



RURAL ELECTRIFICATION CORPORATION LIMITED **(A Government of India Undertaking)**

HIGHLIGHTS OF TAX BENEFITS

- **Interest from these Bonds shall not be included in total income of any person as per provisions of Section 10 (15) (iv) (h) of Income Tax Act, 1961.**
- **Since the interest income on these Bonds is exempt from tax, no Tax Deduction at Source is required.**
- **Wealth Tax is not levied on investment in bonds under section 2(ea) of the Wealth-tax Act, 1957**

COMPANY PROFILE

- Notified as a Public Financial Institution under Section 4A of the Companies Act, 1956
- Engaged in the financing and promotion of transmission, distribution and generation including renewable energy projects throughout India
- REC is one of only 16 Indian public sector undertakings to be granted "Navratna" status by the Department of Public Enterprise by virtue of its operational efficiency and financial strength
- 66.80% shareholding in REC is held by Government of India acting through Ministry of Power
- GOI has rated REC's performance as "Excellent" continuously since Fiscal 1994
- Registered as a Non Deposit taking NBFC with Reserve Bank of India. RBI has further categorized REC as an IFC (Infrastructure Finance Company)
- Credit Ratings indicating highest safety: "CRISIL AAA/Stable" by CRISIL, "CARE AAA" by CARE, "INDAAA" by IRRPL and "[ICRA] AAA" by ICRA
- REC's loan assets have grown at a CAGR of 27.31% from Rs. 38,614.83 crores in Fiscal 2008 to Rs. 101,426.28 crores in Fiscal 2012 (on standalone basis)
- REC's loan sanctions and loan disbursements have grown from Rs. 46,769.76 crores and Rs. 12,952.89 crores in Fiscal 2008 to Rs. 51,296.77 crores and Rs. 27,820.50 crores in Fiscal 2012
- As on March 31, 2012, REC had total loan assets of Rs. 101,426.28 crores and a net worth of Rs. 14,744.92 crores (on standalone basis)
- REC's profit after tax for Fiscal 2008, 2009, 2010, 2011 and 2012 was Rs. 860.15 crores, Rs. 1,272.08 crores, Rs 2,001.42 crores, Rs. 2,569.93 crores and Rs. 2,817.03 crores, respectively (on standalone basis)

Source: Shelf Prospectus dated November 26, 2012 & Prospectus Tranche-2 dated February 13, 2013

Disclaimer: "Invest only on the basis of Prospectus"

SALIENT FEATURES OF THE PROPOSED TAX FREE BONDS

- The CBDT, MOF, GoI, by virtue of powers conferred upon it under item (h) of sub clause (iv) of clause (15) of Section 10 of the Income Tax Act, 1961, has issued notification authorising REC to issue Bonds for an amount aggregating to Rs. 5,000 crores in one or more Tranches during the financial year 2012-13. Out of the allocated limit of Rs. 5,000 crores, REC has raised Tax Free Bonds aggregating to Rs. 500 crores on private placement basis on November 21, 2012. Consequently, the Shelf Limit was reduced to Rs 4,500 crores. Further the Company has raised Rs 2,017.3471 crores through public issue in terms of Prospectus Tranche – 1.
- Tax benefits u/s 10 (15) (iv) (h) of the Income Tax Act, 1961 – interest on these Bonds shall not form part of total income.
- Credit Ratings of “CRISIL AAA/Stable” by CRISIL, “CARE AAA” by CARE , “[ICRA] AAA” by ICRA & “IND AAA” by IRRPL indicating **Highest Degree of Safety** in terms of timely servicing of financial obligations.
- Bonds to be allotted in dematerialized form as well as in physical form, at the option of the applicants but tradable in dematerialized form.
- Allotment would be on first come first serve basis based on the date of upload of the application on the electronic system of the stock exchanges.
- Bonds are proposed to be listed on the BSE and NSE.

Strengths

- ***Strong financial position and profitable business model***

As on March 31, 2012, REC had a net worth of Rs. 14,744.92 Crores and annualized return on average net worth for March 31, 2012 was 20.46% (on standalone basis). Further with company’s ability to raise funds at competitive costs (8.05% p.a. during fiscal 2012), the Net Interest Margins increased from 3.69% in fiscal 2008 to 4.32% in fiscal 2012. The company has operated its financing business profitably for fifteen consecutive years.

