section 10(15)(iv)(h) of the IT Act Set forth below is a brief summary of our outstanding Tax Free Bonds issued under Section 10(15)(iv)(h) of the IT Act, together with a brief description of certain significant terms of such financing arrangements. These bonds are listed on BSE and/or NSE.									
1.	Tax Free Secured Redeemable Non – Convertible Bonds, in the nature of debentures.	March 27, 2012	3,000	3,000.00	Category I & II – Series I 7.93%	10 years	Redemption at par on the expiry of 10 years from the date of allotment.	CRISIL: AAA/ Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	
					Category I & II – Series II 8.12 %	15 years	Redemption at par on the expiry of 15 years from the date of allotment.			
					Category III –	10 years	Redemption at par			

S. No.	Nature of the Bond's	Date of Allotment	Total value of bonds (₹crores)	Amount outstanding, as on September 30 2014 (₹crores)	Interest Coupon rate (%)	Tenor/ Period of maturity	Redemption Date/ Schedule	Credit Rating	Secured/ Unsecured	Security
					Series I 8.13 %		on the expiry of 10 years from the date of allotment.			
					Category III – Series II 8.32 %	15 years	Redemption at par on the expiry of 15 years from the date of allotment.			
2.	Series 2-A Tax free secured redeemable non-convertible bonds	November 21, 2012	255.00	255.00	7.21% p.a.	10 years	November 21, 2022	CRISIL: AAA/ Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	
3.	Series 2-B Tax free secured redeemable non-convertible bond	November 21, 2012	245.00	245.00	7.38% p.a.	15 years	November 21, 2027	CRISIL: AAA/ Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	
4.	Series 2012-13 Tranche – 1 Tax free secured redeemable non-convertible bonds	December 19, 2012	2017.35	2017.35	7.38% p.a.	15 years	December 19, 2027	CRISIL: AAA/ Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	
5.	Series 2012-13 Tranche – 1 Ts				7.22% p.a.	10 years	December 19, 2022	CRISIL: AAA/ Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	

S. No.	Nature of the Bond's	Date of Allotment	Total value of bonds (₹crores)	Amount outstanding, as on September 30 2014 (₹crores)	Interest Coupon rate (%)	Tenor/ Period of maturity	Redemption Date/ Schedule	Credit Rating	Secured/ Unsecured	Security
6.	Series 2012-13 Tranche – 2 Tax free secured redeemable non-convertible bonds	March 25, 2013	131.06	131.06	6.88% p.a.	10 years	March 25, 2023	CRISIL: AAA/ Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	
7.	Series 2012-13 Tranche – 2 Tax free secured redeemable non-convertible bonds	March 25, 2013			7.54% p.a.	15 years	March 25, 2028	CRISIL: AAA/ Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	
8.	Series 3A Tax free secured redeemable non-convertible bonds	August 29, 2013	209.00	209.00	8.01% p.a.	10 years	August 29, 2023	CRISIL: AAA/ Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	
9.	Series 3B Tax free secured redeemable non-convertible bonds		1141.00	1141.00	8.46% p.a.	15 years	August 29, 2028	CRISIL: AAA/ Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	
10.	Series1A - 2013-14 Tranche – 1 Tax free secured redeemable non-convertible	September 24, 2013	3440.60	3440.60	8.01%	10 years	September 24, 2023	CRISIL: AAA/ Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	

S. No.	Nature of the Bond's	Date of Allotment	Total value of bonds (₹crores)	Amount outstanding, as on September 30 2014 (₹crores)	Interest Coupon rate (%)	Tenor/ Period of maturity	Redemption Date/ Schedule	Credit Rating	Secured/ Unsecured	Security
	bonds									
11.	Series2A - 2013-14 Tranche – 1 Tax free secured redeemable non-convertible bonds				8.46%	15 years	September 24, 2028	CRISIL: AAA/ Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	
12.	Series3A - 2013-14 Tranche – 1 Tax free secured redeemable non-convertible bonds				8.37%	20 years	September 24, 2033	CRISIL: AAA/ Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	
13.	Series1B - 2013-14 Tranche – 1 Tax free secured redeemable non-convertible bonds				8.26%	10 years	September 24, 2023	CRISIL: AAA/ Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	
14.	Series2B - 2013-14 Tranche – 1 Tax free secured redeem-able non-convertible bonds				8.71%	15 years	September 24, 2028	CRISIL: AAA/ Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	
15.	Series3B -2013-14 Tranche – 1 Tax free				8.62%	20 years	September 24, 2033	CRISIL:````` AAA/ Stable; CARE: CARE	Secured	

S. No.	Nature of the Bond's	Date of Allotment	Total value of bonds (₹crores)	Amount outstanding, as on September 30 2014 (₹crores)	Interest Coupon rate (%)	Tenor/ Period of maturity	Redemption Date/ Schedule	Credit Rating	Secured/ Unsecured	Security
	secured redeemable non-convertible bonds							AAA; FITCH: AAA(ind) ICRA: LAAA		
16.	Series 4A Tax free secured redeemable non-convertible bonds	October 11, 2013	105.00	105.00	8.18% p.a.	10 years	October 11, 2023	CRISIL: AAA/ Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	
17.	Series 4B Tax free secured redeemable non-convertible bonds	October 11, 2013	45.00	45.00	8.54% p.a.	15 years	October 11, 2028	CRISIL: AAA/ Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	
18.	Series 1A – 2013-14 Tranche 2 Tax free secured redeemable non-convertible bonds	March 24, 2014	1059.40	1059.40	8.19%	10 years	March 24, 2024	CRISIL: AAA/ Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	
19.	Series 2A – 2013-14 Tranche 2 Tax free secured redeemable non-convertible bonds				8.63%	15 Years	March 24, 2029	CRISIL: AAA/ Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	
20.	Series 3A – 2013-14 Tranche 2 Tax				8.61%	20 Years	March 24, 2034	CRISIL: AAA/ Stable; CARE: CARE	Secured	

S. No.	Nature of the Bond's	Date of Allotment	Total value of bonds (₹crores)	Amount outstanding, as on September 30 2014 (₹crores)	Interest Coupon rate (%)	Tenor/ Period of maturity	Redemption Date/ Schedule	Credit Rating	Secured/ Unsecured	Security
	free secured redeemable non-convertible bonds							AAA; FITCH: AAA(ind) ICRA: LAAA		
21.	Series 1B – 2013-14 Tranche 2 Tax free secured redeemable non-convertible bonds				8.44%	10 Years	March 24, 2024	CRISIL: AAA/ Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	
22.	Series 2B – 2013-14 Tranche 2 Tax free secured redeemable non-convertible bonds				8.88%	15 Years	March 24, 2029	CRISIL: AAA/ Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	
23	Series 3B – 2013-14 Tranche 2 Tax free secured redeemable non-convertible bonds				8.86%	20 Years	March 24, 2034	CRISIL: AAA/ Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Secured	

Security Details of the Secured Borrowings –

- The bond series 73,75 of institutional bonds are secured by a (a) mortgage of premises at 51 and 52/58-B, 5th Floor, Mittal Towers, Block-II, Backbay Scheme, Nariman Point, Colaba, Mumbai – 400005, Maharashtra, India and (b) pari-passu charge on the receivables, both present & future, save & except receivables hypothecated to IL&FS Trust Co. Ltd. on the basis of joint hypothecation dated Sept. 24'2010 in favour of IDBI Trusteeship Services Ltd.
- The Bond Series 77, 78, 79, 80, 81, 82, 83, 85, 86A, 86 B-III, 87-II, 87 A-III, 88, 90, 90 B-II, 90 C-II, 91-II, 92-II, 93-II of Institutional Bonds are secured by a charge on a (a) mortgage of Flat no. 640, Asiad Games Village, New Delhi 110 049, India and (b) pari passu charge on the receivables of our Company, both present and future, save and except receivables hypothecated to IL&FS Trust Company Limited on the basis of joint hypothecation agreement dated September 24, 2010 in favour of IDBI Trusteeship Services Ltd.
- The bond series 116-I & 116-II ,117,118,119,120,121, 122 is secured by first pari-passu charge on the book debts of the issuer both present & future which are charged to other lender/trustee and as may be agreed between the issuer & the trustee, pursuant to the terms of debenture/bond trust cum hypothecation deed with a minimum security cover of one time of

S. No.	Nature of the Bond's	Date of Allotment	Total value of bonds (₹crores)	Amount outstanding, as on September 30 2014 (₹crores)	Interest Coupon rate (%)	Tenor/ Period of maturity	Redemption Date/ Schedule	Credit Rating	Secured/ Unsecured	Security
the aggregate face value of the bonds outstanding at all times. • The Bond Series 123-1, 123-2, 123-3, 123-4, 124-1 of Institutional Bonds are secured by mortgage way of first pari passu charge on the Specified Immovable Property and the book debts of the Issuer which are charged to other lender / trustee and as may be agreed between the Issuer and the Trustee, pursuant to the terms of the Bond Trust Deed with a minimum security cover of one time of the aggregate face value of amount of bonds outstanding at all times and amount of interest due thereon in favor of IDBI Trusteeship Services Ltd.. • Tax Free Bonds (issued during FY 2011-12) are secured by first pari-passu charge on premises at shop no. 12, ground floor, block no. 35, church road, mylapore, Chennai and hypothecation of receivables of ₹4,998.66crores of MSEDCL in favour of IL&FS Trust Co. Ltd. • Tax Free Bonds (issued during FY 2012-13) are secured by first pari-passu charge on (a) mortgage of premises at sub-plot no. 8, TPS No.2, FP No. 584P, situated at village Subhanpura, distt. Vadodara and (b) hypothecation of receivables in favour of SBI Cap Trustee Co. Ltd. • Tax Free Bonds (issued during FY 2013-14) are secured by first pari-passu charge on hypothecation of receivables in favour of SBI Cap Trustee Co. Ltd. • All the term loans are secured by a charge on the receivables of the company, both present & future, save & except certain specific receivables hypothecated to IL&FS Trust Co. Ltd. on the basis of joint hypothecation agreement last updated on Sept. 24'2010.										
D.	Unsecured bonds issued by our Company Set forth below is a brief summary of certain of our other outstanding unsecured bonds. These bonds are listed on the whole sale debt market segment in the NSE.									
1	'74th Taxable non-priority sector bond'	December 31, 2004	250.00	250.00	7.22 payable half yearly.	10 years	December 31, 2014	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind)	Unsecured	-
2	'94th Taxable non-priority sector bond'	June 08, 2010	1250.00	1250.00	8.75 payable yearly.	15 years	June 08, 2025	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Unsecured	-
3	'95th–I Taxable non-priority sector bond'	July 12, 2010	200.00	200.00	8.70 payable yearly.	9 years	July 12, 2019	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(Ind) ICRA: LAAA	Unsecured	-
4	'95th -II	July 12, 2010	1800.00	1800.00	8.75 payable	15 years	July 12, 2025	CRISIL:	Unsecured	-

S. No.	Nature of the Bond's	Date of Allotment	Total value of bonds (₹crores)	Amount outstanding, as on September 30 2014 (₹crores)	Interest Coupon rate (%)	Tenor/ Period of maturity	Redemption Date/ Schedule	Credit Rating	Secured/ Unsecured	Security
	Taxable non-priority sector bond'				yearly.			AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA		
5	'96th Taxable non-priority sector bond'	October 25, 2010	1150.00	1150.00	8.80 payable yearly.	10 years	October 25, 2020	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Unsecured	-
6	'97th Taxable non-priority sector bond'	November 29, 2010	2120.50	2120.50	8.80 payable yearly.	10 years	November 29, 2020	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Unsecured	-
7	'ZCB-I Taxable non-priority sector bond'	December 15, 2010	533.21 at issue price	720.70	8.25 (yield)	10 years	December 15, 2020	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Unsecured	-
8	'ZCB-II Taxable non-priority sector bond'	February 03, 2011	116.07 at issue price	157.90	8.75 (yield)	10 years	February 03, 2021	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Unsecured	-

S. No.	Nature of the Bond's	Date of Allotment	Total value of bonds (₹crores)	Amount outstanding, as on September 30 2014 (₹crores)	Interest Coupon rate (%)	Tenor/ Period of maturity	Redemption Date/ Schedule	Credit Rating	Secured/ Unsecured	Security
9	'98th Taxable non-priority sector bond'	March 15, 2011	3000.00	3000.00	9.18 payable yearly.	10 years	March 15, 2021	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Unsecured	-
11	'100th Taxable non-priority sector bond'	July 15, 2011	1500.00	1500.00	9.63 payable yearly.	10 years	July 15, 2021	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRORESA: LAAA	Unsecured	-
13	'101st-II Taxable non-priority sector bond'	August 10, 2011	394.60	394.60	9.45 payable yearly.	5 years	August 10, 2016	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Unsecured	-
14	'101st-III Taxable non-priority sector bond'	August 10, 2011	3171.80	3171.80	9.48 payable yearly.	10 years	August 10, 2021	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Unsecured	-
15	'102nd Taxable non-priority sector bond'	September 06, 2011	2216.20	2216.20	9.38 payable yearly.	5 years	September 06, 2016	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind)	Unsecured	-

S. No.	Nature of the Bond's	Date of Allotment	Total value of bonds (₹crores)	Amount outstanding, as on September 30 2014 (₹crores)	Interest Coupon rate (%)	Tenor/ Period of maturity	Redemption Date/ Schedule	Credit Rating	Secured/ Unsecured	Security
16	'103rd-I Taxable non-priority sector bond'	October 19, 2011	915.00	50.00	9.35 payable yearly.	5 years	October 19, 2016	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Unsecured	-
17	'105th Taxable non-priority sector bond'	November 11, 2011	3922.20	3922.20	9.75 payable yearly.	10 years	November 11, 2021	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Unsecured	-
18	'106th Taxable non-priority sector bond'	February 15, 2012	1500.00	1500.00	9.28 payable yearly.	5 years	February 15, 2017	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Unsecured	-
19	'107th Taxable non-priority sector bond'	June 15, 2012	2378.20	2378.20	9.35% p.a. payable yearly.	10 years	10 Years 15th June, 2022	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind)	Unsecured	-
20	'108th – I Taxable non-priority sector bond'	July 20, 2012	2125.00	2125.00	9.40% p.a. payable yearly	5 years	5 Years July 20, 2017	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Unsecured	-
21	'108th – II	July 20, 2012	960.00	960.00	9.39% p.a.	7 years	7 Years	CRISIL:	Unsecured	-

S. No.	Nature of the Bond's	Date of Allotment	Total value of bonds (₹crores)	Amount outstanding, as on September 30 2014 (₹crores)	Interest Coupon rate (%)	Tenor/ Period of maturity	Redemption Date/ Schedule	Credit Rating	Secured/ Unsecured	Security
	Taxable non-priority sector bond'				payable yearly		July 20, 2019	AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA		
22	'109th Taxable non-priority sector bond'	August 27, 2012	1734.70	1734.70	9.25% p.a. payable yearly	5 years	5 Years August 27, 2017	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Unsecured	-
23	'110th Taxable non-priority sector bond'	October 16, 2012	3475.00	3475.00	8.84% p.a. payable yearly	2 Years	October 16, 2014	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind)	Unsecured	-
24	'111th– I Taxable non-priority sector bond'	November 19, 2012	452.80	452.80	9.02% p.a.	7 years	November 19, 2019	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Unsecured	
25	'111th – II Taxable non-priority sector bond'	November 19, 2012	2211.20	2211.20	9.02% p.a.	10 years	November 19, 2022	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Unsecured	
26	'112th Taxable non-priority	Feb 01, 2013	1500.00	1500.00	8.70% p.a.	5 years	Feb 01, 2018	CRISIL: AAA/Stable;	Unsecured	

S. No.	Nature of the Bond's	Date of Allotment	Total value of bonds (₹crores)	Amount outstanding, as on September 30 2014 (₹crores)	Interest Coupon rate (%)	Tenor/ Period of maturity	Redemption Date/ Schedule	Credit Rating	Secured/ Unsecured	Security
	sector bond'							CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA		
27	'113th Taxable non-priority sector bond'	March 08, 2013	1542.00	1542.00	8.87% p.a.	7 years	March 08, 2020	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Unsecured	
28	'114th Taxable non-priority sector bond'	April12, 2013	4300.00	4300.00	8.82% p.a.	10 years	April12, 2023	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Unsecured	
29	'115th Taxable non-priority sector bond'	May31, 2013	2500.00	2500.00	8.06% p.a.	10 years	May31, 2020	CRISIL: AAA/Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Unsecured (Sub-Debt)	
E.	Unsecured Infrastructure bonds issued by our Company Set forth below is a brief summary of certain of our other outstanding unsecured bonds. Some of bonds are listed on the whole sale debt market segment in the NSE									
1.	u/s 80CCF of IT Act 1961 Tax-able, Non-convertible Bonds.	March 31, 2011	218.73	218.73	8, 8.1 and 8.2 payable annually	10 years	Redeemable at par on the expiry of 10 years with put option after five years from the date of allotment	CRISIL: AAA/ Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Unsecured	-

S. No.	Nature of the Bond's	Date of Allotment	Total value of bonds (₹crores)	Amount outstanding, as on September 30 2014 (₹crores)	Interest Coupon rate (%)	Tenor/ Period of maturity	Redemption Date/ Schedule	Credit Rating	Secured/ Unsecured	Security
2.	u/s 80CCF of IT Act 1961 Tax-able, Non-convertible Bonds.	February 15, 2012	157.59	157.59	8.95 and 9.15 payable annually and cumulative	10 years 15 years	Redeemable at par on the expiry of 10/15 years with buyback option after 5/7 years respectively from the date of allotment. February 15, 2022; February 15, 2027	CRISIL: AAA/ Stable; CARE: CARE AAA; FITCH: AAA(ind) ICRA: LAAA	Unsecured	-
Total Bonds				113200.14						

**The bonds have been issued on private placement basis and are currently listed on the 'whole sale debt market segment' in the NSE.

Corporate Guarantees

Our Company has not issued any Corporate Guarantee as on September 30, 2014.

Details of Commercial Paper

Set forth below is a brief summary of our Company's outstanding Commercial Paper as on September 30, 2014.

(₹crores)

Sr. No.	Maturity Date	Amount Outstanding
1.	December 22, 2014	1950.00
2.	March 13, 2015	1550.00
	Total	**3500.00**

Short Term Loan from Banks

Our Company has no outstanding short term loans from banks as on September 30, 2014.

Details of Rest of the Borrowings (if any including hybrid debt like FCCB, Optionally Convertible Debentures/Preference Shares) as on September 30, 2014.

Our Company has no outstanding borrowings in form of hybrid debt as on September 30, 2014.

