Hello and Season's Greetings!!

REC has launched its Public Issue of Tax Free Bonds. The Issue opens on December 3rd 2012 - with bonds of both 10 years and 15 years maturity - at coupon (Annual) of 7.72%* & 7.88%*, respectively for retail applications below Rs. 10 lac* and 7.22% & 7.38% for others.

Please find below the other terms of the offering:

- **ALLOTMENT:**

  On 'FIRST-COME-FIRST-SERVE' BASIS

- **EFFECTIVE PRE-TAX YIELD:**

10 YEARS 7.22% TAX FREE BONDS =	**PRE-TAX for CORPORATES = 10.69%** **PRE-TAX for INDIVIDUALS (Indian Residents) = 10.45% (30% Tax Bracket)**
15 YEARS 7.38% TAX FREE BONDS =	**PRE-TAX for CORPORATES = 10.92%** **PRE-TAX for INDIVIDUALS (Indian Residents) = 10.68% (30% Tax Bracket)**
10 YEARS 7.72%* TAX FREE BONDS =	**PRE-TAX for INDIVIDUALS (< Rs.10 Lac) = 11.17% (30% Tax Bracket)**
10 YEARS 7.82%* TAX FREE BONDS =	**PRE-TAX for INDIVIDUALS (< Rs.10 Lac) = 11.40% (30% Tax Bracket)**

- **OTHER TERMS:**

ISSUE TIME SCHEDULE

Issue Opening Date	**December 3, 2012**
Issue Closing Date	**December 10, 2012**
The subscription list for the Issue shall remain open for subscription, from 10:00 A.M. to 5:00 P.M during the period indicated above, with an option for early closure (subject to the Issue being open for a minimum of 3 days and Category IV portion being fully subscribed) as may be decided by the Board of Directors or the Bond Committee. In the event of such early closure of the subscription list of the Issue, our Company shall ensure that public notice of such early closure is published on or before the day of such early date of closure as the case may be, through advertisement/s in at least one leading national daily newspaper.	

*** Please refer to the tranche prospectus for terms and conditions of higher coupon**

HIGHLIGHTS OF THE ISSUE

Issuer	**Rural Electrification Corporation Limited**	
Nature of Instrument	**TAX-FREE SECURED REDEEMABLE NON-CONVERTIBLE BONDS IN THE NATURE OF DEBENTURES**	
Issue Size	**Rs.1,000 crores, with option to retain oversubscription of upto Rs.4,500 crores**	
Tax Benefits	**1. Income by way of interest on these Bonds shall not form part of total income as per provisions under section 10 (15) (iv) (h) of I.T. Act, 1961;** **2. There shall be no deduction of tax at source from the interest, which accrues to the bondholders in these bonds - irrespective of the amount of the interest or the status of the investors;** **3. As per provisions under section 2 (29A) of the I.T. Act, read with section 2 (42A) of the I.T. Act, a listed Bond is treated as a long term capital asset if the same is held for more than 12 months immediately preceding the date of its transfer. Under section 112 of the I.T. Act, capital gains arising on the transfer of listed Bonds shall be taxed @ 10% without indexation;** **4. Wealth Tax is not levied on investment in bonds under section 2(ea) of the Wealth-tax Act, 1957.**	
Mode of Allotment	At the option of investor, in dematerialized or in physical form (Please refer to tranche prospectus for more details)	
Security	**The Bonds issued by the Company will be secured by way of first pari passu charge on the identified immovable property(ies) of the Company and first pari passu charge on the book debts of the Company, other than those that are exclusively charged/earmarked to ITSL and/or any other lender(s) of the Company, as may be agreed between the Company 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 Bonds outstanding at all times.**	
Credit Rating	**"CRISIL AAA/Stable" by CRISIL, "CARE AAA" by CARE, "IND AAA" by India Ratings and Research Private Limited and [ICRA] AAA by ICRA Limited**	
Face Value	Rs.1,000/- per Bond	
Issue Price	At par, i.e. Rs.1,000/- per Bond	
Minimum Application	5 Bonds (Rs.5,000/-) and in multiples of 1 Bond (Rs.1,000/-) thereafter	
Tranche 1	**Series-I**	**Series-II**
Tenor	**10 Years**	**15 Years**
Put & Call Option	None	None
Maturity / Redemption	At par on the expiry of 10th Year from the Deemed Date of Allotment	At par on the expiry of 15th Year from the Deemed Date of Allotment
Coupon Rate	**7.72% (Retail < Rs. 10 Lac)*** **7.22% p.a.(Others)**	**7.88% (Retail < Rs. 10 lac)*** **7.38% p.a. (others)**
Interest Payment	**Annual**	**Annual**
Interest Payment Dates	**Every year on December 01, and final payment along with redemption**	
Listing	Proposed on BSE Ltd. ("BSE") and National Stock Exchange of India Ltd. ("NSE"). The Designated Stock Exchange for the Issue is NSE	
Trustee	SBICAP Trustee Company Ltd.	
Interest on Application Money	At the respective coupon rate on Bonds (subject to deduction of tax at source, as applicable) will be paid to the eligible applicants (other than ASBA applicants), to whom the Bonds are allotted pursuant to the Issue on the	