- ***Uniquely positioned to access and appraise borrowers in the Indian power sector***

REC has been involved in Indian power sector finance since 1969 and was the first financial institution to exclusively focus on financing the Indian power sector. With a network of 18 project offices and 2 sub offices spread across India, REC’s project offices play a critical role in the development of relationship with its clients, operation and promotion of its business and loan appraisal, loan sanctioning and post sanction monitoring processes.

- ***Key strategic position in the GoI's plans for growth of the power sector***

REC is one of the limited numbers of government-owned companies that focus exclusively on financing the development of the power sector in India. The company has consistently benefited from the GoI's power infrastructure plans since 1969 and the GoI has ensured REC’s mandate has evolved in accordance with the development priorities.

- ***Experienced management team with sector expertise***

The company is managed by experienced and highly qualified professionals. REC’s key managerial personnel have an established track record in managing public financial institutions in India and bear a considerable knowledge of the power sector in India with most of its key managerial personnel having over 30 years of relevant experience in India and have been employed with prominent companies in the power sector.

Source: Shelf Prospectus dated November 26, 2012 & Prospectus Tranche-2 dated February 13, 2013

Disclaimer: “Invest only on the basis of Prospectus”

Issue Structure

Issuer	Rural Electrification Corporation Limited
Issue of Bonds	Tax Free Secured Redeemable Non Convertible Bonds of Face Value of Rs. 1,000 each in the nature of debentures having tax benefits under Section 10 (15)(iv)(h) of the Income Tax Act, 1961, as amended ("Bonds") for an amount aggregating upto the Shelf Limit* (Rs. 4,500 crores) by way of issuance of Bonds in one or more tranches in the Fiscal 2013 (each a "Tranche Issue", and together all Tranche Issues upto the Shelf Limit, "Issue").
Mode of Issue	Public Issue
Issue Size	Public Issue by Rural Electrification Corporation Limited ("REC" or "Issuer" or the "Company") of Tax Free Secured Redeemable Non Convertible Bonds of Face Value of Rs. 1,000 each in the nature of debentures having tax benefits under Section 10(15)(iv)(h) of the Income Tax Act, 1961, as amended ("Bonds") for an amount aggregating upto the Shelf Limit* (Rs. 4,500 crores) by way of issuance of Bonds in one or more tranches in the Fiscal 2013 (each a "Tranche Issue", and together all Tranche Issues upto the Shelf Limit, "Issue"). This Tranche Issue by the Issuer is of Bonds aggregating to Rs 100 crores with an option to retain oversubscription for an amount upto the Residual Shelf Limit Rs.2,482.65 crores ("Tranche-2 Issue").
Tranche Issue Opening Date	February 25, 2013
Tranche Issue Closing Date	March 15, 2013. * <i>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) or extension by such period, upto a period of 30 days from the date of opening of the Issue, as may be decided by the Board of Directors or the Bond Committee. In the event of such early closure or extension of the subscription list of the Issue, our Company shall ensure that public notice of such early closure or extension is published on or before the day of such early date of closure or the Issue Closing Date, as the case may be, through advertisement/s in at least one leading national daily newspaper.</i>
Listing	BSE and NSE. NSE shall be the Designated Stock Exchange for the Issue
Credit Ratings	"CRISIL AAA/Stable" by CRISIL "CARE AAA" by CARE "IND AAA" by IRRPL and "[ICRA] AAA" by ICRA
Interest payment date	December 01, of every year.
Lead Managers to the Issue	A.K. Capital Services Limited , ICICI Securities Limited, Kotak Mahindra Capital Company Limited, SBI Capital Markets Limited & Axis Capital
Interest on Application Money receiving allotment	@ 6.88% p.a. and 7.04% p.a. on Tranche-2 Series 1 and Tranche-2 Series 2 respectively for allottees under Category I, Category II and Category III Portion, and @ 7.38% p.a and 7.54% p.a. on Tranche-2 Series 1 and Tranche-2 Series 2 respectively for allottees under Category IV Portion
Interest on application money receiving refunds	@ 5.00 % p.a. for all Category Portions (subject to deduction of tax at source, as applicable)
Issue Price	Rs. 1,000 per Bond.
Put/Call Option	There is no put/call option for the Bonds.
Minimum Application Size	5 Bonds (Rs. 5,000) and in multiples of 1 Bond (Rs. 1,000) thereof
Deemed Date of Allotment	The date on which the Board of Directors or Bond Committee of REC approves the Allotment of the Bonds or such date as may be determined by the Board of Directors or Bond Committee and notified to the stock exchanges. All benefits relating to the Bonds including interest on Bonds shall be available to the Bondholders from the Deemed Date of Allotment. The actual allotment of Bonds may take place on a date other than the Deemed Date of Allotment.
Mode of Allotment	In dematerialised form as well as in physical form, at the option of applicants
Depositories	NSDL and CDSL
Trustee	SBI Cap Trustee Company Ltd.