VIII. FINANCIAL INFORMATION (ON STANDALONE BASIS)

(₹in crores)

Particulars	As on/for the year ended 31.03.14 (Audited)	As on/for the year ended 31.03.13 (Audited)	As on/for the year ended 31.03.12 (Audited)	As on/for the year ended 31.03.11 (Audited)
Net worth	20,669.46	17,454.38	14,563.04	12,788.62
Total Debt	126,240.19	107,791.17	90,056.47	70,039.70
of which – Non Current Maturities of Long Term Borrowing	110162.3	90,960.38	76,553.68	61,173.02
- Short Term Borrowing	2540	2,480.00	2,500.00	375.00
- Current Maturities of Long Term Borrowing	13537.89	14,350.79	11,002.79	8,491.68
Net Fixed Assets	81.83	80.05	78.48	68.26
Non-Current Assets	137,673.55	115,465.53	91,061.39	74,464.26
Cash and Cash Equivalents	1,192.94	1,484.26	5,311.48	2,831.89
Current Investments	47.16	47.16	47.16	47.16
Current Assets	15,179.35	15,041.76	17,485.32	12,048.41
Current Liabilities	21,381.69	21,823.83	17,320.82	12,501.27
Asset Under Management	N.A.	N.A.	N.A.	N.A.
Off Balance Sheet Assets	N.A.	N.A.	N.A.	N.A.
Interest Income	16806.39	13,290.95	10,264.02	8,108.77
Interest Expense(including other borrowing costs)	10,038.46	8,083.76	6,431.35	4,851.01
Net interest income	6,767.93	5,207.19	3,832.67	3,257.76
Provisioning & Write-offs	312.02	130.68	52.27	0.22
PAT	4,683.70	3,817.62	2,817.03	2,569.93
Gross NPA (%)	0.33%	0.38%	0.48%	0.02%
Net NPA (%)	0.24.%	0.32%	0.42%	0.00%
Tier I Capital Adequacy Ratio (%)	16.02%	16.50%	15.05%	18.04%
Tier II Capital Adequacy Ratio (%)	3.33%	1.21%	0.95%	1.05%
Total Loan Assets (net)	148,504.00	127,266.00	101,361.74	81,707.69
Capital Adequacy ratio (%)	19.35%	17.71%	16.00%	19.09%
Net interest margin	4.90%	4.55%	4.19%	4.41%
Yield on Loan Assets	12.18%	11.62%	11.21%	10.98%
Cost of funds	8.58%	8.17%	8.03%	7.70%
Return on Net worth (average)	24.57%	23.85%	20.60%	21.53%
Debt equity ratio (times)	6.11	6.18	6.18	5.48
Total Assets	152,852.90	130,507.29	108,546.71	86,512.67
Return on assets (average)	3.31%	3.19%	2.89%	3.29%

STANDALONE STATEMENT OF ASSETS AND LIABILITIES

(₹incrores)

	Particulars	As at 31.03.2014	As at 31.03.2013	As at 31.03.2012	As at 31.03.2011
I.	**EQUITY AND LIABILITIES**				
(1)	**Shareholders' Funds**				
	(a) Share Capital	987.46	987.46	987.46	987.46
	(b) Reserves and Surplus	19,682.00	16,466.92	13,575.58	11,801.16
	Sub-total (1)	20,669.46	17,454.38	14,563.04	12,788.62
(2)	**Non-current Liabilities**				
	(a) Long-term Borrowings	110,162.30	90,960.38	76,553.68	61,173.02
	(b) Deferred Tax Liabilities (Net)	173.69	-	-	-
	(c) Other Long-term Liabilities	23.52	80.25	23.01	-
	(d) Long-term Provisions	442.24	188.45	86.16	49.76
	Sub-total (2)	110,801.75	91,229.08	76,662.85	61,222.78
(3)	**Current Liabilities**				
	(a) Short-term Borrowings	2,540.00	2,480.00	2,500.00	375.00
	(b) Other current liabilities	18,583.73	19,116.40	14,502.37	11,625.58
	(c) Short-term Provisions	257.96	227.43	318.45	500.69
	Sub-total (3)	21,381.69	21,823.83	17,320.82	12,501.27
	Total (1+2+3)	152,852.90	130,507.29	108,546.71	86,512.67
II.	**ASSETS**				
(1)	**Non-current Assets**				
	(a) Fixed assets				
	(i) Tangible Assets	69.67	67.59	68.24	62.17
	(ii) Intangible Assets	2.45	3.71	2.22	3.08
	(iii) Capital work-in-progress	9.71	8.75	7.92	3.01
	(iv) Intangible Assets under Development	-	-	0.10	-
		81.83	80.05	78.48	68.26
	(b) Non-current Investments	1,660.63	613.45	710.43	789.65
	(c) Deferred Tax Assets (Net)	-	9.51	10.05	12.77
	(d) Long-term Loans & Advances	135,898.97	114,574.53	89,985.31	73,206.57
	(e) Other Non-current Assets	32.12	187.99	277.12	387.01
	Sub-total (1)	137,673.55	115,465.53	91,061.39	74,464.26
(2)	**Current Assets**				
	(a) Current Investments	47.16	47.16	47.16	47.16
	(b) Cash & Bank Balances	1,192.94	1,484.26	5,311.48	2,831.89
	(c) Short-term Loans & Advances	381.58	1,915.95	2,972.75	1,215.17
	(d) Other Current Assets	13,557.67	11,594.39	9,153.93	7,954.19
	Sub-total (2)	15,179.35	15,041.76	17,485.32	12,048.41
	Total (1+2)	**152,852.90**	**130,507.29**	**108,546.71**	**86,512.67**

STANDALONE STATEMENT OF PROFIT AND LOSS

(₹incrores)

	Particulars	Year ended 31.03.2014	Year ended 31.03.2013	Year ended 31.03.2012	Year ended 31.03.2011
I.	Revenue from Operations	17017.98	13,537.37	10,434.66	8,305.64
II.	Other Income	102.82	61.30	74.41	189.62
III.	**Total Revenue (I+II)**	17,120.80	13,598.67	10,509.07	8,495.26
IV.	**Expenses**				
(i)	Finance Costs	10038.46	8,083.76	6,431.35	4,851.01
(ii)	Employee Benefits Expense	129.91	151.84	170.97	127.47
(iii)	Depreciation & Amortization	4.21	3.75	3.27	3.03
(iv)	Other Expenses	105.47	64.69	58.35	34.02
(v)	Allowance for Bad & Doubtful Debts	47.32	25.00	49.09	0.22
(vi)	Contingent Allowance against Standard Loan Assets	264.7	105.68	-	-
(vii)	Allowance for Rescheduled Loans	0	-	3.18	-
(viii)	Allowance for Diminution in Investments	0	-	-	-
	Total Expenses (IV)	10,590.07	8,434.72	6,716.21	5,015.75
V.	**Profit before Prior Period Items & Tax (III-IV)**	6,530.73	5,163.95	3,792.86	3,479.51
VI.	Prior Period Items	-0.39	-	-	3.23
VII.	**Profit before Tax (V-VI)**	6,531.12	5,163.95	3,792.86	3,476.28
VIII.	Tax Expense :				
(i)	Current Year	1704.66	1,345.79	974.59	908.12
(ii)	Earlier Years/ (Refunds)	14.04	-	-1.48	3.64
(iii)	Deferred Tax	128.72	0.54	2.72	-5.41
	Total Tax Expense (i+ii+iii)	1,847.42	1,346.33	975.83	906.35
IX.	**Profit for the period from Continuing Operations (VII-VIII)**	4,683.70	3,817.62	2,817.03	2,569.93
X.	**Profit from Discontinuing Operations (after tax)**	0	-	-	-
XI.	**Profit for the period (IX+X)**	4,683.70	3,817.62	2,817.03	2,569.93
XII.	**Earnings per Equity Share (in ₹ for an equity share of ₹ 10 each)**				
	(1) Basic	47.43	38.66	28.53	26.03
	(2) Diluted	47.43	38.66	28.53	26.03

STANDALONE STATEMENT OF CASH FLOWS

(₹incrores)

PARTICULARS	YEAR ENDED 31.03.2014	YEAR ENDED 31.03.2013	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
A. Cash Flow from Operating Activities :				
Net Profit before Tax	6531.12	5,163.95	3,792.86	3,476.28
Adjustments for:				
1) Profit / Loss on Sale of Fixed Assets	0.69	0.33	0.18	0.01
2) Depreciation	4.21	3.75	3.27	3.03
3) Allowance for bad & doubtful debts	47.32	25.00	49.09	0.22
4) Allowance for Rescheduled Loan Assets	0.00	-	3.18	-
5) Contingent Allowance against Standard Loan Assets	264.70	105.68		
6) Allowance for Staff Advance	0.07			
7) Interest on Commercial Paper	230.88	86.49		
8) Excess Provision written back	-3.18	-0.04	-	-29.21
9) Profit on sale/redemption of investments	0.00	-0.34	-0.84	-1.78
10) Loss/ Gain(-) on Exchange Rate fluctuation	304.27	77.51	52.55	-85.33
11) Dividend from Subsidiary Co.	-0.15	-0.15	-0.05	-0.05
12) Dividend from Investments	-0.38	-0.25	-0.13	-0.12
13) Interest on 8% Government of Madhya Pradesh Power Bonds-II	-47.16	-54.71	-62.25	
14) Provision made for Interest on Advance Income Tax	2.96	2.06	0.25	-
15) Discount on Bonds written off	4.83	4.83	4.71	0.85
16) Interest Accrued on Zero Coupon Bonds	64.97	59.88	55.46	14.48
17) Dividend & Dividend Tax paid in excess of provision	0.01	0.01	-	0.01
Operating profit before Changes in Operating Assets & Liabilities:	7,405.16	5,474.00	3,898.28	3,378.39
Increase / Decrease :				
1) Loan Assets	-22427.06	-25,929.26	-19,703.14	-15,746.71
2) Other Operating Assets	-355.16	89.29	30.29	171.98
3) Operating Liabilities	-273.94	1,676.09	940.47	377.99
Cash flow from Operations	-15,651.00	-18,689.88	-14,834.10	-11,818.35
1) Income Tax Paid (including TDS)	-1640.06	-1,375.84	-981.21	-964.23
2) Income Tax refund	8.27	-	1.48	-
Net Cash Flow from Operating Activities	-17,282.79	-20,065.72	-15,813.83	-12,782.58
1) Cash Flow from Investing Activities				
2) Sale of Fixed Assets	0.31	0.05	0.17	0.02
3) Purchase of Fixed Assets (incl. CWIP & Intangible Assets under development)	-3.46	-4.95	-13.84	-1.22
4) Redemption of 8% Government of Madhya Pradesh Power Bonds-II	94.32	94.32	94.32	94.32
5) Redemption of units of "Small is Beautiful" Fund (Net)	0.00	0.15	0.90	3.11
6) Profit on sale/redemption of investments	0.00	0.34	0.84	1.78
7) Investment in Shares of Energy Efficiency Services Ltd.	0.00		-	-24.38
8) Refund of Share Application Money in Energy Efficiency Services Ltd.	0.00	2.50		
9) Investment in Shares of Universal Commodity Exchange Ltd.	0.00	-	-16.00	-

PARTICULARS	YEAR ENDED 31.03.2014	YEAR ENDED 31.03.2013	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
10) Dividend from Subsidiary Co.	0.15	0.15	0.05	0.05
11) Interest on 8% Government of Madhya Pradesh Power Bonds-II	47.16	54.71	62.25	
12) Dividend from Investments	0.38	0.25	0.13	0.12
Net Cash Flow from Investing Activities	138.86	147.52	128.82	73.80
C. Cash Flow from Financing Activities				
1) Issue of Bonds (Net of redemptions)	17492.70	13,816.96	20,108.21	10,334.23
2) Raising of Term Loans/ STL from Banks/ FIs (Net of repayments)	-3044.40	-1,652.74	-3,227.60	677.71
3) Raising of Foreign Currency Loan (Net of redemptions)	1706.32	4,484.19	2,857.01	5,591.43
4) Grants received from GOI including interest (Net of refund)	2920.69	606.77	2,238.28	4,841.31
5) Disbursement of grants	-2429.28	-940.37	-2,766.93	-4,025.42
6) Repayment of Govt. Loan	-7.21	-9.50	-11.49	-13.29
7) Payment of Final Dividend	-148.13	-246.86	-394.98	-345.61
8) Payment of Interim Dividend	-765.28	-666.54	-493.73	-345.61
9) Payment of Corporate Dividend Tax	-155.20	-148.16	-144.17	-114.80
10) Issue of Shares	0.00	-	-	-
11) Premium on issue of Securities	1.24	0.05	-	0.41
12) Issue of Commercial Paper (Net of repayments)	1281.16	847.18	-	-2,450.00
Net Cash flow from Financing Activities	16,852.61	16,090.98	18,164.60	14,150.36
Net Increase/Decrease in Cash & Cash Equivalents	-291.32	-3,827.22	2,479.59	1,441.58
Cash & Cash Equivalents as at the beginning of the year	1484.26	5,311.48	2,831.89	1,390.31
Cash & Cash Equivalents as at the end of the year	1192.94	1,484.26	5,311.48	2,831.89

Note : Previous period figures have been rearranged and regrouped wherever necessary.

CONSOLIDATED STATEMENT OF ASSETS & LIABILITIES

(₹incrores)

	Particulars	As at 31.03.2014	As at 31.03.2013	As at 31.03.2012	As at 31.03.2011
I.	**EQUITY AND LIABILITIES**				
(1)	**Shareholders' Funds**				
	(a) Share Capital	987.46	987.46	987.46	987.46
	(b) Reserves and Surplus	19,815.59	16,543.02	13,635.91	11,839.98
	Sub-total (1)	20,803.05	17,530.48	14,623.37	12,827.44
(2)	**Non-current Liabilities**				
	(a) Long-term Borrowings	110095.3	90,925.38	76,553.68	61,173.02
	(b) Deferred Tax Liability (Net)	172.92	-	-	-
	(c) Other Long-term Liabilities	23.54	80.25	23.32	0.29
	(d) Long-term Provisions	442.32	188.47	86.16	49.76
	Sub-total (2)	110,734.08	91,194.10	76,663.16	61,223.07
(3)	**Current Liabilities**				
	(a) Short-term Borrowings	2540	2,485.55	2,501.71	375.00
	(b) Trade Payables	6.07	5.48	4.23	3.87
	(c) Other current liabilities	18601.87	19,126.52	14,517.12	11,640.27
	(d) Short-term Provisions	259.25	227.46	318.48	500.75
	Sub-total (3)	21,407.19	21,845.01	17,341.54	12,519.89
	Total (1+2+3)	152,944.32	130,569.59	108,628.07	86,570.40
II.	**ASSETS**				
(1)	**Non-current Assets**				
	(a) Fixed assets				
	(i) Tangible Assets	70.65	68.09	68.60	62.49
	(ii) Intangible Assets	2.45	3.78	2.24	3.09
	(iii) Capital work-in-progress	10.37	8.75	7.92	3.01
	(iv) Intangible Assets under Development	0	-	0.10	-
		83.47	80.62	78.86	68.59
	(b) Non-current Investments	1643.03	590.85	685.32	789.55
	(c) Deferred Tax Assets (Net)	0	9.65	10.02	12.76
	(d) Long-term Loans & Advances	135899.78	114,574.76	89,985.40	73,206.66
	(e) Other Non-current Assets	33.71	191.02	279.18	388.52
	Sub-total (1)	137,659.99	115,446.90	91,038.78	74,466.08
(2)	**Current Assets**				
	(a) Current Investments	47.41	47.41	47.26	47.16
	(b) Trade Receivables	60.54	29.16	37.36	18.10
	(c) Cash & Bank Balances	1,234.29	1,529.54	5,375.36	2,866.79
	(d) Short-term Loans & Advances	382.84	1,916.23	2,972.20	1,216.50
	(e) Other Current Assets	13,559.25	11,600.35	9,157.11	7,955.77
	Sub-total (2)	15,284.33	15,122.69	17,589.29	12,104.32
	Total (1+2)	152,944.32	130,569.59	108,628.07	86,570.40

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(₹in crores)

	Particulars	Year ended 31.03.2014	Year ended 31.03.2013	Year ended 31.03.2012	Year ended 31.03.2011
I.	Revenue from Operations	17122.21	13,570.06	10,440.30	8,306.87
II.	Other Income	106.73	68.64	113.32	225.33
III.	**Total Revenue (I+II)**	17,228.94	13,638.70	10,553.62	8,532.20
IV.	**Expenses**				
(i)	Finance Costs	10034.74	8,083.39	6,431.39	4,851.11
(ii)	Employee Benefits Expense	134.54	155.58	174.62	130.21
(iii)	Depreciation & Amortization	4.51	3.90	3.34	3.06
(iv)	Other Expenses	125.89	78.27	66.02	45.52
(v)	Allowance for Bad & Doubtful Debts	47.89	25.56	49.09	0.22
(vi)	Contingent Allowance against Standard Loan Assets	264.7	105.68		
(vii)	Allowance for Rescheduled Loans	0	-	3.18	-
(viii)	Allowance for Diminution in Investments	0	-	-	-
	Total Expenses (IV)	10,612.27	8,452.38	6,727.64	5,030.12
V.	**Profit before Prior Period Items & Tax (III-IV)**	6,616.67	5,186.32	3,825.98	3,502.08
VI.	Prior Period Items	-0.04	0.11	0.18	3.28
VII.	**Profit before Tax (V-VI)**	6,616.71	5,186.21	3,825.80	3,498.80
VIII.	Tax Expense :				
(i)	Current Year	1733.26	1,353.07	985.33	915.62
(ii)	Earlier Years/ (Refunds)	14.12	-0.01	-0.97	3.70
(iii)	Deferred Tax	128.08	0.37	2.78	-5.41
	Total Tax Expense (i+ii+iii)	1,875.46	1,353.43	987.14	913.91
IX.	**Profit for the period from Continuing Operations (VII-VIII)**	4,741.25	3,832.78	2,838.66	2,584.89
X.	**Profit from Discontinuing Operations (after tax)**	-	-	-	-
XI.	**Profit for the period (IX+X)**	4,741.25	3,832.78	2,838.66	2,584.89
XII.	**Earnings per Equity Share (in ₹ for an equity share of ₹ 10 each)**				
	(1) Basic	48.01	38.81	28.75	26.18
	(2) Diluted	48.01	38.81	28.75	26.18

CONSOLIDATED STATEMENT OF CASH FLOWS

(₹incrores)

