रूरल इलेक्ट्रीफिकेशन कारपोरेशन लिमिटेड
RURAL ELECTRIFICATION CORPORATION LIMITED
(भारत सरकार का उद्यम) (A Government of India Enterprise)

Regd Office: Core-4, SCOPE Complex, 7 Lodi Road New Delhi 110003
Tele- Fax 24313978 Email reccorp@recl.nic.in Gram RECTRIC
Website: www.recindia.nic.in

No.: REC/Fin./Res./JICA I & II /Hedging Date: July 16th, 2010

To

Dear Sir,

**Sub: Hedging (Principal + Interest) –Proceeds of JICA ODA Loan.**

REC has taken ODA loans from bilateral credit agencies i.e. Japan International Cooperation Agency (JICA), Japan, with the required approval of Govt. of India. This loan has a Govt. of India guarantee.

REC intends to fully hedge the amount drawn in the month of May, June and July 2010 to cover the market risk in respect to currency fluctuation. In case you are interested to participate in the bidding process and bid your best terms of offer then you are requested to be present in board room at RECL office at 12:00 P.M. on July 20th, 2010.

A brief description of the loan is given as under:

| **Description** | **JICA-I Loan** | **JICA-II Loan** |
|---|---|---|
| Loan no. | ID – P 169 | ID – P 190 |
| Date of Loan Agreement | 31.03.2006 | 10.03.2008 |
| Loan amount | JPY 20,629,000,000/- | JPY 20,902,000,000/- |
| Maturity | The maturity of loan is 15 years, including grace period of 5 years | The maturity of loan is 15 years, including grace period of 5 years |
| Interest payment | Semi-annually | Semi-annually |
| Interest payment date | • On April 20th of each year the interest that has accrued up to March 19th of that year from September 20th of the preceding year, and on October 20th of each year the interest that has accrued up to September 19th from March 20th of that year (till March 2012)<br>• On March 20th of each year the interest that has accrued up to March 19th of that year from September 20th of the preceding year, and on September 20th of each year the interest that has accrued up to September 19th from March 20th of the year.(beyond March 2012) | • On April 20th of each year the interest that has accrued up to March 19th of that year from September 20th of the preceding year, and on October 20th of each year the interest that has accrued up to September 19th from March 20th of that year (till March 2014)<br>• On March 20th of each year the interest that has accrued up to March 19th of that year from September 20th of the preceding year, and on September 20th of each year the interest that has accrued up to September 19th from March 20th of the year.(beyond March 2014) |
| Fixed interest rate | 0.75% | 0.65% |
| Draw dawn | To be completed within March 2012 | To be completed within March 2014 |
| Purpose | To improve the sub- transmission system, reduce T&D losses and to expand access to electricity for un-electrified household and other rural loads. | To achieve stability in power supply and to meet the fast growing load demand by strengthening inters state transmission system in the state of Haryana. |

The proposed hedging structure / Term Sheet are enclosed as annexure “A” & “B”.

The broad terms and condition for bidding is given below:

- Bidder will have to offer their rate for full amount.
- No Syndication of banks will be allowed. Bank will have to quote individually.
- Bankers will have to be present in board room at RECL office at 12:00 P.M. on July 20th 2010.
- Bidding will start sharp at 12:15 P.M. and will be open for two minutes.
- On close of the bid, lowest rate will be announced immediately.
- Rates for both the bids will be taken simultaneously.
- The whole process will take place in presence of the nominated committee.
- Not more than two representatives from each bank will be allowed at the time of bidding.
- Nominated Committee will have the power to accept or reject the rate offered by the banks. The nominated committee will have the power to even reject the whole process of bidding without assigning any reason to the bidders or to take on the spot decision for minor variation in bidding process.

**Kindly confirm your interest in participation by return fax or email given below latest by 10:30 A.M. on July 20th, 2010.**

In case of any further information required in this connection feel free to contact undersigned on e-mail or telephone number indicated below.

Thanking you.

Yours sincerely

(Vijay Kumar)
Dy. General Manager (Finance)
E-mail- vij_kr1960@yahoo.co.in, akbharati@recl.nic.in,