* Companies may refer to Section 372A of the Companies Act, 1956 before investing in the Issue.

Source: Shelf Prospectus dated November 26, 2012 & Prospectus Tranche-2 dated February 13, 2013

Disclaimer: "Invest only on the basis of Prospectus"

Bond Particulars

Options	Series of Bonds*	
	Tranche 2 Series 1	Tranche 2 Series 2
Tenor	10 Years	15 Years
Frequency of interest payment	Annual	Annual
Minimum application size	5 Bonds (Rs. 5000) across both the Series	
In multiples of	1 Bond (Rs 1,000)	1 Bond (Rs 1,000)
Face Value	Rs. 1,000 per Bond	Rs. 1,000 per Bond
Issue Price	Rs. 1,000 per Bond	Rs. 1,000 per Bond
Mode of payment	Through various modes available**	Through various modes available**
Coupon rate (% p.a.) for Category I,II,III	6.88	7.04
Additional Coupon Rate*** (% p.a.) Category IV***	0.50	0.50
Aggregate Coupon Rate (% p.a.) for Category IV***	7.38	7.54
Effective yield(% p.a.) for Category I, II and III applicants	6.88	7.04
Effective yield (% p.a.) for Category IV applicants***	7.38	7.54
Coupon Type	Fixed coupon rate	Fixed coupon rate
Redemption Date	10 years from the Deemed Date of Allotment	15 years from the Deemed Date of Allotment
Redemption Amount (Rs./Bond)	Repayment of the face value along with any interest that may have accrued at the Redemption Date	Repayment of the face value along with any interest that may have accrued at the Redemption Date

* The Company shall allocate and allot Tranche-2 Series 2 bearing longest maturity to all valid applications, wherein the Applicants have not indicated their choice of the relevant Bond Series.

** For various modes of payment, see "Terms of the Issue – Modes of Payment" on page no. 93 of this Prospectus Tranche –2.

*** In case the Bonds held by the original allottees under Category IV Portion are sold / transferred (except in case of transfer of Bonds to legal heir in the event of death of the original allottee), the coupon rate/effective yield shall stand revised to the coupon rate/effective yield applicable for allottees falling under Category I, Category II and Category III Portion.

Source: Shelf Prospectus dated November 26, 2012 & Prospectus Tranche-2 dated February 13, 2013

Disclaimer: "Invest only on the basis of Prospectus"

Who can apply?

Category I Qualified Institutional Buyers ("QIBs")*	Category II Non Institutional Investors ("NIIs") *	Category III High Networth Individuals ("HNIs")	Category IV Retail Individual Investors ("RIIs")
<ul style="list-style-type: none"> • Mutual Funds registered with SEBI; • 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; • Provident Funds with minimum corpus of Rs 25 crores; • Pension Funds with minimum corpus of Rs 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. 	<ul style="list-style-type: none"> • Companies and Bodies Corporate registered under the applicable laws in India, and authorised to invest in the Bonds. 	<ul style="list-style-type: none"> • Resident Indian individuals who apply for Bonds aggregating to a value more than Rs. 10 lacs, across all Series of Bonds in this Tranche-2 Issue; • Hindu Undivided Families through the Karta who apply for Bonds aggregating to a value more than Rs. 10 lacs, across all Series of Bonds in this Tranche-2 Issue. 	<ul style="list-style-type: none"> • Resident Indian individuals who apply for Bonds aggregating upto and including Rs. 10 lacs, across all Series of Bonds in this Tranche-2 Issue; • Hindu Undivided Families through the Karta who apply for Bonds aggregating upto and including Rs. 10 lacs, across all Series of Bonds in this Tranche-2 Issue.