PARTICULARS	YEAR ENDED 31.03.2014	YEAR ENDED 31.03.2013	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
A. Cash Flow from Operating Activities :				
Net Profit before Tax	6616.71	5,186.21	3,825.80	3,498.80
Adjustments for:				
1) Profit / Loss on Sale of Fixed Assets	0.69	0.33	0.19	0.01
2) Depreciation	4.52	3.90	3.33	3.06
3) Allowance for bad & doubtful debts	47.89	25.56	49.09	0.22
4) Allowance for Rescheduled Loan Assets	0.00	-	3.18	-
5) Contingent Allowance against Standard Loan Assets	264.70	105.68	-	-
6) Allowance for Staff Advances	0.07			
7) Interest on Commercial Paper	230.88	86.49	-	-
8) Interest Expense on Misc. Borrowings	0.16	0.37		
9) Excess Provision written back	-3.18	-0.04	-	-29.21
10) Profit on sale/redemption of investments	0.00	-0.34	-11.75	-2.28
11) Loss/ Gain(-) on Exchange Rate fluctuation	304.27	77.51	52.55	-85.33
12) Dividend from Subsidiary Co.	0.00	-	-0.05	-0.05
13) Dividend from Investments	-0.38	-0.25	-0.13	-3.59
14) Interest on 8% Government of Madhya Pradesh Power Bonds-II	-47.16	-54.71	-62.25	
15) Interest Income from Tax Free/ other Investments	-3.83	-6.84		
16) Provision made for Interest on Advance Income Tax	2.96	2.06	0.25	-
17) Discount on Bonds written off	4.83	4.83	4.71	0.85
18) Interest Accrued on Zero Coupon Bonds	64.97	59.88	55.46	14.48
19) Dividend & Dividend Tax paid in excess of provision	0.01	0.01	-	0.01
20) Interest Income	0.00	-	-	-1.43
21) Other Finance Expenses	0.16	0.02	-	0.10
22) Provision for contingencies of Project Cost revisions	1.15			
Operating profit before Changes in Operating Assets & Liabilities:	7,489.42	5,490.67	3,920.38	3,395.64
Increase / Decrease :				
1) Loan Assets	-22427.06	-25,929.26	-19,703.14	-15,746.71
2) Other Operating Assets	-381.69	93.23	8.60	200.25
3) Operating Liabilities	-265.28	1,670.57	940.52	365.79
Cash flow from Operations	-15,584.61	-18,674.79	-14,833.64	-11,785.03
1) Income Tax Paid (including TDS)	-1667.44	-1,384.09	-993.00	-971.89
2) Income Tax refund	8.27	-	1.50	-
Net Cash Flow from Operating Activities	-17,243.78	-20,058.88	-15,825.14	-12,756.92
B. Cash Flow from Investing Activities				
1) Sale of Fixed Assets	0.26	0.05	0.17	0.03
2) Purchase of Fixed Assets (incl. CWIP & Intangible Assets under development)	-4.79	-5.30	-13.92	-1.30
3) Redemption of 8% Government of Madhya Pradesh Power Bonds-II	94.32	94.32	94.32	94.32
4) Redemption of units of "Small is Beautiful" Fund (Net)	0.00	0.15	0.90	3.11

PARTICULARS	YEAR ENDED 31.03.2014	YEAR ENDED 31.03.2013	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
5) Profit on sale/redemption of investments	0.00	-	11.75	2.28
6) Investment in Shares of Energy Efficiency Services Ltd.	0.00	0.34	-	-24.38
7) Investment in Shares of Universal Commodity Exchange Ltd.	0.00	-	-16.00	-
8) Investment in Shares of Fellow Subsidiaries	0.00	-0.20	-0.10	
9) Investment in Tax Free Bonds/Others	-5.19			
10) Redemption of shares of Fellow Subsidiaries	0.00	0.05	-	0.15
11) Interest on 8% Government of Madhya Pradesh Power Bonds-II	47.16	54.71	62.25	-
12) Interest Income from Tax Free/ Other Investments	3.83	7.69		
13) Interest Income	0.00	-	-	1.43
14) Dividend from Subsidiary Co.	0.00	-	0.05	0.05
15) Dividend from Investments	0.38	0.25	0.13	3.59
Net Cash Flow from Investing Activities	135.97	152.06	139.55	79.28
C. Cash Flow from Financing Activities				
1) Issue of Bonds (Net of redemptions)	17460.70	13,781.96	20,108.21	10,334.23
2) Raising of Term Loans/ STL from Banks/ FIs (Net of repayments)	-3049.95	-1,648.90	-3,225.89	677.71
3) Raising of Foreign Currency Loan (Net of redemptions)	1706.32	4,484.19	2,857.01	5,591.43
4) Grants received from GOI including interest (Net of refund)	2920.69	606.77	2,238.28	4,841.31
5) Disbursement of grants	-2429.28	-940.37	-2,766.93	-4,025.42
6) Repayment of Govt. Loan	-7.21	-9.50	-11.49	-13.29
7) Payment of Final Dividend	-148.13	-246.86	-395.03	-345.66
8) Payment of Interim Dividend	-765.28	-666.54	-493.73	-345.61
9) Payment of Corporate Dividend Tax	-155.23	-148.19	-144.18	-114.81
10) Issue of Shares	0.00	-	-	-
11) Interest Paid on Misc. Borrowings	-0.16	-0.37		
12) Premium on issue of Securities	1.24	0.05	-	0.41
13) Issue of Commercial Paper (Net of repayments)	1281.16	847.18	-	-2,450.00
14) Other Finance Expenses	-0.16	-0.02	-	-0.10
Net Cash flow from Financing Activities	16,814.71	16,059.40	18,166.25	14,150.20
Net Increase/Decrease in Cash & Cash Equivalents	-293.10	-3,847.42	2,480.66	1,472.56
Cash & Cash Equivalents as at the beginning of the year	1501.33	5,348.75	2,854.01	1,394.23
Cash & Cash Equivalents as at the end of the year	1208.23	1,501.33	5,334.67	2,866.79

IMPORTANT FINANCIAL INDICATORS (ON CONSOLIDATED BASIS)

(₹in crores)

Particulars	As on/for the year ended 31.03.14 (Audited)	As on/for the year ended 31.03.13 (Audited)	As on/for the year ended 31.03.12 (Audited)	As on/for the year ended 31.03.11 (Audited)
For Financial Entities				
Net worth	20,803.05	17,530.48	14,623.37	12,827.44
Total Debt	126,173.19	107,761.72	90,058.18	70,039.70
of which – Non Current Maturities of Long Term Borrowing	110095.3	90,925.38	76,553.68	61,173.02
- Short Term Borrowing	2540	2,485.55	2,501.71	375.00
- Current Maturities of Long Term Borrowing	13537.89	14,350.79	11,002.79	8,491.68
Net Fixed Assets	83.47	80.62	78.86	68.59
Non-Current Assets	137,659.99	115,446.90	91,038.78	74,466.08
Cash and Cash Equivalents	1,234.29	1,529.54	5,375.36	2,866.79
Current Investments	47.41	47.41	47.26	47.16
Current Assets	15,284.33	15,122.69	17,589.29	12,104.32
Current Liabilities	21,407.19	21,845.01	17,341.54	12,519.89
Asset Under Management	N.A.	N.A.	N.A.	N.A.
Off Balance Sheet Assets	N.A.	N.A.	N.A.	N.A.
Interest Income	16806.39	13,290.95	10,264.02	8,108.77
Interest Expense (including other borrowing costs)	10,034.74	8,083.39	6,431.39	4,851.11
Net interest income	6,771.65	5,207.56	3,832.63	3,257.66
Provisioning & Write-offs	312.59	131.24	52.27	0.22
PAT	4,741.25	3,832.78	2,838.66	2,584.89
Gross NPA (%)	0.33%	38.00%	0.48%	0.02%
Net NPA (%)	0.24.%	0.32%	0.42%	0.00%
Tier I Capital Adequacy Ratio (%)	16.02%	16.50%	15.05%	18.04%
Tier II Capital Adequacy Ratio (%)	3.33%	1.21%	0.95%	1.05%
Total Loan Assets (net)	148,504.00	127,266.00	101,361.74	81,707.69
Capital Adequacy ratio (%)	19.35%	17.71%	16.00%	19.09%
Net interest margin	4.90%	4.55%	4.19%	4.41%
Yield on Loan Assets	12.18%	11.62%	11.21%	10.98%
Cost of funds	8.58%	8.17%	8.03%	7.70%
Return on Net worth (average)	24.74%	23.84%	20.68%	21.60%
Debt equity ratio (times)	6.07	6.15	6.16	5.46
Total Assets	152,944.32	130,569.59	108,628.07	86,570.40
Return on assets (average)	3.34%	3.20%	2.91%	3.31%

Limited Review Financials annexed herein as **ANNEXURE III**.

OTHER FINANCIAL PARAMETERS

Particulars	FY 2013-14	FY 2012-13	FY 2011-12
Dividend declared (%age)	95%	82.50%	75%
Interest Coverage Ratio (times)	1.65	1.64	1.59

CHANGES IN ACCOUNTING POLICIES DURING THE LAST THREE YEARS AND THEIR EFFECT ON THE PROFITS AND THE RESERVES OF THE COMPANY

Financial Year	Change in accounting policies and their effect
2013-14	Modifications were made in Significant Accounting Policy regarding basis of preparation of financial statements, income recognition, income from investments, asset classification, intangible assets, investments and current tax & deferred tax to make it more clarificatory/ explicit. However, there was no financial impact of such modifications. Further, the Company changed its Significant Accounting Policy regarding provision on Standard Assets which was created at 0.25% of the outstanding standard assets as against creating it in a phased manner upto 31st March, 2015. If the company had followed the earlier policy, the profit after tax for the year would have been higher by ₹ 105.74 crore.
2012-13	Modifications were made in Significant Accounting Policy regarding revenue recognition, income recognition, provisioning against loans, depreciation, intangible assets, investments, bond/debt issue, employee benefits and grants/ funds from Government to make it more clarificatory/ explicit. However, there was no financial impact of such modifications. Further, the Company formulated a New Accounting Policy to create a provision against standard assets in a phased manner so as to make it a minimum of 0.25% by the end of financial year 2014-15. The profit before tax for the year was lower by ₹ 105.68 crores due to this Accounting Policy.
2011-12	The company adopted to account for gain or loss on interest rate swaps on domestic borrowings on accrual basis as against the earlier accounting policy of adjusting the interest cost as on the settlement date. Due to this change in accounting policy, the profit for the year ended 31.03.2012 was higher by ₹ 2.42 Crores (net of taxes). The company changed its Significant Accounting Policy w.e.f. 01.04.2011 with respect to the accounting treatment of foreign currency translation differences in accordance with Para 46A of Accounting Standard 11 'The Effects of Changes in Foreign Exchange Rates' and has opted for amortising the foreign exchange fluctuation loss/gain on the long term foreign currency monetary items over the balance period of such items. Due to this change in accounting policy, the profit for the year ended 31.03.2012 was higher by ₹ 135.50 Crores (net of taxes). Modifications have been made in Significant Accounting Policy regarding depreciation to make it more clarificatory/ explicit. However, there was no financial impact of such modification.

IX. MATERIAL EVENT, DEVELOPMENT OR CHANGE AT THE TIME OF ISSUE (POST SEPTEMBER 30, 2014)

There has been no material event, development or change having implications on the financials/ credit quality of the Issuer (e.g. any material regulatory proceedings against the Issuer/ Promoters of the Issuer, tax litigations resulting in material liabilities, corporate restructuring event etc.) at the time of Issue which may affect the Issue or the investor’s decision to invest/ continue to invest in the debt securities of the Issuer.

X. SUMMARY TERM SHEET

REC proposes to raise bonds under upto ₹ 500.00 crores with option to retain oversubscription under Series 125

Security Name	9.04% Rural Electrification Corporation Limited 2019
Issuer	Rural Electrification Corporation Limited

Type of Instrument	Unsecured, Redeemable, Non Convertible Bonds in the nature of Debentures
Seniority	Unsecured, Senior and Unsubordinated Bond Series
Nature and status of Instrument	Unsecured, Redeemable, Non-Convertible, Bonds in the nature of Debentures ("Bonds")
Mode of Issue	Private placement
Eligible Investors	1. Mutual Funds, 2. Public Financial Institutions specified in Section 2(72) of the Companies Act 2013; 3. Scheduled Commercial Banks; 4. State Industrial Development Corporations; 5. Insurance Companies registered with the Insurance Regulatory and Development Authority; 6. Provident Funds, Pension Funds, Gratuity Funds and Superannuation Funds authorised to invest in the Issue 7. National Investment Funds set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India Published in the Gazette of India; 8. Insurance funds set up and managed by army, navy or air force of the Union of India. 9. Companies and Bodies Corporate authorized to invest in bonds/ debentures; 10. Co-operative Banks and Regional Rural Banks authorized to invest in bonds/ debentures; 11. Gratuity Funds and Superannuation Funds; 12. Societies authorized to invest in bonds/ debentures; 13. Trusts authorized to invest in bonds/ debentures; 14. Foreign Institutional Investors and sub-accounts registered with SEBI or Foreign Portfolio Investors (not being an individual); 15. Statutory Corporations/ Undertakings established by Central/ State legislature authorized to invest in bonds/ debentures.
Non-Eligible classes of Investors	1. Minors without a guardian name (A guardian may apply on behalf of a minor. However, Applications by minors must be made through Application Forms that contain the names of both the minor Applicant and the guardian); 2. Non-resident investors being an individual including NRIs, QFIs(individual), and FPIs(individual); 3. Venture Capital Fund and Foreign Venture Capital Investor; 4. Overseas Corporate Bodies; and 5. Person ineligible to contract under applicable statutory/regulatory requirements. 6. Resident Individual Investors; 7. Hindu Undivided Families; 8. Partnership firms in the name of partners.
Listing (including name of stock Exchange(s) where it will be listed and timeline for listing)	BSE and/or NSE
Rating of the Instrument	AAA/Stable by Crisil Limited IND AAA by IRRPL [ICRA]AAA by ICRA

	CARE AAA (Triple A) by CARE
Issue Size	Rs. 500 crores with an option to retain oversubscription
Option to retain oversubscription (Amount)	Yes
Objects of the Issue	To augment long-term resources of the Company for the purpose of carrying out its functions authorized under the object clause of the Memorandum of Association of REC.
Details of the utilization of the Proceeds	The funds raised through this private placement are not meant for any specific project as such and therefore the proceeds of this Issue shall be utilized for the regular business activities of REC. Therefore, the management shall ensure that the funds raised via this private placement shall be utilized only towards satisfactory fulfillment of the Objects of the Issue.
Coupon Rate	9.04%
Step Up/Step Down Coupon Rate	N.A.
Coupon Payment Frequency	Annual
Coupon Payment Date*	First Interest on 13.10.2015 and subsequently on October 13th every year till Maturity
Coupon Type	Fixed
Coupon Reset	N.A.
Day Count Basis	Actual/ Actual Interest shall be computed on an "actual/actual basis". Where the interest period (start date to end date) includes February 29, interest shall be computed on 366 days-a-year basis
Interest on Application Money	In respect of Investors to whom Bonds are Allotted in the Issue, interest on Application Money shall be paid at the Coupon Rate (subject to deduction of income tax under the provisions of the Income Tax Act, 1961, or any other statutory modification or re-enactment thereof, as applicable) on the aggregate face value amount of Bonds for the period starting from and including the date of realization of Application Money in Issuer's Bank Account up to but excluding the Deemed Date of Allotment. Such interest on Application Money shall be paid by the Issuer to the relevant Applicants within 15 days from the Deemed Date of Allotment.
Interest on Refunded Money against which Allotment is not made	In respect of applications, which are valid but rejected on account of oversubscription, interest on refunded money shall be paid at the Coupon Rate (subject to deduction of income tax under the provisions of the Income Tax Act, 1961, or any other statutory modification or re-enactment thereof, as applicable) (excluding the valid rejections) for the period starting from and including the date of realization of Application Money in Issuer's Bank Account up to but excluding the Deemed Date of Allotment. The refund amounts together with interest thereon shall be paid by the Issuer to the relevant Applicants within 15 days from the Deemed Date of Allotment.
Default Interest Rate	2% p.a. over the coupon rate will be payable by the Company for the defaulting period in case of default in payment of interest/redemption amount.
Tenor	5 (Five) Years
Redemption Date **	October 12, 2019
Redemption Amount	Redeemed at face value of Bonds
Redemption Premium /Discount	Nil
Issue Premium/Discount	Nil
Issue Price	Rs. 10 lakh per bond
Discount at which security is	Nil

issued and the effective yield as a result of such discount.	
Put option Date	N.A.
Put option Price	N.A.
Call Option Date	N.A.
Call Option Price	N.A.
Put Notification Time	N.A.
Call Notification Time	N.A.
Face Value	Rs. 10 lakh per bond
Minimum Application and in multiples of Debt securities thereafter	Application must be for a minimum size of INR 11 Crores (110 bonds) and in multiple of INR 1 Crore (10 bond) thereafter.
Issue Timing 1. Issue Opening Date 2. Issue Closing Date 3. Pay-in Date 4. Deemed Date of Allotment	 October 13, 2014 October 13, 2014 October 13, 2014 October 13, 2014
No. of Applications	The application form will be restricted to 49 investors.
Issuance mode of the Instrument	In Dematerialized mode
Trading mode of the Instrument	In Dematerialized mode
Settlement mode of the Instrument	Payment of interest and repayment of principal shall be made by way of cheque(s)/ interest/ redemption warrant(s)/ demand draft(s)/ credit through direct credit/ RTGS/ Fund Transfer/ NECS/ NEFT or any other electronic mode offered by the Banks.
Depository	National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).
Effect of Holidays	If any Coupon Payment Date falls on a day that is not a Business Day, the payment shall be made by the Issuer on the immediately succeeding Business Day along with interest for such additional period. Further, interest for such additional period so paid, shall be deducted out of the interest payable on the next Coupon Payment Date. If the Redemption Date (also being the last Coupon Payment Date) of the Bonds falls on a day that is not a Business Day, the redemption proceeds shall be paid by the Issuer on the immediately preceding Business Day along with interest accrued on the Bonds until but excluding the date of such payment. In the event the Record Date falls on a day which is not a Business Day, the immediately succeeding Business Day will be considered as the Record Date.
Record Date	15 days prior to each Coupon Payment Date/ Redemption date.
Security	Bonds are Unsecured.
Transaction Documents	The Issuer has executed/ shall execute the documents including but not limited to the following in connection with the Issue: 1. Letter appointing Trustees to the Bondholders; 2. Debenture Trusteeship Agreement; 3. Debenture/Bond Trust Deed; 4. Rating letter from CRISIL; 5. Rating letter from IRRPL; 7. Rating letter from CARE;