Tel. no. 011-24313978/43091592

Fax no. 011-24313978/41757035

**HEDGING STRUCTURE TERM SHEET FOR REC'S JICA LIABILITY**

| | |
|---|---|
| Trade Date | 20.07.2010 |
| Start Date | 22.07.2010 |
| Tenor | 7 years 07 months 29 days |
| Maturity Date | 20th March 2018 |
| INR Principal | **Rs. 227,658,365** |
| JPY principal | **JPY 442,413,816** |
| Rupee Fixed Rate Receiver | Bank Counter party |
| JPY Fixed Rate Receiver | REC |
| **COUPON EXCHANGE** | |
| REC Pays | ***(to be quoted by bank)***, Fixed on INR notional (Act/365), adjusted according to the amortization schedule given below |
| REC Receives | 0.75% Fixed on JPY notional (Act/365), adjusted according to the amortization schedule given below |
| Interest Settlement Dates | • Interest payable till March 19th 2012:<br>On April 20th of each year the interest that has accrued up to March 19th of that year from September 20th of the preceding year, and on October 20th of each year the interest that has accrued up to September 19th from March 20th of that year, every year till March 19th 2012.<br><br>• Interest payable beyond March 19th 2012:<br>On March 20th of each year the interest that has accrued up to March 19th of that year from September 20th of the preceding year, and on September 20th of each year the interest that has accrued up to September 19th from March 20th of the year, every year beyond March 19th 2012. |
| **First Coupon Exchange** | |
| REC Pays | *Fixed Interest **(to be quoted by banks)** from 22.07.2010 to 19.09.2010* (both days inclusive) *payable on 20th October 2010* |
| REC Receives | 0.75% *Fixed Interest from 22.07.2010 to 19.09.2010* (both days inclusive) *payable on 20th October 2010* |
| **PRINCIPAL EXCHANGE** | |
| REC Pays | INR principal as per the INR principal amortization schedule |
| REC Receives | JPY principal as per the JPY principal amortization schedule |
| **SETTLEMENT CONVENTIONS** | |
| Interest payment date | MFBD convention , Mumbai & Tokyo will apply |
| Interest calculation | MFBD convention will not apply |

**INR Principal Amortization Schedule / JPY Principal Amortization Schedule**

| Payment Date | Year | INR Amount | Payment Date | Year | JPY Amount |
|---|---|---|---|---|---|
| September 20 | 2017 | 86,814,975 | September 20 | 2017 | 168,709,568 |
| March 20 | 2018 | 140,843,390 | March 20 | 2018 | 273,704,248 |
| **Total** | | **227,658,365** | **Total** | | **442,413,816** |

**JICA – II** **"Annexure – B"**

## HEDGING STRUCTURE TERM SHEET FOR REC'S JICA LIABILITY

| | |
|---|---|
| Trade Date | 20.07.2010 |
| Start Date | 22.07.2010 |
| Tenor | 5 years 01 months 28 days |
| Maturity Date | 20th September 2015 |
| INR Principal | **Rs. 370,846,432** |
| JPY principal | **JPY 692,329,752** |
| Rupee Fixed Rate Receiver | Bank Counter party |
| JPY Fixed Rate Receiver | REC |
| **COUPON EXCHANGE** | |
| REC Pays | ***(To be Quoted by Bank)%*** *,* Fixed on INR notional (Act/365), adjusted according to the amortization schedule given below |
| REC Receives | 0.65% Fixed on JPY notional (Act/365), adjusted according to the amortization schedule given below |
| Interest Settlement Dates | • Interest payable till March 19th 2014:<br>On April 20th of each year the interest that has accrued up to March 19th of that year from September 20th of the preceding year, and on October 20th of each year the interest that has accrued up to September 19th from March 20th of that year, every year till March 19th 2014.<br><br>• Interest payable beyond March 19th 2014:<br>On March 20th of each year the interest that has accrued up to March 19th of that year from September 20th of the preceding year, and on September 20th of each year the interest that has accrued up to September 19th from March 20th of the year, every year beyond March 19th 2014. |
| **First Coupon Exchange** | |
| REC Pays | *Fixed Interest* ***(to be quoted by banks)*** *from 22.07.2010 to 19.09.2010* (both days inclusive) *payable on 20th October 2010* |
| REC Receives | 0.65% *Fixed Interest from 22.07.2010 to 19.09.2010* (both days inclusive) *payable on 20th October 2010* |
| **PRINCIPAL EXCHANGE** | |
| REC Pays | INR principal as per the INR principal amortization schedule |
| REC Receives | JPY principal as per the JPY principal amortization schedule |
| **SETTLEMENT CONVENTIONS** | |
| Interest payment date | MFBD convention , Mumbai & Tokyo will apply |
| Interest calculation | MFBD convention will not apply |

**INR Principal Amortization Schedule / JPY Principal Amortization Schedule**

| Payment Date | Year | INR Amount | Payment Date | Year | JPY Amount |
|---|---|---|---|---|---|
| March 20 | 2015 | 47,599,908 | March 20 | 2015 | 88,863,826 |
| September 20 | 2015 | 323,246,524 | September 20 | 2015 | 603,465,926 |
| **Total** | | **370,846,432** | **Total** | | **692,329,752** |