**Companies may refer to Section 372A of the Companies Act, 1956 before investing in the Issue*

Source: Shelf Prospectus dated November 26, 2012 & Prospectus Tranche-2 dated February 13, 2013

Disclaimer: "Invest only on the basis of Prospectus"

Applications cannot be made by:

- a) Minors without a guardian name;
- b) Foreign nationals;
- c) Non-Resident Indians;
- d) Persons resident outside India;
- e) Venture Capital Fund and Foreign Venture Capital Investor;
- f) Foreign Institutional Investors, Qualified Foreign Investors;
- g) Overseas Corporate Bodies; and
- h) Person ineligible to contract under applicable statutory/regulatory requirements;
- i) Any other category of investor not mentioned in Category I, II, III and IV above.

Allocation Ratio

Particulars	Qualified Institutional Buyers ("QIBs")	Non Institutional Investors ("NIIs")	High Networth Individuals ("HNIs")	Retail Individual Investors ("RIIs")
Portion	Institutional Portion	Non-Institutional Portion	HNI Portion	Retail Portion
Size in %	25% of the Tranche-2 Issue Size	15% of the Tranche-2 Issue Size	20% of the Tranche-2 Issue Size	40% of the Tranche-2 Issue Size

Allotments, in consultation with the Designated Stock Exchange, shall be made on a first -come first-serve basis, based on the date of upload of each application on the electronic system of the stock exchanges, in each Portion subject to the Allocation Ratio.

Allotments in case of oversubscription:

Allotments in case of oversubscription: In case of an oversubscription, allotments to the maximum extent, as possible, will be made on a first-come first-serve basis and thereafter on proportionate basis in each Portion, i.e. full allotment of Bonds to the Applicants on a first come first serve basis up to the date falling 1 (one) day prior to the date of oversubscription and proportionate allotment of Bonds to the Applicants on the date of oversubscription

Allotments in case of Under Subscription:

If there is any under subscription in any Portion, priority in allotments will be given in the following order:

- (i) Retail Individual Investor Portion
- (ii) QIB Portion
- (iii) Domestic Corporate Portion
- (iv) High Networth Individual Portion

on a first come first serve basis within each Portion.

Source: Shelf Prospectus dated November 26, 2012 & Prospectus Tranche-2 dated February 13, 2013

Disclaimer: "Invest only on the basis of Prospectus"

Modes of Making Applications:

Applicants may use any of the following facilities for making Applications:

- (a) ASBA Applications**, for bonds only in dematerialised form, through the Members of the Syndicate or the Trading Members of the Stock Exchanges only in the Specified Cities (Mumbai, Chennai, Kolkata, Delhi, Ahmedabad, Rajkot, Jaipur, Bengaluru, Hyderabad, Pune, Vadodara and Surat) ("**Syndicate ASBA**"). For further details please refer to "**Submission of Completed Application Forms Submission of ASBA Applications**" on page no. 114 of this Prospectus Tranche - 2;
- (b) ASBA Applications**, for bonds only in dematerialised form, through the Designated Branches of the SCSBs. For further details please refer to "**Submission of Completed Application Forms - Submission of ASBA Applications**" on page no. 114 of this Prospectus Tranche - 2;
- (c) Non-ASBA Applications** for bonds applied in physical and dematerialised form through Members of the Syndicate or the Trading Members of the Stock Exchanges at the centres mentioned in Application Form. For further details please refer to "**Submission of Completed Application Forms - Submission of Non-ASBA Applications**" on page no. 115 of this Prospectus Tranche - 2.
- (d)** *Applicants are requested to note that in terms of the SEBI Circular no. CIR/IMD/DF – 1/20/ 2012 issued by SEBI on July 27, 2012 ("**Debt Application Circular**"), SEBI has mandated issuers to provide, through a recognized stock exchange which offers such a facility, an online interface enabling direct application by investors to a public issue of their debt securities with an online payment facility ("**Direct Online Application Mechanism**").*

Source: Shelf Prospectus dated November 26, 2012 & Prospectus Tranche-2 dated February 13, 2013