	8. Tripartite Agreement between the Issuer; Registrar and NSDL for issue of Bonds in dematerialized form; 9. Tripartite Agreement between the Issuer, Registrar and CDSL for issue of Bonds in dematerialized form; 10. Letter appointing Registrar and MoU entered into between the Issuer and the Registrar; 11. Application made to BSE and/or NSE for seeking their in-principle approval for listing of Bonds; 12. Listing Agreement with BSE and/or NSE; 13. Letters appointing Arrangers to the Issue.
Additional Covenants	In case of default in payment of interest and/ or principal redemption on the due dates, the Company shall pay additional interest at the rate of 2.00% p.a. over the Coupon Rate for the defaulting period i.e. the period commencing from and including the date on which such amount becomes due and up to but excluding the date on which such amount is actually paid. The Company shall allot the Bonds within sixty days from the date of receipt of the application money for such Bonds and if the Company is not able to allot the Bonds within such period, it shall repay the application money to the subscribers within fifteen days from the date of completion of sixty days and if the Company fails to repay the application money within the aforesaid period, it shall be liable to repay such money with interest at the rate of 12% p.a. from the expiry of the sixtieth day. Listing: The Issuer shall complete all the formalities and seek listing permission within 20 days from the Deemed Date of Allotment. In case of delay in listing of the Bonds beyond 20 days from the Deemed Date of Allotment, the Company shall pay penal interest at the rate of 1.00% p.a. over the Coupon Rate from the expiry of 30 days from the Deemed Date of Allotment till the listing of Bonds to the Bondholder(s).
Events of Default	As specified the Bond Trust Deed
Remedies	As mentioned in Bond Trust Deed
Cross Default	N.A.
Trustee	IDBI Trusteeship Services Ltd.
Registrars	RCMC Share Registry Pvt. Ltd.
Role and Responsibilities of Debenture Trustee	The Trustees shall protect the interest of the Bondholders as stipulated in the Bond Trust Deed and in the event of default by REC in regard to timely payment of interest and repayment of principal and shall take necessary action at the cost of REC. No Bondholder shall be entitled to proceed directly against REC unless the Trustees, having become so bound to proceed, fail to do so.
Conditions precedent to subscription of Bonds	The subscription from investors shall be accepted for allocation and allotment by the Issuer subject to the following: 1. Rating letters from CRISIL, IRRPL, ICRAand CARE not being more than one month old from the issue opening date; 2. Seek a written consent letter from the Trustees conveying their consent to act as Trustees for the Bondholders; 3. Making an application to BSE and/or NSE for seeking their in-principle approval for listing of Bonds.
Conditions subsequent to subscription of Bonds	The Issuer shall ensure that the following documents are executed/ activities are completed as per time frame mentioned elsewhere in this Private Placement Offer Letter: 1. Ensuring that the payment made for subscription to the Bonds is from the bank account of the person/ entity subscribing to the Bonds and

	keep record of the bank accounts from where payments for subscriptions have been received and in case of subscription to the Bonds to be held by joint holders, monies are paid from the bank account of the person whose name appears first in the Application Form; 2. Maintaining a complete record of private placement offers in Form PAS-5 and filing the such record along with Private Placement Offer Letter in Form PAS-4with the Registrar of Companies, National Capital Territory of Delhi & Haryana with fee as provided in Companies (Registration Offices and Fees) Rules, 2014 and with Securities and Exchange Board of India, within a period of thirty days of circulation of the Private Placement Offer Letter; 3. Filing a return of allotment of Bonds with complete list of all Bondholders in Form PAS-3under section 42(9) of the Companies Act, 2013, with the Registrar of Companies, National Capital Territory of Delhi & Haryana within thirty days of the Deemed Date of Allotment along with fee as provided in the Companies (Registration Offices and Fees) Rules, 2014; 4. Credit of demat account(s) of the allottee(s) by number of Bonds allotted within the stipulated time period from the Deemed Date of Allotment; 5. Making listing application to BSE and/or NSE within 15 days from the Deemed Date of Allotment of Bonds and seeking listing permission within 20 days from the Deemed Date of Allotment of Bonds; 6. Executing the Debenture/Bond Trust Deed in Form No.SH.12 or as near thereto as possible, in favour of the Trustee within sixty days of Deemed Date of Allotment of the Bonds and submit with BSE and/or NSE within five working days of execution of the same for uploading on their website. Besides, the Issuer shall perform all activities, whether mandatory or otherwise, as mentioned elsewhere in this Private Placement Offer Letter.
Mode of Subscription	Applicants may make remittance of application money through either of following two modes: 1. Applicants may make remittance of application money through either of following two modes: 2. Cheque(s)/ demand draft(s)/ bank funds transfer may be drawn in favour of “RURAL ELECTRIFICATION CORPORATION LTD.-BOND ACCOUNT” and marked “A/c Payee Only” payable at par at any of the CBS branches of the Collecting Bankers to the Issue as per details given hereunder: 3. Name of the Banker HDFC Bank Ltd 4. Credit into Current A/c 00030350004616 5. Electronic transfer of funds through RTGS mechanism for credit as per details given hereunder:

	6. Name of the Banker HDFC Bank Ltd 7. Credit into Current A/c 00030350004616 8. Account Name **"REC INSTITUTIONAL BONDS COLLECTION A/c"** 9. IFSC Code HDFC0000003 10. Address of the Branch Suryakiran Branch, KG Marg, New Delhi
Governing Law and Jurisdiction	The Bonds are governed by and shall be construed in accordance with the existing laws of India. Any dispute arising thereof shall be subject to the jurisdiction of courts of New Delhi.

* *As per the SEBI circular no. CIR/IMD/DF/18/2013 dated October 29, 2013, if the date of payment of interest falls on a holiday or Sunday then such payment shall be made on the succeeding day after including the interest for holiday or Sunday.*

** *As per the SEBI circular no. CIR/IMD/DF/18/2013 dated October 29, 2013, if the redemption date falls on a holiday or Sunday, then such payment shall be made on the previous working date along with interest is required to be paid till the redemption date.*

Illustration of Bond Cash Flows

Particulars	Original Date	Revised Date	No. of Days	Cash Flow
1st Coupon	Tuesday 13.10.2015	Tuesday 13.10.2015	365	2712000000
2nd Coupon	Thursday 13.10.2016	Thursday 13.10.2016	366	2712000000
3rd Coupon	Friday 13.10.2017	Friday 13.10.2017	365	2712000000
4th Coupon	Saturday 13.10.2018	Saturday 13.10.2018	365	2712000000
5th Coupon	Sunday 13.10.2019	Saturday 12.10.2019	364	2704569863
Principal	Sunday 13.10.2019	Saturday 12.10.2019		30000000000
TOTAL				**43552569863**

XI. TERMS OF OFFER (DETAILS OF DEBT SECURITIES PROPOSED TO BE ISSUED, MODE OF ISSUANCE, ISSUE SIZE, UTILIZATION OF ISSUE PROCEEDS, STOCK EXCHANGES WHERE SECURITIES ARE PROPOSED TO BE LISTED, REDEMPTION AMOUNT, PERIOD OF MATURITY, FACE VALUE, ISSUE PRICE, EFFECTIVE YIELD FOR INVESTORS)

Eligibility of REC to come out with the Issue

REC, its Directors and authorised Officers have not been prohibited from accessing the debt market under any order or directions passed by SEBI/any other Government authority. Reserve Bank of India vide its letter no. DNBS.CO.ZMD (N) No 1635/14.18.014/2014-15 dated September 26, 2014, has permitted REC to issue unsecured Bonds to institutional investors investing more than Rs. 10.00 Crores.

Registration and Government Approvals

This present issue of Bonds is being made in accordance with extant guidelines for floatation of PSU Bonds as amended from time to time. The Corporation can undertake the activities proposed by it in view of the present approvals and no further approval from any government authority(ies) is required by the Corporation to undertake the proposed activities save and except those approvals which may be required to be taken in the normal course of business from time to time.

Reserve Bank of India vide its letter no. DNBS.CO.ZMD (N) No 1635/14.18.014/2014-15 dated September 26, 2014, has permitted REC to issue unsecured Bonds to institutional investors investing more than Rs. 10.00 Crores.

Contribution made by Promoters or Directors

NIL

Authority for the Placement

The present issue of Bonds is being made pursuant to:

a. resolution passed by the Board of Directors of the Company on March 28, 2014, August 12, 2014, and delegation provided thereunder; and

b. special resolution passed by the shareholders of the Company under section 42 of the Companies Act, 2013 and sub-rule 2 of rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, in Annual General Meeting held on September 18, 2014.

c. Article 84(21), 84 - A, 84 - B of the Articles of Association of the Company.

REC can issue the Bonds proposed by it in view of the present approvals and no further approvals in general from any Government Authority are required by REC to undertake the proposed activity.

Objects of the Issue

The Main Object Clause of REC as contained in the Memorandum of Association and Articles of Association of REC enables REC to undertake the activities for which the funds are being raised under the present issue. Also, the Main Objects of REC as contained therein, adequately covers its existing and proposed activities. The funds raised by way of the Issue will be utilized for various operations of REC.

Utilisation of Issue Proceeds

The funds raised through this private placement are not meant for any specific project as such and therefore the proceeds of this Issue shall be utilized for the regular business activities of REC which is subject to a number of regulatory checks and balances as stipulated in its regulatory environment. Therefore, the management shall ensure that the funds raised via this private placement shall be utilized only towards satisfactory fulfilment of the Objects of the Issue. REC further confirms that the proceeds of the current issue of Bonds shall not be used for providing loan to or acquisition of shares of any person who is part of the same group or who is under the same management.

Minimum Subscription

As the current issue of Bonds is being made on private placement basis, the requirement of minimum subscription shall not be applicable and Therefore REC shall not be liable to refund the issue subscription(s)/ proceed(s) in the event of the total issue collection falling short of issue size or certain percentage of issue size

Nature and Class of Securities

Unsecured, Redeemable, Non-Convertible, Taxable Bonds in the nature of debentures. These Bonds shall be fully paid-up and the claims of the Bondholders shall be unsecured, senior and unsubordinated.

Put & Call Option

Neither the Bondholder(s) shall have any right to exercise Put option nor shall the Company have right to exercise Call Option.

Maximum Investors for the Issue

In view of RBI Notification No.DNBD(PD) CC No. 330 /03.10.001/2012-13 dated June 27, 2013 and subsequent clarificatory notification No. DNBS(PD) CC No.349/03.10.001/2013-14 dated July 02, 2013, this issuance shall be restricted to not more than 49 investors, identified upfront by REC.

Issue Price

Each Bond has a face value of INR10 Lakh each and is issued at par. The Bonds shall be redeemable at par i.e. for INR10 Lakh per Bond. The Bonds have been priced in compliance with RBI notification No.DNBD(PD) CC No. 330 /03.10.001/2012-13 dated June 27, 2013.Since there is no discount or premium on either issue price or redemption value of the Bonds, the effective yield for the investors shall be the same as the coupon rate on the Bonds.

Security

Bonds are unsecured.

Terms of Payment

The full Issue price of the Bonds applied for is to be paid along with the Application Form. Investor(s) need to send in the Application Form and the cheque(s)/ demand draft(s)/ RTGS for the full face value of the Bonds applied for.

Issue Price of the Bond	Minimum Application for	Amount Payable on Application per Bond
INR10 Lakh	Application must be for a minimum of INR 11 crores and in multiples of One Crore (10 bond) thereafter.	Full Issue Price i.e. INR10 Lakh per bond

Deemed Date of Allotment

The cut-off date declared by the Company from which all benefits under the Bonds including interest on the Bonds shall be available to the Bondholders. The actual allotment of Bonds (i.e. approval from the Board of Directors or a Committee thereof) may take place on a date other than the Deemed Date of Allotment. REC reserves the right to keep multiple allotment date(s)/ deemed date(s) of allotment at its sole and absolute discretion without any notice. In case, if the issue closing date is changed (i.e. pre-pond/ postponed), the Deemed Date of Allotment may also be changed (pre-pond/ postponed) by REC at its sole and absolute discretion.

Letter(s) of Allotment/ Bond Certificate(s)/ Refund Order(s) Issue of Letter(s) of Allotment

The beneficiary account of the investor(s) with National Securities Depository Ltd. (NSDL)/ Central Depository Services (India) Ltd. (CDSL)/ Depository Participant will be given initial CREDIT within 15 days from the Deemed Date of Allotment. The initial CREDIT in the account will be akin to the Letter of Allotment. On completion of the all-statutory formalities, such CREDIT in the account will be akin to a Bond Certificate.

Bonds to be issued in demat format only

The Bonds since issued in electronic (dematerialized) form, will be governed as per the provisions of the Depository Act, 1996, Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, rules notified by NSDL/ CDSL/ Depository Participant from time to time and other applicable laws and rules notified in respect thereof. The Bonds shall be allotted in DEMAT form only. However, if any Bondholder wants to covert bonds into physical form he/she make appropriate application to the Depositories as per relevant rules and regulations of concerned Depository.

Depository Arrangements

REC has entered into depository arrangements with NSDL and CDSL. The securities shall be issued in dematerialized form as per the provisions of Depositories Act, as amended from time to time.

REC has signed two tripartite agreements in this connection viz.

1. Tripartite Agreement dated August 01, 2003 between REC, National Securities Depository Limited (NSDL) and the Registrar i.e., RCMC Share Registry Pvt. Ltd.

2. Tripartite Agreement dated August 10, 2004 between REC, Central Depository Services Limited (CDSL) and the Registrar RCMC Share Registry Pvt. Ltd.

The Bonds will be issued in dematerialised form and the same shall be in accordance with the provisions of the SEBI Debt Regulations, Depositories Act, 1996 and the regulations made there under and are to be issued as per the terms and conditions stipulated under this Private Placement Offer Letter. The BOND Holder will have the right to convert the dematerialized Bonds into physical form as per the Applicable Law.

Procedure for applying for Demat Facility

1. Investor(s) should have / open a beneficiary account with any Depository Participant of NSDL or CDSL.
2. For allotment of Bonds in dematerialized form, the beneficiary account number and depository participants ID shall be specified in the relevant columns of the Application Form.
3. If incomplete/incorrect beneficiary account details are given in the Application Form which do not match with the details in the Depository system, the Allotment of Bonds shall be held in abeyance till such time satisfactory Demat account details are provided by the investor.
4. The Bonds allotted to investor in dematerialized form would be directly credited to the beneficiary account as given in the Application Form after verification. Allotment advice/refund order (if any) would be sent directly to the applicant by the Registrar to the Issue but the confirmation of the CREDIT of the Bonds to the investor's Depository Account will be provided to the investor by the investor's Depository Participant.
5. Interest or other benefits with respect to the Bonds held in dematerialized form would be paid to those Bondholders whose names appear on the list of beneficial owners given by the depositories to REC as on the Record Date or to the Bondholders who have converted the demat securities to physical form and their names are registered as Bondholders on the registers maintained by Company/Registrar. In case, the beneficial owner is not identified by the Depository on the Record Date due to any reason whatsoever, REC shall keep in abeyance the payment of interest or other benefits, till such time the beneficial owner is identified by the Depository and intimated to REC. On receiving such intimation, REC shall pay the interest or other benefits to the beneficiaries identified, within a period of 15 days from the date of receiving such intimation.
6. Investors may please note that the Bonds in dematerialised form can be traded only on the stock exchanges having electronic connectivity with NSDL or CDSL.

Fictitious applications

Attention of the Applicants is specifically drawn to the provisions of sub-section (1) of section 38 of the Companies Act, 2013 which is reproduced below:

"*Any person who—*

(a) makes or abets making of an application in a fictitious name to a company for acquiring, or subscribing for, its securities; or

(b) *makes or abets making of multiple applications to a company in different names or in different combinations of his name or surname for acquiring or subscribing for its securities; or*

(c) *otherwise induces directly or indirectly a company to allot, or register any transfer of, securities to him, or to any other person in a fictitious name.*

shall be liable for action under section 447."

Market Lot

The market lot for trading of Bonds will be one Bond ("**Market Lot**").

Trading of Bonds

The marketable lot for the purpose of trading of Bonds shall be ONE BOND. Trading of Bonds would be permitted in dematerialised mode only in standard denomination of INR10 Lakh and such trades shall be cleared and settled in recognised stock exchange(s) subject to conditions specified by SEBI. In case of trading in Bonds which has been made over the counter, the trades shall be executed and reported on a recognized stock exchange having a nation-wide trading terminal or such other platform as may be specified by SEBI.

Mode of Transfer of Bonds

The Bonds shall be transferred subject to and in accordance with the rules/ procedures as prescribed by the NSDL/ CDSL/ Depository Participant of the transferor/ transferee and any other applicable laws and rules notified in respect thereof. The normal procedure followed for transfer of securities held in dematerialized form shall be followed for transfer of these Bonds held in electronic form. The seller should give delivery instructions containing details of the buyer's DP account to his Depository Participant.

Transfer of Bonds to and from foreign investors, in case they seek to hold the Bonds and are eligible to do so, will be governed by the then prevailing guidelines of RBI. The transferee(s) should ensure that the transfer formalities are completed prior to the Record Date. In the absence of the same, interest will be paid/ redemption will be made to the person, whose name appears in the records of the Depository. In such cases, claims, if any, by the transferee(s) would need to be settled with the transferor(s) and not with REC.

Interest on Application Money

In respect of Investors who get Allotment of Bonds in the Issue, interest on Application Money shall be paid at the Coupon Rate (subject to deduction of income tax under the provisions of the Income Tax Act, 1961, or any other statutory modification or re-enactment thereof, as applicable) on the aggregate face value amount of Bonds for the period starting from and including the date of realization of Application Money in Issuer's Bank Account upto but excluding the Deemed Date of Allotment. Such interest on Application Money shall be paid by the Issuer to the relevant Applicants within 15 days from the Deemed Date of Allotment.

Interest on the Bonds

The Bonds shall carry interest at the coupon rates as per term sheet (subject to deduction of tax at source at the rates prevailing from time to time under the provisions of the Income Tax Act, 1961, or any other statutory modification or re-enactment thereof for which a certificate will be issued by REC) on the outstanding principal amount of Bonds till final redemption

If any interest payment date falls on a day which is not a Business Day ('Business Day' being a day on which Commercial Banks are open for business in the city of New Delhi), then payment of interest will be made on the next day that is a Business Day but without liability for making payment of interest for the intervening period.