	amount allotted, from the date of realization of the cheque(s) / demand draft(s) or 3 (three) days from the date of banking of the application (being the date of submission of application, as duly acknowledged by the Bankers to the Issue), whichever is later, upto one date prior to the Deemed Date of Allotment. @ 5.00% p.a. (subject to deduction of tax at source, as applicable) on application money (Other than to ASBA applicants), which is liable to be refunded to the applicants, from the date of realization of the cheque(s) / demand draft(s) or 3 (three) days from the date of receipt of the application (being the date of presentation of application, as duly acknowledged by the Bankers to the Issue), whichever is later, upto one day prior to the Deemed Date of Allotment. Such interest shall be paid along with the monies liable to be refunded.

*for details please refer to tranche prospectus

Who can apply	Category-I	Category-II	Category-III*	Category IV*
	• Mutual Funds; • Alternative Investment Funds eligible to invest under the SEBI (Alternative Investment Funds) Regulations, 2012; • Public Financial Institutions as defined in section 4A of the Companies Act, 1956; • Scheduled Commercial Banks; • Multilateral and Bilateral Development Financial Institutions; • State Industrial Development Corporations; • Insurance Companies registered with the Insurance Regulatory and Development Authority;	• Companies and Bodies Corporate registered under the applicable laws in India, and authorised to invest in the Bonds.	• Resident Indian individuals who apply for Bonds aggregating to a value more than Rs 10 lacs (Rs 0.1 crore), across all Series of Bonds in this Tranche-1 Issue; • Hindu Undivided Families through the Karta who apply for Bonds aggregating to a value more than Rs 10 lacs (Rs 0.1 crore), across all Series of Bonds in this Tranche-1 Issue.	• Resident Indian individuals who apply for Bonds aggregating upto and including Rs 10 lacs (Rs 0.1 crore), across all Series of Bonds in each Tranche-1 Issue; • Hindu Undivided Families through the Karta who apply for Bonds aggregating upto and including Rs 10 lacs (Rs 0.1 crore), across all Series of Bonds in each Tranche-1 Issue.

	• Provident Funds with minimum corpus of ` 25 crores; • Pension Funds with minimum corpus of ` 25 crores; • National Investment Fund 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; • Insurance Funds set up and managed by army, navy or air force of the Union of India; • Insurance Funds set up and managed by the Department of Posts, India.			
Reservation for Categories	**30%** of issue size	**15%** of issue size	**15%** of issue size	**40%** of issue size
Basis of Allocation	On 'First-Come-First-Serve' basis	On 'First-Come-First-Serve' basis	On 'First-Come-First-Serve' basis	On 'First-Come-First-Serve' basis

** **Multiple Applications:** An Applicant may make multiple applications for the total number of Bonds required and the same shall be considered valid. For the purposes of allotment of Bonds, applications shall be grouped based on the PAN, and if the aggregate application size of an individual (or HUF) exceeds Rs.10 lacs, the application shall be considered in Category-III (HNI).*

Basis of Allotment:	*Only Applications that are uploaded on the online system of the Stock Exchanges shall be considered for allocation/Allotment.* *For each Portion, all Applications uploaded into the electronic system of the Stock Exchange on the same day would be treated at par with each other. Allotment within a day would be on proportionate basis, where Bonds applied for exceeds Bonds to be allotted for each Portion respectively.*