Disclaimer: "Invest only on the basis of Prospectus"

FINANCIAL HIGHLIGHTS (Standalone)

	(Rs. in crores)				
As on/For the year	31-Mar-08	31-Mar-09	31-Mar-10	31-Mar-11	31-Mar-12
Shareholder's Funds	5,367.71	6,190.08	11,080.34	12,788.62	14,744.92
Long-term Borrowings	31,873.50	31,860.91	45,834.75	61,173.02	76,553.68
Short-term Borrowings	1,128.00	2,595.00	3,080.00	375.00	2,500.00
Long-term Loans & Advances	33,531.78	45,544.08	58,931.50	73,206.57	89,985.31
Cash & Cash Equivalents	1,253.04	1,886.04	1,390.31	2,831.89	5,311.48
Short-term Loans & Advances	571.13	0.11	1,728.33	1,200.00	2,967.50
Revenue from Operations	3,378.22	4,757.17	6,549.76	8,256.91	10,337.59
Total Expenses	2,225.73	3,014.99	4,060.39	5,015.75	6,716.21
Profit before Prior Period Items & Tax	1,311.93	1,916.29	2,647.21	3,479.51	3,792.86
Profit before Tax	1,311.36	1,916.68	2,647.11	3,476.28	3,792.86
Profit for the year	860.15	1,272.08	2,001.42	2,569.93	2,817.03
Net NPA to Net Advances (%)	-	-	0.003	0.002	0.420
Tier I Capital Adequacy Ratio (%)	-	-	15.240	18.040	15.050
Capital Adequacy Ratio (%)	-	-	16.050	19.090	16.000
Net Interest Margin (%)	-	-	4.320	4.480	4.320

Source: Shelf Prospectus dated November 26, 2012 & Prospectus Tranche-2 dated February 13, 2013

Disclaimer: "Invest only on the basis of Prospectus"

DISCLAIMER:

*** For the purpose of information only, invest only after referring to the final prospectus.**

This document has been prepared based on Final Prospectus and is for informational purpose only. Invest only after referring to final prospectus. It is meant for the recipient for use as intended and not for circulation. This document should not be reported or copied or made available to others. The information contained herein is from the public domain or sources believed to be reliable. While reasonable care has been taken to ensure that information given is at the time believed to be fair and correct and opinions based thereupon are reasonable, due to the very nature of research it cannot be warranted or represented that it is accurate or complete and it should not be relied upon as such.

We do not guarantee the accuracy, adequacy or completeness of any Data in the Report and is not responsible for any errors or omissions or for the results obtained from the use of such Data. The company and its employees will not in any way be responsible for the contents of this report. The securities discussed in this report may not be suitable for all investors. Investors must make their own investment decision based on their own investment objectives, goals and financial position and based on their own analysis. The company states that it has no financial liability whatsoever towards any investments based on this research report.

Registered Office: Sharekhan Limited, 10th Floor, Beta Building, Lodha iThink Techno Campus, Off. JVLR, Opp. Kanjurmarg Railway Station, Kanjurmarg (East), Mumbai – 400 042, Maharashtra. Tel: 022 - 61150000. Sharekhan Ltd.: SEBI Regn. Nos. BSE Cash-INB011073351; F&O-INF011073351; NSE – INB/INF231073330; DP: NSDL-IN-DP-NSDL-233-2003; CDSL-IN-DP-CDSL-271-2004; Mutual Fund: ARN 20669; For any complaints email at igc@sharekhan.com; Disclaimer: Client should read the Risk Disclosure Document issued by SEBI, relevant exchanges and the T & C on www.sharekhan.com before investing. Sharekhan Ltd is engaged as a distributor of IPOs/ Bonds/ NCDs/ FDs/ Mutual Funds. Sharekhan or any of its group concerns do not in any manner recommends any product or any of its characteristics. The client is advised to take his / her own independent decisions for investing in any financial product after understanding their respective nature and risk and returns involved. The client may also approach his / her own consultants for investing in financial products or in relation to the tax related aspects. We do not solicit any action based upon this promotional material. Please note that the product does not take into account any particular investment objectives, financial decisions or needs of individual recipients. Neither Sharekhan nor any person connected with Sharekhan accepts any liability arising out of investment suggested in this material.