Computation of Interest

The Bonds will carry interest rates as per the term sheet from the Deemed Date of Allotment. The interest will be paid from the Deemed Date of Allotment (subject to deduction of tax at source at the rates prevailing from time to time under the IT Act, or any other statutory modification or re-enactment thereof) as per term sheet. The Interest shall be computed on "Actual / Actual" day count basis.

Record Date

Record date of interest shall be 15 days prior to each interest payment date and 15 days prior to the date of Maturity. Interest shall be paid to the person whose name appears as sole/first in the Register of Bondholders/beneficiaries position of the Depositories on Record Date or to the Bondholders who have converted the Bonds to physical form and their name is registered on the registers maintained by Company/Registrar. In the event of REC not receiving any notice of transfer at least 15 days before the respective due date of payment of interest and at least 15 days prior to the maturity date, the transferees for the Bond shall not have any claim against REC in respect of interest so paid to the registered Bondholder.

Deduction of Tax at Source

Tax as applicable under the IT Act, or any other statutory modification or re-enactment thereof will be deducted at source. The investor(s) desirous of claiming exemption from deduction of income tax at source on the interest on Application money are required to submit the necessary certificate(s), in duplicate, along with the Application Form in terms of Income Tax rules.

Interest payable subsequent to the Deemed Date of Allotment of Bonds will be treated as "Interest on Securities" as per Income Tax Rules. Bondholders desirous of claiming exemption from deduction of income tax at source on the interest payable on Bonds should submit tax exemption certificate/ document, under Section 193 of the Income Tax Act, 1961, if any, at the head office of REC, at least 45 days before the payment becoming due.

Regarding deduction of tax at source and the requisite declaration forms to be submitted, prospective investors are advised to consult their own tax consultant(s).

Redemption

The face value of the Bonds will be redeemed at par, on the expiry of the tenor of the Bonds series as per details in the summary term sheet, from the Deemed Date of Allotment. The Bonds will not carry any obligation, for interest or otherwise, after the date of redemption. The Bonds shall be taken as discharged on payment of the redemption amount by REC on maturity to the registered Bondholders whose names appear in the Register of Bondholders on the Record Date/ or the beneficial owners as per the list provided by the Depositories. Such payment will be a legal discharge of the liability of the Company towards the Bondholders.

In case if the redemption date falls on a day which is not a Business Day ("Business Day being a day on which Commercial Banks are open for Business in the city of Delhi), then the payment due shall be made on the previous Business Day but without liability for making payment of interest for the intervening period.

Settlement/ Payment on Redemption

Payment on redemption will be made by way of cheque(s)/ redemption warrants(s)/ demand draft(s)/ CREDIT through RTGS system in the name of the Bondholders whose name appear on the list of Beneficial Owners given by Depository to REC/or the Bondholders(who have converted the Bonds to physical form), whose names are registered on the register maintained by the REC/Registrar as on the Record Date.The Bonds shall be taken as discharged on payment of the redemption amount by REC on maturity to the list of Bondholders as provided by NSDL/ CDSL/ Depository Participant. Such payment will be a legal discharge of the liability of REC towards the Bondholders. On such payment being made, REC shall inform NSDL/ CDSL/ Depository Participant and accordingly the account of the Bondholders with NSDL/ CDSL/ Depository Participant shall be adjusted.

REC's liability to the Bondholders towards all their rights including for payment or otherwise shall cease and stand extinguished from the due date of redemption in all events. Further REC will not be liable to pay any interest or compensation from the date of redemption. On REC dispatching/ crediting the amount to the Beneficiary(ies) as specified above in respect of the Bonds, the liability of REC shall stand extinguished.

Right of Bondholder(s)

Bondholder is not a shareholder. The Bondholders will not be entitled to any other rights and privilege of shareholders other than those available to them under statutory requirements. The Bond(s) shall not confer upon the holders the right to receive notice, or to attend and vote at the General Meeting of the Company. The principal amount and interest on the Bonds will be paid to the registered Bondholders only, and in case of Joint holders, to the one whose name stands first.

Besides the above, the Bonds shall be subject to the provisions of the Companies Act, Companies Act, 2013 and the relevant rules and regulations, the Articles of Association of REC, the terms of this issue of Bonds and the other terms and conditions as may be incorporated in the Bond Trustee Agreement and other documents that may be executed in respect of these Bonds.

Effect of Holidays

If any Coupon Payment Date falls on a day that is not a Business Day, the payment shall be made by the Issuer on the immediately succeeding Business Day along with interest for such additional period. Further, interest for such additional period so paid, shall be deducted out of the interest payable on the next Coupon Payment Date.

If the Redemption Date (also being the last Coupon Payment Date) of the Bonds falls on a day that is not a Business Day, the redemption proceeds shall be paid by the Issuer on the immediately preceding Business Day along with interest accrued on the Bonds until but excluding the date of such payment.

In the event the Record Date falls on a day which is not a Business Day, the immediately succeeding Business Day will be considered as the Record Date.

List of Beneficial Owners

REC shall request the Depository to provide a list of Beneficial Owners as at the end of the Record Date. This shall be the list, which shall be considered for payment of interest or repayment of principal amount, as the case may be.

Succession

In the event of the demise of the sole/first holder of the Bond(s) or the last survivor, in case of joint holders for the time being, REC will recognize the executor or administrator of the deceased Bondholder, or the holder of succession certificate or other legal representative as having title to the Bond(s). REC shall not be bound to recognize such executor or administrator, unless such executor or administrator obtains probate, wherever it is necessary, or letter of administration or such holder is the holder of succession certificate or other legal representation, as the case may be, from a Court in India having jurisdiction over the matter. REC may, in its absolute discretion, where it thinks fit, dispense with production of probate or letter of administration or succession certificate or other legal representation, in order to recognize such holder as being entitled to the Bond(s) standing in the name of the deceased Bondholder on production of sufficient documentary proof or indemnity.

Where a non-resident Indian becomes entitled to the Bonds by way of succession, the following steps have to be complied:

a. Documentary evidence to be submitted to the Legacy Cell of the RBI to the effect that the Bond was acquired by the NRI as part of the legacy left by the deceased holder.

b. Proof that the NRI is an Indian National or is of Indian origin.

Such holding by the NRI will be on a non-repatriation basis.

Who Can Apply

The following categories are eligible to apply for this private placement of Bonds:

1. Mutual Funds,
2. Public Financial Institutions specified in Section 2(72) of the Companies Act 2013;
3. Scheduled Commercial Banks;
4. State Industrial Development Corporations;
5. Insurance Companies registered with the Insurance Regulatory and Development Authority;
6. Provident Funds, Pension Funds, Gratuity Funds and Superannuation Funds authorised to invest in the Issue
7. National Investment Funds set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India;
8. Insurance funds set up and managed by army, navy or air force of the Union of India.
9. Companies and Bodies Corporate authorized to invest in bonds/ debentures;
10. Co-operative Banks and Regional Rural Banks authorized to invest in bonds/ debentures;
11. Gratuity Funds and Superannuation Funds;
12. Societies authorized to invest in bonds/ debentures;
13. Trusts authorized to invest in bonds/ debentures;
14. Foreign Institutional Investors and sub-accounts registered with SEBI or Foreign Portfolio Investors (not being an individual);
15. Statutory Corporations/ Undertakings established by Central/ State legislature authorized to invest in bonds/ debentures.

The applications must be accompanied by certified true copies of (1) Memorandum and Articles of Association/ Constitution/ Bye-laws (2) Resolution authorizing investment and containing operating instructions (3) Specimen signatures of authorized signatories (4) Necessary forms for claiming exemption from deduction of tax at source on the interest income/ interest on application money, wherever applicable and (5) Documents relating to withholding tax applicability.

Who Cannot Apply

The following categories of persons, and entities, shall not be eligible to participate in the Issue and any Applications from such persons and entities are liable to be rejected:

1. Minors without a guardian name (A guardian may apply on behalf of a minor. However, Applications by minors must be made through Application Forms that contain the names of both the minor Applicant and the guardian);
2. Non-resident investors being an individual including NRIs, QFIs(individual), and FPIs(individual);
3. Venture Capital Fund and Foreign Venture Capital Investor;
4. Overseas Corporate Bodies; and
5. Person ineligible to contract under applicable statutory/regulatory requirements.
6. Resident Individual Investors;
7. Hindu Undivided Families;
8. Partnership firms in the name of partners.

Application under Power of Attorney or by Limited Companies

In case of Applications made under a Power of Attorney or by a Limited Company or a Body Corporate or Registered Society or Mutual Fund, and scientific and/or industrial research organizations or Trusts etc, the relevant Power of Attorney or the relevant resolution or authority to make the Application, as the case may be, together with the certified true copy thereof along with the certified copy of the Memorandum and Articles of Association and/or Bye-Laws as the case may be must be attached to the Application Form or lodged for scrutiny separately with the photocopy of the Application Form, quoting the serial number of the Application Form and REC's branch where the Application has been submitted, at the office of the Registrars to the Issue after submission of the Application Form to REC's bankers to the Issue or any of their designated branches as mentioned on the reverse of the Application Form, failing which the applications are liable to be rejected. Such authority received by the Registrars to the Issue more than 10 days after closure of the subscription list may not be considered.

Mode of Subscription / How to Apply

This being a Private Placement Offer, Investors have been addressed through this Communication directly, only are eligible to apply.

Copies of Private Placement Offer Letter and Application Form may be obtained from the registered office of REC. Applications for the Bonds must be in the prescribed form (enclosed) and completed in BLOCK LETTERS in English and as per the instructions contained therein.

Applications complete in all respects must be submitted before the last date indicated in the issue time table or such extended time as decided by REC, at any of the designated collection centres, accompanied by the subscription amount by way of cheque(s)/draft(s)/RTGS drawn on any bank including a co-operative bank which is situated at and is a member of the Bankers' clearing house located at a place where the Application Form is submitted. The Original Applications Forms (along with all necessary documents as detailed in the memorandum of information), pay-in slip and other necessary documents should be sent to corporate office through respective Arrangers at New Delhi on the same date.

Outstation cheque(s)/Bank draft(s) drawn on Bank(s) not participating in the clearing process at the designated clearing centres will not be accepted. Money orders/postal orders will also not be accepted. Investors in centres, which do not have any bank, including a Co-operative Bank, which is a member or sub member of the Banker's clearing house located at the above mentioned centres would be required to make payment only through Demand Draft payable at any one of the above mentioned centres. The Corporation assumes no responsibility for any applications/cheques/ DDs lost in mail. All cheques /drafts should be in favour of "Rural Electrification Corporation Ltd. – Bond Issue" and Crossed "Account Payee only". The entire amount of ₹10 Lakhs (Rupee Ten Lakhs only) per bond is payable on application.

Applications should be for the number of Bonds applied for, by the Applicant. Applications not completed in the said manner are liable to be rejected. The name of the applicant's bank, type of account and account number must be filled in the Application Form. This is required for the applicant's own safety and these details will be printed on the refund orders and interest/ redemption warrants.

The applicant or in the case of an application in joint names, each of the Applicant, should mention his/her Permanent Account Number (PAN) allotted under the Income-Tax Act, 1961 or where the same has not been allotted, the GIR No. and the Income tax Circle/Ward/District. As per the provision of Section 139A (5A) of the Income Tax Act, PAN/GIR No. needs to be mentioned on the TDS certificates. Hence, the investor should mention his PAN/GIR No. In case neither the PAN nor the GIR Number has been Allotted, the Applicant shall mention "Applied for" and in case the applicant is not assessed to income tax, the applicant shall mention 'Not Applicable' (stating reasons for non-applicability) in the appropriate box provided for the purpose. Application Forms without this information will be considered incomplete and are liable to be rejected.

Unless the Issuer Corporation specifically agrees in writing with or without such terms or conditions it deems fit, a separate single cheque/ demand draft must accompany each Application Form. Applicants are requested to write their names and application serial number on the reverse of the instruments by which the payments are made.

All Applicants are requested to tick the relevant column "Category of Investor" in the Application Form. Public/ Private/ Religious/ Charitable Trusts, Provident Funds and Other Superannuation Trusts and other investors requiring "approved security" status for making investments.

It is to be distinctly noted that in pursuance of sub clause (d) of clause (2) of Rule 14 of Companies (Prospectus and Allotment of Securities) Rules, 2014, remittance of Application Money for subscription to the Bonds shall be made only from the bank account of the person/ entity subscribing to the Bonds. In case of monies payable on subscription to the Bonds to be held by joint holders, the remittance of Application Money shall be made from the bank account of the person whose name appears first in the Application Form. In pursuance of the said provisions, the Applicants are required to submit a self-attested copy of their bank account statement reflecting debit for the application money. Such bank account statement must contain the name of Applicant, account number, name and branch of the bank.

For further instructions, please read General Instructions along with the Application Form carefully.

Force Majeure

REC reserves the right to withdraw the Issue prior to the closing date in the event of any unforeseen development adversely affecting the economic and regulatory environment. REC reserves the right to change the Issue schedule.

Acknowledgements

No separate receipts will be issued for the application money. However, the bankers to the Issue receiving the duly completed Application Form will acknowledge receipt of the application by stamping and returning to the applicant the 'Acknowledgement Slip' at the bottom of each Application Form.

Applications under Power of Attorney

A certified true copy of the power of attorney or the relevant authority as the case may be along with the names and specimen signature(s) of all the authorized signatories and the tax exemption certificate/ document, if any, must be lodged along with the submission of the completed Application Form. Further modifications/ additions in the power of attorney or authority should be notified to the Corporation or to its Registrars or to such other person(s) at such other address(es) as may be specified by the Corporation from time to time through a suitable communication.

Application by Mutual Funds

In case of Applications by Mutual Funds, a separate Application must be made in respect of each scheme of an Indian Mutual Fund registered with SEBI and such applications will not be treated as multiple applications, provided that the application made by the Asset Management Company/ Trustees/ Custodian clearly indicate their intention as to the scheme for which the Application has been made.

Right to Accept or Reject Applications

REC reserves its full, unqualified and absolute right to accept or reject any Application, in part or in full, without assigning any reason thereof. The rejected applicants will be intimated along with the refund warrant, if applicable, to be sent. The Application forms that are not complete in all respects are liable to be rejected and would not be paid any interest on the Application money. Application would be liable to be rejected on one or more technical grounds, including but not restricted to:

a. Number of Bonds applied for is less than the minimum application size;

b. Applications exceeding the issue size;

c. REC account details not given;

d. Details for issue of Bonds in electronic/ Dematerialized form not given; PAN/GIR and IT Circle/Ward/District not given;

e. In case of Applications under Power of Attorney by limited companies, corporate bodies, trusts, etc. relevant documents not submitted;

In the event, if any Bond(s) applied for is/ are not allotted in full, the excess application monies of such Bonds will be refunded, as may be permitted.

PAN/GIR Number

All Applicants should mention their PAN or the GIR Number allotted under I T Act, and the Income Tax Circle/ Ward/ District. In case where neither the PAN nor the GIR Number has been allotted, the fact of such a non-allotment should be mentioned in the Application Form in the space provided.

Signatures

Signatures should be made in English or in any of the Indian languages. Thumb impressions must be attested by an authorized official of a REC or by a Magistrate/ Notary Public under his/her official seal.

Nomination Facility

As per Section 72 of the Companies Act, 2013, only individuals applying as sole applicant/Joint Applicant can nominate, in the prescribed manner, a person to whom his Bonds shall vest in the event of his death. Non-individuals including holders of Power of Attorney cannot nominate.

Bondholder not a Shareholder

The Bondholders will not be entitled to any of the rights and privileges available to the shareholder. If, however, any resolution affecting the rights attached to the Bonds is placed before the members of REC, such resolution will first be placed before the Bondholders for their consideration.

Modification of Rights

The rights, privileges, terms and conditions attached to the Bonds may be varied, modified or abrogated with the consent, in writing, of those holders of the Bonds who hold at least three fourth of the outstanding amount of the Bonds or with the sanction accorded pursuant to a resolution passed at a meeting of the Bondholders, provided that nothing in such consent or resolution shall be operative against REC where such consent or resolution modifies or varies the terms and conditions of the Bonds, if the same are not acceptable to REC.

Future Borrowings

REC shall be entitled to borrow/ raise loans or avail of financial assistance in whatever form as also issue Bonds/ Debentures/ Notes/ other securities in any manner with ranking as *pari-passu* basis or otherwise and to change its capital structure, including issue of shares of any class or redemption or reduction of any class of paid up capital, on such terms and conditions as REC may think appropriate, without the consent of, or intimation to, the Bondholder(s) or the Trustees in this connection.

Ranking of Bonds

The Bonds are Unsecured, Redeemable, Non-Convertible, Taxable Bonds in the nature of Debentures. The Bonds shall rank paripassu inter se and, subject to any obligations preferred by mandatory provisions of the law prevailing from time to time, shall also as regards repayment of principal and payment of interest, rank paripassu with all other existing unsecured borrowings (except subordinated debt) of the Corporation.

Bond/ Debenture Redemption Reserve

As per the Companies (Share Capital and Debentures) Rules,2014 dated 31.03.2014, DRR is not required to be created in the case of privately placed debentures issued by NBFC's registered with the RBI under section 45-IA of the RBI (Amendment) Act, 1997

Notices

All notices required to be given by REC or by the Bond Trustees to the Bondholders shall be deemed to have been given if sent by ordinary post/ courier to the original sole/ first allottees of the Bonds and/ or if published in one All India English daily newspaper and one regional language newspaper.

All notices required to be given by the Bondholder(s), including notices referred to under "Payment of Interest" and "Payment on Redemption" shall be sent by registered post or by hand delivery to REC or to such persons at such address as may be notified by REC from time to time.

Tax Benefits to the Bondholders of REC

The holder(s) of the Bonds are advised to consider in their own case, the tax implications in respect of subscription to the Bonds after consulting their own tax advisor/ counsel.

Disputes & Governing Law

The Bonds are governed by and shall be construed in accordance with the existing laws of India. Any dispute arising thereof will be subject to the jurisdiction of courts of New Delhi.

Investor Relations and Grievance Redressal

Arrangements have been made to redress investor grievances expeditiously as far as possible, REC endeavours to resolve the investors' grievances within 30 days of its receipt. All grievances related to the issue quoting the Application Number (including prefix), number of bonds applied for, amount paid on application and Bank and Branch/REC collection centre where the Application was submitted, may be addressed to the Resource Mobilization Unit at the Head office. All investors are hereby informed that the Company has appointed a Compliance Officer who may be contracted in case of any problem related to this issue.

XII. CREDIT RATING & RATIONALE THEREOF

CRISIL Limited ("**CRISIL**") vide its letter dated October 08, 2014 has assigned a credit rating of "AAA/Stable" (Pronounced "Triple A with Stable outlook") to the long term borrowing programme of REC aggregating to ₹ 32000 crore. Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk. A copy of rating letter from CRISIL is enclosed elsewhere in this Private Placement Offer Letter.

India Ratings & Research Private Limited ("**IRRPL**") vide its letter dated October 08, 2014 has assigned a credit rating of "IND AAA" to the long term borrowing programme of REC aggregating to ₹ 37000 crore. Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk. A copy of rating letter from IRRPL is enclosed elsewhere in this Private Placement Offer Letter.

ICRA Limited ("**ICRA**") vide its letter October 10, 2014 has assigned a credit rating of "[ICRA]AAA" to the long term borrowing programme of REC aggregating to ₹ 37000 crore. Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk. A copy of rating letter from ICRA is enclosed elsewhere in this Shelf Disclosure Document.

Credit Analysis & Research Limited ("**CARE**") vide its letter dated October 9, 2014, has assigned a credit rating of "CARE AAA (Triple A)" to the long term borrowing programme of REC aggregating to ₹ 37000 crore. Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk. A copy of rating letter from CARE is enclosed elsewhere in this Private Placement Offer Letter.

Other than the four CREDIT ratings mentioned hereinabove, REC has not sought any other CREDIT rating from any other CREDIT rating agency (ies) for the Bonds offered for subscription under the terms of this Private Placement Offer Letter.

The above ratings are not a recommendation to buy, sell or hold securities and investors should take their own decision. The ratings may be subject to revision or withdrawal at any time by the assigning rating agencies and each rating should be evaluated independently of any other rating. The ratings obtained are subject to revision at any point of time in the future. The rating agencies have the right to suspend, withdraw the rating at any time on the basis of new information etc.

XIII. NAME OF BONDTRUSTEE

In accordance with the provisions of Section 71 of the Companies Act, 2013, Companies (Share Capital and Debentures) Rules 2014 and Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993, REC has appointed **IDBI Trusteeship Services Ltd. (ITSL)** to act as Bond Trustee ("**Bond Trustee**") for and on behalf of the holder(s) of the Bonds. The address and contact details of the Trustees are as under:

IDBI Trusteeship Services Ltd.
Registered Office,
Asian Building, Ground Floor,
17, Kamani Marg,
Mumbai – 400 001.
Tel No.(022) 40807000.
Fax No. 91-22-66311776.
E-mail: itsl@idbitrustee.co.in

A copy of letter from IDBI Trusteeship Services Ltd. conveying their consent to act as Bond Trustee for the current issue of Bonds is enclosed elsewhere in this Private Placement Offer Letter.

REC hereby undertakes that the rights of the Bondholders will be protected as per the agreement/deed executed/to be executed between REC and the Bond Trustee. The Bond Trustee Agreement/Deed shall contain such clauses as may be prescribed under section 71 of the Companies Act, 2013, Companies (Share Capital and Debentures) Rules, 2014 and those mentioned in Schedule IV of the Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993. Further the Bond Trustee Agreement/Deed shall not contain any clause which has the effect of (i) limiting or extinguishing the obligations and liabilities of the Bond Trustee or REC in relation to any rights or interests of the holder(s) of the Bonds, (ii) limiting or restricting or waiving the provisions of the SEBI Act; SEBI Debt Regulations and circulars or guidelines issued by SEBI, (iii) indemnifying the Trustees or REC for loss or damage caused by their act of negligence or commission or omission.

The Bondholder(s) shall, without further act or deed, be deemed to have irrevocably given their consent to the Bond Trustee or any of their agents or authorized officials to do all such acts, deeds, matters and things in respect of or relating to the Bonds as the Bond Trustee may in their absolute discretion deem necessary or require to be done in the interest of the holder(s) of the Bonds. Any payment made by REC to the Bond Trustee on behalf of the Bondholder(s) shall discharge REC *pro tanto* to the Bondholder(s). The Bond Trustee shall protect the interest of the Bondholders in the event of default by REC in regard to timely payment of interest and repayment of principal and shall take necessary action at the cost of REC. No Bondholder shall be entitled to proceed directly against REC unless the Bond Trustee, having become so bound to proceed, fail to do so. In the event of REC defaulting in payment of interest on Bonds or redemption thereof, any distribution of dividend by REC shall require approval of the Bond Trustee.

XIV. STOCK EXCHANGE WHERE SECURITIES ARE PROPOSED TO BE LISTED

The Unsecured, Redeemable, Non-Convertible, Bonds in the nature of Debentures ("Bonds") (Series 125) are proposed to be listed on the Wholesale Debt Market (WDM) Segment of the BSE and/or NSE. The company has obtained the in-principle approval of BSE and/or NSE for listing of the Bonds. REC shall make an application to the BSE and/or NSE to list the Bonds to be issued and allotted under this Private Placement Offer Letter and complete all the formalities relating to listing of the Bonds within stipulated time (as per applicable law) from the date of closure of the Issue. If the permission to list and trade the Bonds is not granted by the stock exchanges, our Company shall forthwith repay, without interest, all such moneys received from the Applicant in pursuance of this Private Placement Offer Letter and Section 40 of the Companies Act, 2013. If default is made, our Company and every officer in default will liable to fine as prescribed in Section 40 of the Companies Act, 2013.

In connection with listing of Bonds with BSE and/or NSE, REC hereby undertakes that:

(a) It shall comply with conditions of listing of Bonds as may be specified in the Listing Agreement with BSE and/or NSE.

(b) Ratings obtained by REC shall be periodically reviewed by the CREDIT rating agencies and any revision in the rating shall be promptly disclosed by REC to BSE and/or NSE.

(c) Any change in rating shall be promptly disseminated to the holder(s) of the Bonds in such manner as BSE and/or NSE may determine from time to time.

(d) REC, the Bond Trustee and BSE and/or NSE shall disseminate all information and reports on Bonds including compliance reports filed by REC and the Trustees regarding the Bonds to the holder(s) of Bonds and the general public by placing them on their websites.

(e) Bond Trustee shall disclose the information to the holder(s) of the Bonds and the general public by issuing a press release in any of the following events:

(i) default by REC to pay interest on Bonds or redemption amount;

(ii) revision of rating assigned to the Bonds;

(f) The information referred to in para (e) above shall also be placed on the websites of the Trustees, REC, BSE and/or NSE.

XV. DEBT EQUITY RATIO

1. Debt - Equity Ratio (On stand alone basis)

(₹ in crores)

Particulars	Pre-Issue*	Post-Issue#
Debt		
Short Term Debt	4,859.10	4,859.10
Long Term Debt	125,888.47	138,153.47
Total Debt (A)	130,747.57	143,012.57
Equity		
Share Capital	987.46	987.46
Reserves & Surplus	21017.18	21017.18
Total Equity (B)	**22,004.64**	**22,004.64**
Debt / Equity (A/B)	5.94	6.50

* Pre issue figures are as on June 30, 2104
# No effect has been given for changes in equity and debt instruments subsequent to June 30,, 2014 except for bonds series 123 tranche 1 amounting to Rs.1515 crores, Rs.1660 crores for Series 123 tranche 2, Rs.3230 crores for Series 123 tranche 3, Rs.2750 crores for Series 123 tranche 4, Rs. 2610 crores for Series 124 tranche 1and Rs.500 crores towards proposed issue of bonds.

XVI. SERVICING BEHAVIOUR ON EXISTING DEBT SECURITIES AND OTHER BORROWINGS

REC hereby confirms that:

a) The main constituents of REC's borrowings have been in the form of borrowings from Banks and Financial Institutions, Bonds etc.

b) REC has been servicing all its principal and interest liabilities on time and there has been no instance of delay or default since inception.

c) REC has neither defaulted in repayment/ redemption of any of its borrowings nor affected any kind of roll over against any of its borrowings in the past.

XVII. UNDERTAKING REGARDING COMMON FORM OF TRANSFER

The Bonds shall be transferred subject to and in accordance with the rules/ procedures as prescribed by the NSDL/CDSL/Depository Participant of the transferor/ transferee and any other applicable laws and rules notified in respect thereof. The normal procedure followed for transfer of securities held in dematerialized form shall be followed for transfer of these Bonds held in electronic form. The seller should give delivery instructions containing details of the buyer's DP account to his depository participant. The transferee(s) should ensure that the transfer formalities are completed prior to the Record Date. In the absence of the same, interest will be paid/ redemption will be made to the person, whose name appears in the records of the Depository. In such cases, claims, if any, by the transferee(s) would need to be settled with the transferor(s) and not with REC.

REC undertakes that it shall use a common form/ procedure for transfer of Bonds issued under terms of this Private Placement Offer Letter.

XVIII. MATERIAL CONTRACTS & AGREEMENTS INVOLVING FINANCIAL OBLIGATIONS OF THE ISSUER

By very nature of its business, REC is involved in a large number of transactions involving financial obligations and therefore it may not be possible to furnish details of all material contracts and agreements involving financial obligations of REC. However, the contracts referred to in Para A below (not being contracts entered into in the ordinary course of the business carried on by REC) which are or may be deemed to be material have been entered into by REC. Copies of these contracts together with the copies of documents referred to in Para B may be inspected at the Head Office of REC between 10.00 a.m. and 2.00 p.m. on any working day until the issue closing date.

MATERIAL DOCUMENTS

1. Memorandum and Articles of Association of the Company, as amended to date.
2. Certificate of Incorporation dated July 3, 1969 and Fresh Certificate of Incorporation dated July 18, 2003.
3. Copy of shareholders resolution obtained for overall borrowing limit.
4. Credit Rating letters issued by CRISIL, CARE, ICRA and India Ratings & Research respectively.
5. Auditor's Report and standalone financial statements for the financial year March 31, 2012, 2013 and 2014 and consolidated financial statements prepared under Indian GAAP for the financial year 2012, 2013 and 2014.
6. RBI letter no. DNBS.CO.ZMD (N) No 1635/14.18.014/2014-15 dated September 26, 2014
7. Auditor's Limited Review Report dated August 12, 2014 on unaudited standalone financial results for the first quarter ended on June 30, 2014.
8. Annual Report of the Company for the last three Fiscals.
9. Board Resolution dated March 28, 2014 and August 12, 2014 authorizing issue of Bonds offered on private placement basis.
10. Letter of consent from Trustee dated October 8, 2014 for acting as Trustees for and on behalf of the holder(s) of the Bonds.
11. Tripartite Agreement between REC, NSDL and RCMC Share Registry Pvt. Ltd. for issue of Bonds in Dematerialized form.
12. Tripartite Agreement between REC, CDSL and RCMC Share Registry Pvt. Ltd. for issue of Bonds in Dematerialized form.
13. Bond Trustee Agreement between the Company and Bond Trustee.
14. Bond Trust Deed in favour of Trustee.

XIX. ANNEXURES

A. APPLICATION FORM ALONGWITH GENERAL INSTRUCTIONS

B. CONSENT LETTER OF TRUSTEE

Annexure - I

C. CREDIT RATING LETTERS & RATING RATIONALE

As Annexed as Annexure II.

D. **LIMITED REVIEW FINANCIALS**

As Annexure III.

XXI. DECLARATION

The Company undertakes that this Private Placement Offer Letter contains full disclosures in conformity with Form PAS-4 prescribed under section 42 and rule 14(1) of Companies (Prospectus and Allotment of Securities) Rules, 2014, Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 issued vide circular no. LAD-NRO/GN/2008/13/127878 dated June 06, 2008, as amended, Securities and Exchange Board of India (Issue and Listing of Debt Securities) (Amendment) Regulations, 2012 issued vide circular no. LAD-NRO/GN/2012-13/19/5392 dated October 12, 2012, as amended, Securities and Exchange Board of India (Issue and Listing of Debt Securities) (Amendment) Regulations, 2014 issued vide circular no. LAD-NRO/GN/2013-14/43/207 dated January 31, 2014, as amended, circular no. DNBD(PD) CC No. 330 /03.10.001/2012-13 dated June 27, 2013issued by the Reserve Bank of India on "Raising Money through Private Placement by NBFCs-Debentures etc." and circular no. DNBS(PD) CC No.349/03.10.001/2013-14 dated July 02, 2013 issued by the Reserve Bank of India on "Raising Money through Private Placement by NBFCs-Non-Convertible Debentures (NCDs) – Clarification"

The Company has complied with the provisions of the Companies Act, 2013 and the rules made thereunder. It is to be distinctly understood that compliance with the Companies Act, 2013 and the rules does not imply that payment of interest or repayment of Bonds, is guaranteed by the Government of India.

The Company undertakes that the monies received under the Issue shall be utilized only for the purposes and 'Objects of the Issue' indicated in the Private Placement Offer Letter.

The Issuer accepts no responsibility for the statement made otherwise than in the Private Placement Offer Letter or in any other material issued by or at the instance of the Issuer and that any one placing reliance on any other source of information would be doing so at his own risk.

The undersigned has been authorized by the Board of Directors of the Company vide resolution number 403.4.1dated April 28, 2014 to sign this Private Placement Offer Letter and declare that all the requirements of Companies Act, 2013 and the rules made thereunder in respect of the subject matter of this form and matters incidental thereto have been complied with. Whatever is stated in this Private Placement Offer Letter and in the attachments thereto is true, correct and complete and no information material to the subject matter of this form has been suppressed or concealed and is as per the original records maintained by the Promoter subscribing to the Memorandum of Association and Articles of Association of the Company.

It is further declared and verified that all the required attachments have been completely, correctly and legibly attached to this Private Placement Offer Letter.

For and on behalf of the Board of Directors of Rural Electrification Corporation Limited

Rajesh Kumar
Deputy General Manager (Finance)

Place: New Delhi
Date: October 10, 2014

a. Copy of resolution of the Board of Directors authorizing the preset Issue of Bonds.
b. Copy of special resolution passed by the shareholders of the Company under section 42 of The Companies Act, 2013 and sub-rule 2 of rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, dated September 18, 2014.
c. Copy of rating letters from CRISIL, IRRPL, ICRA and CARE.
d. Copy of consent letter from IDBI Trusteeship Services Ltd. to act as Trustees for the Bondholders.
e. Auditor's Limited Review Report dated August 12, 2014 on unaudited standalone financial results for the first quarter ended on June 30, 2014.

CARE Ratings
Professional Risk Opinion
20 YEARS PLUS
Analytical Excellence

Mr. Rakesh Kumar Arora
ED – Finance
Rural Electrification Corporation Ltd.
Core 4, Scope Complex,
7, Lodhi Road, New Delhi - 110003

October 09, 2014

Confidential

Dear Sir,

Credit rating of Market Borrowing Programme for FY15

Please refer to our letter dated September 30, 2014, and your request for revalidation of the rating assigned to the Market Borrowing Programme for FY15 aggregating to Rs. 37,000 crore of Rural Electrification Corporation Ltd. (REC).

2. The following ratings have been reviewed

Facilities	Amount (Rs. crore)	Rating[1]	Remarks
Market Borrowing Programme – FY15	37,000*	**CARE AAA/ CARE A1+ (Triple A/ A One Plus)**	**Reaffirmed**

*includes short term borrowing including Bank Guarantee limit aggregating Rs. 7,500 crore as a part of the total borrowing programme

3. The Commercial Paper/Short term debt issue would be for a maturity not exceeding one year.

4. Please arrange to get the rating revalidated, in case the issue is not made within a period of **six months** for long-term rating and **two months** for short-term rating from the date of this letter.

[1] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

CORPORATE OFFICE: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (E), Mumbai 400 022.
Tel.: +91-22-6754 3456; Fax: +91-22-6754 3457
Email: care@careratings.com | www.careratings.com

13th Floor, E-1 Block, Videocon Tower
Jhandewalan Extension, New Delhi 110 055
Tel: +91-11-4533 3200
Fax: +91-11-4533 3238

5. Please inform us the details of issue [date of issue, name of investor, amount issued, interest rate, date of maturity, etc.] as soon as it has been placed.

6. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.

7. CARE reserves the right to suspend / withdraw / revise the rating assigned on the basis of new information or in the event of failure on the part of the company to furnish such information, material and clarifications as may be required by CARE. CARE shall also be entitled to publicize / disseminate such suspension / withdrawal / revision in the assigned rating in any manner considered appropriate by it, without any reference to you.

8. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.

9. Users of this rating may kindly refer our website **www.careratings.com** for latest update on the outstanding rating.

10. CARE ratings are **not** recommendations to buy, sell, or hold any securities or sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,

Gaurav Jain
Gaurav Jain
[Analyst]
gaurav.jain@careratings.com

Gaurav Dixit
Gaurav Dixit
[Assistant General Manager]
gaurav.dixit@careratings.com

Encl: As above

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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RURAL ELECTRIFICATION CORPORATION LIMITED

Ratings

Facilities/ Instruments	Amount (Rs. crore)	Ratings[1]	Remarks
Market Borrowing Programme (FY'05)	951.79	CARE AAA [Triple A]	Reaffirmed
Market Borrowing Programme (FY'06)	3,584.10	CARE AAA [Triple A]	Reaffirmed
Market Borrowing Programme (FY'07)	314.80	CARE AAA [Triple A]	Reaffirmed
Market Borrowing Programme (FY'08)	1,568.30	CARE AAA [Triple A]	Reaffirmed
Long Term Market Borrowing programme (FY'09)	9,921.30	CARE AAA [Triple A]	Reaffirmed
Long Term Market Borrowing programme (FY'10)	13,660.78	CARE AAA [Triple A]	Reaffirmed
Long Term Market Borrowing programme (FY'11)	15,798.10	CARE AAA [Triple A]	Reaffirmed
Market Borrowing programme (FY'12)	25,862.55	CARE AAA [Triple A]	Reaffirmed
Market Borrowing programme (FY'13)	36,000.00	CARE AAA [Triple A]	Reaffirmed
Market Borrowing programme (FY'14) (including short term borrowing programme)	37,000.00	CARE AAA/CARE A1+ [Triple A/ A One Plus]	Reaffirmed
TOTAL	**144,661.72**		

Rating Rationale

The ratings continue to factor in the majority ownership by Government of India (GoI), Rural Electrification Corporation Ltd.'s (REC) status as the nodal agency of GoI for financing rural electrification programme and its strategic importance in funding the power infrastructure in India. The ratings also draw comfort from REC's comfortable asset quality, comfortable capital adequacy, diversified resource profile and stable profitability. The rating strengths are partially offset by REC's high exposure to weak state power utilities and high sectoral as well as borrower concentration risk.

Continued ownership and support by GoI by way of extension of favourable policy regime and asset quality are the key rating sensitivities.

Background

REC was established in 1969 under the Companies Act, 1956, in pursuance of the recommendations of the All India Rural Credit Review Committee constituted by the Reserve Bank of India. It was declared a Public Financial Institution in 1992 under Sec. 4A of the Companies Act and also registered as "systemically important" Non-Banking Financial Company under Sec. 45- IA of the RBI Act in 1998. The GoI has a majority shareholding of 66.8% in REC.

REC is a nodal agency of the government for financing rural electrification programmes and also holds the responsibility for monitoring and channelizing funds under the Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY), which was launched in April 2005 with the aim of electrifying all villages. The company was conferred the Navratna status in 2008-09.

REC caters to the financing needs of all segments of the power sector viz generation, transmission and distribution. The company received the status of an Infrastructure Finance Company (IFC) in September 2010.

Credit Risk Assessment

Government ownership and support and status of nodal agency

The Government of India (GoI) is the major shareholder of REC with 66.8% stake in the company. The government has been supporting REC by way of guaranteeing its borrowings from international agencies like Japan International cooperation Agency (JICA) and KfW. Besides, REC is a strategically important entity for the government, as it is the nodal agency for implementing the RGGVY scheme aimed at providing electricity to rural India. REC also acts as the nodal agency for the National Electricity Fund (NEF), an interest subsidy scheme started by the Ministry of Power to provide interest subsidy to loans disbursed to

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

DISCOMs to improve infrastructure in the distribution sector. REC also plays a pivotal role in financing power projects from both the state and private sector, thereby being instrumental in strengthening the power infrastructure of the country.

Healthy growth in advances profile with continued sectoral and borrower concentration

During FY13, REC had disbursed Rs. 39,275 crore against sanction of Rs. 79,528 crore (including RGGVY) as compared to Rs. 27,820 crore of disbursement against sanction of Rs. 50,836 crore in FY12. The growth in the disbursement had mainly come from transmission and distribution segment which accounted for 60% of the total disbursement in FY13 (45% in FY12) followed by generation (35%) and short term loans (5%).

REC's gross advances portfolio grew by 26% to Rs. 127,356 crore as on March 31, 2013. The growth in loans to the generation sector increased 23% to Rs. 55,478 crore and accounted for 44% of the total loan portfolio as on March 31, 2013. Loans to Transmission & Distribution sector increased 31% to Rs. 65,296 crore and accounted for 51% of the loan portfolio as on March 31, 2013. As on June 30, 2013, loan portfolio stood at Rs. 132,915 crore. Yield on the advances portfolio was stable at approximately 11.63% in FY13 (refers to the period April 1 to March 31).

REC continues to remain exposed to high sector and borrower concentration risk as it caters only to the power sector with approximately 82% of the total advances as on March 31, 2013 towards State power utilities (SPUs). Furthermore, top 10 exposures contributed 45% to the total outstanding loan book as on March 31, 2013.

Comfortable capital adequacy

REC had a comfortable capital adequacy ratio of 17.71% at the end of FY13 (16% as on March 31, 2012). It had improved as compared with FY12 due to healthy internal capital generation during FY13.

Comfortable asset quality, however, high exposure to weak state power utilities

REC's asset quality continued to remain comfortable with no new slippage during FY13 as well as Q1FY14. The Gross NPA and Net NPA as on March 31, 2013, stood at 0.39% and 0.315% against 0.48% and 0.42% as on March 31, 2012. Further, corporation has also not restructured any account in FY13 and Q1FY14.

REC's portfolio mainly includes loans to SPUs with approximately 27% of the advances portfolio backed by guarantee from the respective state governments. Exposure to private sector borrowers accounted for 13% of the total portfolio as on March 31, 2013. Since majority of the state power utilities have weak financial profile, it exposes REC to vulnerability in asset quality. However, REC has been able to maintain good collection efficiency from its state as well private sector entities (collection efficiency of 99.04% in 2012-13).

Diversified resource profile

REC has a well-diversified resource profile, since it can mobilize funds at cost effective rates from various sources such as external commercial borrowings (ECB), international agencies like JICA and KfW, domestic financial institutions, long-term bonds, bank loans, commercial paper, capital gains tax exemption bonds, infrastructure bonds and tax free bonds. After getting the status of Infrastructure Finance Company in September 2010, REC has become eligible for issuance of infrastructure bonds and for raising funds up to US$ 750 million through ECB in a year under automatic route.

During FY13, REC had raised Rs.30,759 crore mainly through institutional and zero coupon bonds (53% of the total borrowing in FY13), Capital gain bonds (16%), foreign currency loans (15%), tax-free bonds (9%) and bank loans (7%).

Prospects

REC has demonstrated sustained business growth in FY13 as well as Q1FY14 with comfortable asset quality despite weak financial health of state power utilities. Going forward, the continued support of the GoI by way of extension of favorable policy regime and the ability of the company to maintain comfortable profitability and asset quality would be the key rating sensitivities.

Financial Performance

(Rs. Crore)

Particulars / Year ended as on March 31,	2011 (A) 12M	2012 (A) 12M	2013 (A) 12M
Interest from loans	8,109	10,264	13,291
Investment & Other Income	386	245	308
Total Income	**8,495**	**10,509**	**13,599**
Interest Expense	4,851	6,379	8,006
Net Interest Income	**3,258**	**3,885**	**5,285**
Operating Expenses	167	233	220
Provision on bad loans	0.22	52	131
PBT	**3,477**	**3,793**	**5,164**
PAT	**2,570**	**2,817**	**3,818**
Tangible Net worth	12,788	14,563	17,454
Total Borrowings	70,040	90,056	1,07,791
Loans & Advance (Net of provisions)	81,707	101,362	1,27,266
Total Assets	86,513	1,08,546	1,30,507
Key Ratios (%)			
Solvency			
Overall Gearing (times)	5.48	6.18	6.18
Capital Adequacy Ratio (CAR) (%)	19.09	16.00	17.71
Tier I CAR (%)	18.04	15.05	16.51
Interest Coverage (times)	1.72	1.59	1.68
Profitability			
Interest Income/Avg. Loans (%)	10.98	11.21	11.63
Interest/Avg. Borrowed Funds	7.70	7.97	8.09
Interest Spread	3.28	3.24	3.54
Net Interest Margin	3.52	3.98	4.42
Return on Total Assets (ROTA)	3.29	2.89	3.19
Asset Quality			
Gross NPA / Gross Advances	0.02	0.48	0.39
Net NPA / Net Adv	0.002	0.42	0.31
Net NPA/ Net worth	0.02	2.89	2.30

(This follows our brief rational for entity published on 18 October 2013)

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CONFIDENTIAL

CRISIL RATINGS

Ref.no.: MS/FSR/REC/2014-15/1120

October 8, 2014

Mr. Ajeet Agarwal
Director - Finance
Rural Electrification Corporation Limited
Core-4, SCOPE Complex
7, Lodhi Road
New Delhi-110 003

Dear Mr. Agarwal,

Re: CRISIL Rating for the Rs.320.0 Billion Long Term Borrowings Programme*of Rural Electrification Corporation Limited.

All ratings assigned by CRISIL are kept under continuous surveillance and review.

Please refer to our letter dated September 1, 2014 bearing Ref No. MS/FSR/REC/2014-15/990

CRISIL has, after due consideration, reaffirmed **"CRISIL AAA/Stable"** (pronounced "CRISIL Triple A with stable outlook") rating for the captioned Debt Programme. Instruments with this rating are considered to have the **highest** degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.

As per our Rating Agreement, CRISIL would disseminate the rating along with outlook through its publications and other media, and keep the rating along with outlook under surveillance for the life of the instrument. CRISIL reserves the right to suspend, withdraw, or revise the rating / outlook assigned to the captioned programme at any time, on the basis of new information, or unavailability of information, or other circumstances which CRISIL believes may have an impact on the rating.

In the event of your company not making the issue within a period of 180 days from the above date, or in the event of any change in the size or structure of your proposed issue, a fresh letter of revalidation from CRISIL will be necessary.

As per the latest SEBI circular[1] on centralized database for corporate bonds/debentures, you are required to provide international securities identification number (ISIN; along with the reference number and the date of the rating letter) of all bond/debenture issuances made against this rating letter to us. The circular also requires you to share this information with us within 2 days after the allotment of the ISIN. We request you to mail us all the necessary and relevant information at **debtissue@crisil.com**. This will enable CRISIL to verify and confirm to the depositories, including NSDL and CDSL, the ISIN details of debt rated by us, as required by SEBI. Feel free to contact us for any clarifications you may have at **debtissue@crisil.com**

Should you require any clarifications, please feel free to get in touch with us.

With warm regards,

Yours sincerely,

Rupali Shanker
Director –Financial Sector Ratings

MRSaraf

Manish Saraf
Associate Director – Financial Sector Ratings

* Subject to total long term bank borrowing and borrowing under the rated long term bonds programme not exceeding Rs.320.0 Billion at any point in time during the year 2014-15 (refers to financial year, April 1 to March 31)

[1] Please refer to SEBI circular (bearing reference number: CIR/IMD/DF/17/2013) on Centralized Database for Corporate bonds/ Debentures dated October 22, 2013

A CRISIL rating reflects CRISIL's current opinion on the likelihood of timely payment of the obligations under the rated instrument, and does not constitute an audit of the rated entity by CRISIL. CRISIL ratings are based on information provided by the issuer or obtained by CRISIL from sources it considers reliable. CRISIL does not guarantee the completeness or accuracy of the information on which the rating is based. A CRISIL rating is not a recommendation to buy / sell or hold the rated instrument; it does not comment on the market price or suitability for a particular investor.
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May 07, 2013
Mumbai

Rural Electrification Corporation Limited

'CRISIL AAA/Stable/CRISIL A1+' assigned to long-term borrowing and short-term debt programme

Rs.345 Billion Long-Term Borrowing Programme^	**CRISIL AAA/Stable (Assigned)**
Rs.25 Billion Short Term Debt Programme@	**CRISIL A1+ (Assigned)**
Bond Programme Aggregating Rs.506 Billion	**CRISIL AAA/Stable (Reaffirmed)**
Rs.90 Billion Non-Convertible Debentures Programme	**CRISIL AAA/Stable (Reaffirmed)**
Long-Term Borrowing Programme Aggregating Rs.1,225 Billion	**CRISIL AAA/Stable (Reaffirmed)**
Rs.2.25 Billion Tax Free Bond Programme	**CRISIL AAA/Stable (Reaffirmed)**
Rs.2.75 Billion Taxable Bond Programme	**CRISIL AAA/Stable (Reaffirmed)**
Rs.100 Billion Short Term Debt Programme	**CRISIL A1+ (Reaffirmed)**
Rs.25 Billion Short Term Debt Programme	**CRISIL A1+ (Reaffirmed)**

^ Total incremental long-term bank borrowing, and borrowing under the rated long-term bonds programme, not to exceed Rs.345 billion at any point in time during 2013-14 (refers to financial year, April 1 to March 31).
@ Includes short-term bank borrowing; total short-term bank borrowing and borrowing under the rated short-term debt programme not to exceed Rs.25 billion at any point during 2013-14.

CRISIL has assigned its '**CRISIL AAA/Stable**' rating to Rural Electrification Corporation Ltd's (REC's) Rs.345 billion long-term borrowing programme and its '**CRISIL A1+**' rating to REC's Rs.25 billion short-term debt programme, while reaffirming the ratings on the other debt programmes at '**CRISIL AAA/Stable/CRISIL A1+**'.

The ratings continue to reflect REC's strategic importance to, and majority ownership by, the Government of India (GoI) because of its key role in financing the Indian power sector. The ratings also continue to reflect REC's sound resource profile, and comfortable capitalisation and profitability. These rating strengths are partially offset by the inherent vulnerability of REC's asset quality to the weak financial profiles of its main borrowers, the state power utilities (SPUs), and significant sectoral and customer concentration.

REC is strategically important to GoI because it is the nodal agency for channeling finance towards GoI's rural electrification programme carried out under the Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY). REC has been nominated as the sole nodal agency to operate the National Electricity Fund Scheme – an interest subsidy scheme introduced by GoI – to promote the capital investment in the distribution sector. The company also plays a developmental role in channelling finance to meet the power sector's large funding requirements; REC is the second-largest lender to the sector, with a share of around 17 per cent. GoI supports the company financially and operationally in various ways, including conferring special status to raise capital gains tax exemption bonds. CRISIL believes that GoI has strong strategic reason and moral obligation to extend support to REC, both on an ongoing basis and in the event of distress, given REC's role in implementing GoI's power sector policies and GoI's majority ownership in the company (66.8 per cent as on December 31, 2012).

REC's credit risk profile is supported by its sound resource profile, with competitive borrowing costs and a diversified, albeit wholesale, resource base. Its cost of borrowings is better than that of its peers; REC's borrowing cost was around 8.3 per cent (on an annualised basis; including foreign currency fluctutation losses) for the first nine months of 2012-13 (refers to financial year, April 1 to March 31; 8.2 per cent for 2011-12). REC's capitalisation remains comfortable, thereby providing cushion against asset-side risks arising from its high sectoral and customer concentration. The company's absolute net worth was Rs.168.3 billion as on December 31, 2012. Its overall capital adequacy ratio was 16.0 per cent as on March 31, 2012. The company's capitalisation is supported by healthy accruals, as reflected in its return on net worth ratio of around 24 per cent (on an annualised basis) during the nine months ended December 31, 2012 (20 per cent in 2011-12). REC's comfortable net worth will support its growth plans, while it maintains adequate gearing over the medium term. REC's comfortable profitability is supported by its ability to maintain healthy interest spreads and low operating expenses ratio. Its return on assets ratio was around 3.4 per cent (on an annualised basis) during the first nine months of 2012-13.

However, REC has weak inherent asset quality because of the poor financial risk profiles of its main customers, the SPUs. The aggregate losses (excluding subsidy) of all SPUs were around Rs.620 billion in 2010-11 and are estimated to have increased further in 2011-12 and 2012-13. Additionally, REC has high sectoral and customer concentration. It caters only to the power sector, with around 83 per cent of its advances to SPUs as on December 31, 2012. REC's top 10 customers accounted for about 45 per cent of its advances as on March 31, 2012. REC is making efforts to de-risk its customer profile by diversifying its asset portfolio through lending to private power sector projects. However, these measures offset the risks only partially, given REC's sectoral concentration and the SPUs' weak financial risk profiles. Additionally, given the long gestation period of the projects, and heightened uncertainities related to regulatory clearances, fuel linkages, and financial closure, CRISIL believes that REC will reap the benefits of financing private power sector projects only over the long term.

Outlook: Stable

CRISIL believes that REC will continue to benefit from GoI's support, given REC's strategic role in the implementation of GoI's power sector initiatives and majority ownership in the company. REC will maintain its healthy position in the infrastructure-financing segment along with comfortable capitalisation and earnings. The outlook may be revised to 'Negative' if there is a decline in REC's strategic importance to, or in the support it receives from, GoI. The outlook may also be revised to 'Negative' if there is deterioration in REC's asset quality or profitability.

About the Company

REC is a public financial institution under the administrative control of the Ministry of Power (MoP), GoI. Until 2003, REC's primary objective was to provide financial assistance on concession to SPUs for rural electrification. REC's mandate was broadened in 2003 to include financing of all segments of the power sector; REC finances generation projects, including independent power projects (IPPs). It was conferred the Navratna status in 2008-09, giving it more financial and administrative autonomy. REC is allowed to issue long-term infrastructure and tax-free bonds.

For 2011-12, REC reported a total income (net of interest expense) and a profit after tax (PAT) of Rs.41.3 billion and Rs.28.2 billion, respectively, against Rs.36.4 billion and Rs.25.7 billion, respectively, for the previous year. For the nine months ended December 31, 2012, REC reported a total income (net of interest expense) and a PAT of Rs.41.0 billion and Rs.28.6 billion, respectively, compared with Rs.30.3 billion and Rs.20.6 billion, respectively, for the corresponding period of the previous year.

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About CRISIL LIMITED

CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services. We are India's leading ratings agency. We are also the foremost provider of high-end research to the world's largest banks and leading corporations.

About CRISIL Ratings

CRISIL Ratings is India's leading rating agency. We pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we have a leadership position. We have rated over 60,000 entities, by far the largest number in India. We are a full-service rating agency. We rate the entire range of debt instruments: bank loans, certificates of deposit, commercial paper, non-convertible debentures, bank hybrid capital instruments, asset-backed securities, mortgage-backed securities, perpetual bonds, and partial guarantees. CRISIL sets the standards in every aspect of the credit rating business. We have instituted several innovations in India including rating municipal bonds, partially guaranteed instruments and microfinance institutions. We pioneered a globally unique and affordable rating service for Small and Medium Enterprises (SMEs).This has significantly expanded the market for ratings and is improving SMEs' access to affordable finance. We have an active outreach programme with issuers, investors and regulators to maintain a high level of transparency regarding our rating criteria and to disseminate our analytical insights and knowledge.

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Last updated: March 7, 2013

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May 07, 2013 *http://www.crisil.com*

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ICRA Limited

D/RAT/2014-15/R7/8

October 10, 2014

Mr. Sanjay Kumar
Dy. General Manager (Finance)
Rural Electrification Corporation Limited
Core 4 A, SCOPE Complex
7, Lodhi Road
New Delhi – 1100 03

Dear Sir,

Re: ICRA Credit Rating of the Rs. 37,000 crore Long- Term Borrowing Programme of Rural Electrification Corporation Limited for the Financial Year 2014-15

This is with reference to your request dated October 8, 2014 for re-validating your rating for the Long Term Borrowing Programme of Rs 37,000 crore.

We hereby confirm that the rating of **"[ICRA]AAA" (pronounced ICRA triple A)** assigned to the captioned Long Term Borrowing Programme of Rs. 37,000 crore of your company and last communicated to you vide our letter dated September 4, 2014 stands. Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.

The other terms and conditions for the credit rating of the aforementioned instrument shall remain the same vide our letter Ref No: D/RAT/2014-15/R7/2 dated April 25, 2014.

With kind regards,
For ICRA Limited

Vibha Batra
Senior Vice President

Jaskirat Singh

Jaskirat S. Chadha
Assistant Vice President

Rural Electrification Corporation Limited

Instrument	Amount	Rating Action
Long Term Borrowing Programme 2013-014	Rs.37,000 crore *	[ICRA]AAA (assigned)
Short Term Borrowing Programme 2013-014	Rs.2,500 crore *	[ICRA]A1+ (assigned)

**Rs. 2,500 crore short term borrowing programme is interchangeable with long term borrowings, subject to total long term borrowings not exceeding Rs. 37,000 crore*

ICRA has assigned [ICRA]AAA (pronounced ICRA triple A) rating to the long term borrowing programme for 2013-14 of Rs. 37,000 crore of Rural Electrification Corporation Limited (REC)[†*]. ICRA has also assigned the rating of [ICAR]A1+ (pronounced ICRA A one plus) to the Rs. 2,500 crore short term borrowing programme of the corporation. ICRA has ratings outstanding of [ICRA]AAA on the various long-term bond and bank borrowing programmes and [ICRA]A1+ (pronounced ICRA A one plus) on the commercial paper/short-term debt programme and short term bank borrowing programme of the corporation[†].

The [ICRA]AAA ratings are underpinned by REC's sovereign ownership (66.8% as on March 31, 2013) and the important role the corporation plays as a nodal agency for the Government of India's rural electrification schemes under the Rajiv Gandhi Grameen Vidhyutikaran Yojna (RGGVY) and also a sole nodal agency for operationalisation of NEF[†] scheme. Further, REC, as one of the major power sector financiers, remains strategically important for the Government of India (GoI), given the latter's objective of augmenting power capacities across the country. The ratings continue to draw comfort from REC's comfortable earnings profile, its comfortable liquidity position, and its strong financial flexibility, which, along with its access to low-cost capital gains bonds and Tax Free Bonds (together accounting for around 19% of total borrowings as on Mar-13[‡]), enables it to raise long-term funds at competitive rates. These strengths are however are moderated by the corporation's exposure to a single sector and the high concentration of weaker-credit-quality State power utilities. Credit risk for a large number of REC's borrowers remains a concern given the significant losses that State power distribution entities have been reporting for quite some time now. RECs exposure to state sector utilities accounted for 76% of its total portfolio as in Mar-13, while its exposure to the power distribution entities is around 36% of total portfolio. Based on ICRA estimate, REC exposure to state power distribution companies in weaker[§] states accounts for around 18% of total portfolio as on Mar-13; however after adjusting for state government guarantees RECs direct exposure to discoms in weaker states accounts for around 6.3% of its total advances as on March 31, 2013. ICRA however has taken note of the approval of a scheme for financial restructuring of State Distribution Companies (Discoms) by GoI in September 2012; the scheme is expected to improve the liquidity profile of power distribution companies in short-term; whether this also leads to a structural improvement in the financial health of state utilities remains to be seen and is contingent upon the extent to which measures such as timely tariff revision, and timely action from state governments as per the requirement of scheme. ICRA continues to closely monitor the developments in the power sector, and has also taken note of the Appellate Tribunal of Electricity (APTEL) recommendations on timely tariff finalization by SERCs, the revision/ proposed revision in power sale tariffs by certain states. A timely implementation of the aforesaid recommendations and also speeding up of technical and commercial loss measures by state utilities will thus be critical for maintaining the health of the power sector companies. Similarly, policy level changes to alleviate concerns with respect to fuel linkages for private sector projects will have a critical bearing on REC's credit profile.

[†] For complete rating scale and definitions, please refer ICRA's website www.icra.in or other ICRA Rating Publications.
* The long term borrowing programme for 2013-14 includes the amount against the ICRA rated short term borrowing programme Rs. 2,500 crore, which can be utilized interchangeably as Long term borrowings, subject to total long term and short term borrowing utilization of Rs. 37,000 crore

[†] National Electricity Fund – an interest subsidy scheme introduced by GoI to promote the capital investment in the distribution sector
[‡] The figures for March 31, 2013 are provisional and are subject to statutory audit
[§] Rajasthan, Uttar Pradesh, Tami Nadu, Haryana, Madhya Pradesh, Punjab and Bihar

ICRA has also taken note of the rising proportion of REC's exposures to the Independent Power Producers (IPP) segment which accounted for 13.0% of total advances as on March 31, 2013. As on March 31, 2013 REC's gross NPA% stood at 0.38%, while the gross NPA% in the private sector portfolio stood at 2.96%; several of REC's exposures in the private sector are facing delays in project implementation and have been/would require re-scheduling. Vulnerability of some of these exposures is high on account of fuel availability constraints, environmental & land acquisition issues and disputed/competitive power sale tariffs. . Going forward, it would be important for the corporation to maintain a strict control over collections from the IPP segment. As on March 31, 2013 REC had a total advance base of Rs.1,27,330 crore, out of which exposure to state power utilities accounted for 76% of its total advances, followed by exposures to Central entities at 4.4%, central & state power utilities at 4.1%, joint sector utilities at 2.14% and IPP's at 13%.

As on December 31, 2012, REC had a gearing of around 6 times, and going forward, its ability to maintain this ratio at a prudent level would be an important rating consideration. REC enjoys a comfortable asset-liability matching profile, with low cumulative mismatches in the short term. Un-hedged foreign currency borrowings of REC accounted for around 30% of its net worth as on March 31, 2013, which exposes it to foreign currency variations. While such borrowings have been raised at relatively longer tenures, which would keep potential crystallization of losses low over the short term, going forward ability of the corporation to manage its foreign currency risks would have an important bearing over the stability of its earnings profile.

About the Corporation

REC was incorporated in 1969 to exclusively fund the GOI's rural electrification programmes. The GoI has a majority shareholding of 66.8% in REC, while the balance is held by the public. The corporation was conferred the status of 'Navratna' in May 2008. While the initial mandate of REC was to finance village electrification, pump-set energising and T&D[**] projects, since 2002-03 the mandate has been extended to cover power generation projects larger than 25 MW and IPPs. REC is also the nodal agency for implementing of the GoI's rural electrification scheme, the Rajiv Gandhi Grameen Vidhyutikaran Yojna. According to audited results for the financial year ended March 31, 2012, REC reported a 10% growth in its profit after tax (PAT) to Rs. 2817 crore that year. As on March 31, 2012, the corporation's gross non-performing asset (Gross NPA) percentage stood at 0.48% and its Net NPA percentage at 0.42%. During 9M 2012-13, REC report PAT of Rs 2,857 crore as against PAT of Rs 2,056 crore during 9M 2011-12. REC's gross and net NPAs were 0.41% and 0.34% respectively as on December 31, 2012.

May 2013

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Mr. A. K. Agarwal
Director Finance,
Rural Electrification Corporation Limited,
Core-4, SCOPE Complex,
7-Lodhi Road
New Delhi - 110003

October 08, 2014

Kind Attn: Mr. A. K. Agarwal, Director Finance

Dear Sir,

Re: Rural Electrification Corporation Limited – FY2014-15 INR370bn Borrowing Programme.

India Ratings & Research Private Limited (India Ratings) is pleased to communicate the following ratings:-

INR 370bn Borrowing Programme for FY2014-15 : 'IND AAA'

India Ratings notes that the ratings are assigned to the programme and not to the notes issued under the programme. There is no assurance that notes issued under the programme will be assigned a rating, or that the rating assigned to specific issue under the programme will have the same rating as the rating assigned to the programme.

In issuing and maintaining its ratings, India Ratings relies on factual information it receives from issuers and underwriters and from other sources India Ratings believes to be credible. India Ratings conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security.

The manner of India Ratings factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in India where the rated security is offered and sold, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors.

Users of India Ratings ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information India Ratings relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to India Ratings and to the market in offering documents and other reports. In issuing its ratings India Ratings must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

India Ratings seeks to continuously improve its ratings criteria and methodologies, and periodically updates the descriptions on its website of its criteria and methodologies for securities of a given type. The criteria and methodology used to determine a rating action are those in effect at the time the rating action is taken, which for public ratings is the date of the related rating action commentary. Each rating action commentary provides information about the criteria and methodology used to arrive at the stated rating, which may differ from the general criteria and methodology for the applicable security type posted on the website at a given time. For this reason, you should always consult the applicable rating action commentary for the most accurate information on the basis of any given public rating.

Ratings are based on established criteria and methodologies that India Ratings is continuously evaluating and updating. Therefore, ratings are the collective work product of India Ratings and no individual, or group of individuals, is solely responsible for a rating. All India Ratings reports have shared authorship. Individuals identified in an India Ratings report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer. Ratings do not comment on the adequacy of market price, the suitability of any investment, loan or security for a particular investor (including without limitation, any accounting and/or regulatory treatment), or the tax-exempt nature or taxability of payments made in respect of any investment, loan or security. India Ratings is not your advisor, nor is India Ratings providing to you or any other party any financial advice, or any legal, auditing, accounting, appraisal, valuation or actuarial services. A rating should not be viewed as a replacement for such advice or services. Investors may find India Ratings ratings to be important information, and India Ratings notes that you are responsible for communicating the contents of this letter, and any changes with respect to the rating, to investors.

It will be important that you promptly provide us with all information that may be material to the ratings so that our ratings continue to be appropriate. Ratings may be raised, lowered, withdrawn, or placed on Rating Watch due to changes in, additions to, accuracy of or the inadequacy of information or for any other reason India Ratings deems sufficient

Nothing in this letter is intended to or should be construed as creating a fiduciary relationship between India Ratings and you or between India Ratings and any user of the ratings.

In this letter, "India Ratings" means India Ratings & Research Pvt. Ltd. and any successor in interest.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please contact the undersigned at 022 – 4000 1700.

Sincerely,

India Ratings

Rakesh Valecha
Senior Director

Deep N Mukherjee
Senior Director

Ind-Ra : Info Center : Press Releases

Ind-Ra Affirms Rural Electrification Corp at 'IND AAA'; Rates Additional Debt

Ind-Ra-New Delhi-16 April 2013: India Ratings & Research (Ind-Ra) has affirmed Rural Electrification Corporation Limited's (REC) Long-Term Issuer rating at 'IND AAA'. The Outlook is Stable.

Also, the agency has also assigned REC's INR370bn annual borrowing programme for FY13-FY14 a Long-Term 'IND AAA' rating, and its INR25bn short-term debt/commercial paper programme, which is part of its total debt programme, a Short-Term 'IND A1+' rating.

Key Rating Drivers

REC's ratings continue to derive support from the government of India (GoI), its sponsor and principal owner (66.8%). The GoI's support to the ratings is based on the company's position as a strategically important financial institution that is a major source of credit to the financially weak state power utilities (SPUs). REC enjoys strong operational and financial linkages with the GoI as the nodal agency to finance rural electrification projects, which, in turn, is a socially and politically important objective of the government.

The ratings continue to reflect a high probability of distress support from the GoI, should the need arise. In FY12, REC has also been appointed as the nodal agency for operationalisation of the National Electricity Fund scheme, an interest subsidy scheme introduced by the GoI to promote capital investments in the distribution sector by linking the interest subsidy to reform measures undertaken by the discoms.

Despite the overall slowdown in the power sector, REC's loan book growth remained healthy and grew at 25% yoy in 9MFY13 (FY12: 24% yoy). The overall growth during 9MFYE13 was on account of 31% yoy growth in the transmission & distribution (T&D) segment (FY07-FY12 CAGR: 22%) while the growth in the generation segment slowed to 22% yoy (FY07-12 CAGR: 44% yoy). The lower growth in the generation segment led to the T&D segment forming 51% of the loan book as of 9MFY13 (FY12: 49%). The sanction book during 9MFY13 was also tilted in favor of the T&D segment (9MFY13: 64%, FY12: 45%), indicating the possibility of a higher share of the T&D segment in the loan book.

The increasing share of the T&D segment in sanctions and loan book, dominance of SPUs as in the loan book (9MFY13: 83%, FY12: 84%) and the continued weak financial profile of SPUs are major causes of concern which could impact REC's financial profile. Also, issues related to fuel availability and pricing may impact lending in the generation segment over the medium term, thus increasing REC's dependence for loan book growth on the T&D segment.

The GoI has been pushing reforms in the power sector since FY12 including timely and cost reflective tariff hikes. Also, the Cabinet Committee on Economic Affairs has announced a package for the restructuring of banks' lending to SPUs. However, an improvement in the financial position of SPUs will be sensitive to the successful and timely implementation of the SPU restructuring package, an operational turnaround of the discoms through lower aggregate technical and commercial losses, a reduction in power purchase costs, timely revisions in tariffs and timely receipt of subsidy from state governments.

REC's net non-performing assets (NPAs) as a percentage of net advances continue to be low (9MFY13: 0.34%, FY12: 0.42%) compared with the banking system. However, the absolute level of net NPAs increased significantly during FY12 to INR4.26bn (FY11: INR0.01bn) due to non-servicing of loans by two customers facing project implementation delays and low gas availability. Nonetheless, recovery rates from SPUs continued to be high in FY13 as defaults to REC could lead to the loss of a low-cost and dedicated source of funding.

Rating Sensitivities

A significant dilution in the GoI's stake in REC or any other implied or actual material reduction in the government support is likely to put downward pressure on the company's ratings.

Company Profile

REC's disbursements stood at INR249bn during 9MFY13 (FY12: INR278bn), while the total loan outstanding was INR1,187bn (FY12: INR1,014bn). REC's net interest margin was 4.75% in 9MFY13 (FY12: 4.32%).

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Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

Applicable criteria, ‘Corporate Rating Methodology’, dated 12 September 2012, are available at www.indiaratings.co.in.

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India Ratings & Research (India Ratings) has six rating offices located at Mumbai, Delhi, Chennai, Kolkata, Bangalore and Hyderabad. India Ratings is recognised by Reserve Bank of India, Securities Exchange Board of India (SEBI) and National Housing Bank.

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IDBI Trusteeship Services Ltd.

Regd. Office :
Asian Building, Ground Floor,
17, R. Kamani Marg, Ballard Estate,
Mumbai - 400 001.

No. 2544/ITSL/OPR/CL/14-15/DEB/506
October 08, 2014

Mr. B. K.Johar (DGM Finance)
Rural Electrification Corporation Ltd.
Core 4, SCOPE Complex
7, Lodhi Road, New Delhi 110 003

Dear Sir,

Consent to act as Debenture Trustee for issue of Unsecured Non-Convertible Non-Cumulative Redeemable Taxable Bonds under Series 125, aggregating Rs.500 Crore plus Green Shoe Option.

This is with reference to your Letter dated 08.10.2014 on appointment of IDBI Trusteeship Services Limited (ITSL) as Debenture Trustee for your Unsecured Non-Convertible Non-Cumulative Redeemable Taxable Bonds under Series 125, aggregating Rs.500 Crore plus Green Shoe Option.

It would indeed be our pleasure to be associated with your esteemed organization as Debenture Trustee for the captioned issuances on trusteeship remuneration as under.

Acceptance Fee	Rs. 20,000/- plus applicable taxes; onetime fee, payable on appointment.
Annual Service charges per tranche	Rs. 30,000/- p.a. plus applicable taxes. (First such payment would become payable immediately for pro-rata period from Execution of Debenture Trustee Agreement till 31.03.2015, there after service charges are payable on annual basis in advance on 1st April each year till full redemption of the Bonds)
Out of Pocket Expenses	To be claimed on actual basis

Any enforcement consequent to Event of Default would attract separate fees.

Other conditions with regard to issuances are provided in our Consent Letter of even date issued for listing on Stock Exchange/s.

Please provide your acceptance to the above by signing at the space provided below.

This consent shall not be construed as giving rise to any obligation on the part of ITSL to act as Trustees unless the Company communicates acceptance to ITSL within 3 days from the date of this consent letter and also executes Trusteeship documents including Security documents within 30 days from the date of this letter or such extended time as may be agreed by ITSL.

Services Ltd. ITSL MUMBAI

Tel. : 022-4080 7000 • Fax : 022-6631 1776 • Email : itsl@idbitrustee.com • response@idbitrustee.com • Website : www.idbitrustee.com
CIN - U65991MH2001GOI131154
Fax : 022-40807080

Looking forward to a fruitful association with your organization and assuring you of our best services at all times.

Yours faithfully,
For **IDBI Trusteeship Services Limited**

Authorised Signatory

for **Rural Electrification Corporation Ltd**

Authorised Signatory

IDBI Trusteeship Services Ltd.

Regd. Office :
Asian Building, Ground Floor,
17, R. Kamani Marg, Ballard Estate
Mumbai - 400 001.

No. 2544/ITSL/OPR/CL/14-15/DEB/506
October 08, 2014

Mr. B. K.Johar (DGM Finance)
Rural Electrification Corporation Ltd.
Core 4, SCOPE Complex
7, Lodhi Road, New Delhi 110 003

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In this connection, we confirm our acceptance to act as Debenture Trustee for the same, subject to the company agreeing the conditions as set out in annexure A.

We are also agreeable for inclusion of our name as trustees in the Company's offer document / disclosure document / listing application / any other document to be filed with SEBI / ROC / the Stock Exchange(s) or any other authority as required.

Rural Electrification Corporation Ltd. shall enter into Debenture Trustee Agreement for the said issue of the NCDs before the opening of list for subscription.

Thanking you,

Yours faithfully,
For IDBI Trusteeship Services Limited

Authorised Signatory

Annexure A

1. The Company agrees & undertakes to pay to the Debenture Trustees so long as they hold the office of the Debenture Trustee, remuneration as stated above for their services as Debenture Trustee in addition to all legal, traveling and other costs, charges and expenses which the Debenture Trustee or their officers, employees or agents may incur in relation to execution of the Debenture Trust Deed and all other Documents affecting the Security till the monies in respect of the Debentures have been fully paid-off and the requisite formalities for satisfaction of charge in all respects, have been complied with.

2. The Company agrees & undertakes to comply with the provisions of SEBI (Debenture Trustees) Regulations, 1993, SEBI (Issue and Listing of Debt Securities) Regulations, 2008 as amended from time to time read with SEBI (Issue & Listing of Debt securities) (Amendment) Regulation, 2012 , SEBI (Issue and Listing of Debt Securities) (Amendment) Regulations, 2014, SEBI Circular No. SEBI/IMD/DOF-1/Bond/2009/11/05 dated 11/05/2009 on Simplified Listing Agreement for Debt Securities read with the SEBI Circular No. SEBI/IMD/DOF-1/BOND/Cir-5/2009 dated the 26th November, 2009 and as per further circulars, the Companies Act, 1956, the companies act, 2013 as applicable and other applicable provisions as amended from time to time and agrees to furnish to Trustees such information in terms of the same on regular basis.

For IDBI **Trusteeship Services Limited**

Authorised Signatory