

	RURAL ELECTRIFICATION CORPORATION LIMITED (A Government of India Enterprise)
	Registered Office: Core – 4, SCOPE Complex, 7, Lodi Road, New Delhi – 110 003 Tele- Fax: 24313978 E-Mail: recorp@recl.nic.in Gram: RECTRIC Website: www.recindia.com & www.recindia.nic.in

No.: REC/Fin./Res./JICA I & II /Hedging
To

Date: May 25th, 2011

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 Sept. 2010 to May 2011 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 1:15 P.M. on May 26th, 2011.

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	<ul style="list-style-type: none"> • 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) • 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) 	<ul style="list-style-type: none"> • 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) • 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 down	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”.

Project Office: Bangalore, Bhubaneswar, Mumbai, Calcutta, Chandigarh, Guwahati, Hyderabad, Jabalpur, Jammu, Jaipur, Lucknow, Chennai, Patna, Shillong, Shimla, Thiruvananthapuram & Vadodara.

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 1:15 P.M. on May 26th 2011.
- Bidding will start sharp at 1:20 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 May 26th , 2011.

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	26.05.2011
Start Date	30.05.2011
Tenor	7 years 03 months 20 days
Maturity Date	20 th September 2018
INR Principal	Rs. 716,821,453.78
JPY principal	JPY 1,306,108,375
Rupee Fixed Rate Receiver	Bank Counter party
JPY Fixed Rate Receiver	REC
COUPON EXCHANGE	
REC Pays	<i>(to be quoted by banks)</i> , 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	<ul style="list-style-type: none"> <u>Interest payable till March 19th 2012:</u> 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. <u>Interest payable beyond March 19th 2012:</u> 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	<i>Fixed Interest (to be quoted by banks) from 30.05.2011 to 19.09.2011 (both days inclusive) payable on 20th October 2011</i>
REC Receives	<i>0.75% Fixed Interest from 30.05.2011 to 19.09.2011 (both days inclusive) payable on 20th October 2011</i>
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	Rs. Amount	Payment Date	Year	JPY Amount
March 20	2018	195,304,305.09	March 20	2018	355,860,706
September 20	2018	521,517,149.69	September 20	2018	950,247,669
Total		716,821,453.78	Total		1,306,108,375

HEDGING STRUCTURE TERM SHEET FOR REC'S JICA LIABILITY

Trade Date	26.05.2011
Start Date	30.05.2011
Tenor	5 years 9 months 20 days
Maturity Date	20 th March 2017
INR Principal	Rs. 1,480,642,995.32
JPY principal	JPY 2,718,667,535.00
Rupee Fixed Rate Receiver	Bank Counter party
JPY Fixed Rate Receiver	REC
COUPON EXCHANGE	
REC Pays	<i>(to be quoted by banks)%</i> , 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	<ul style="list-style-type: none"> <u>Interest payable till March 19th 2014:</u> 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. <u>Interest payable beyond March 19th 2014:</u> 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	<i>Fixed Interest (to be quoted by banks)% from 30.05.2011 to 19.09.2011 (both days inclusive) payable on 20th October 2011</i>
REC Receives	<i>0.65% Fixed Interest from 30.05.2011 to 19.09.2011 (both days inclusive) payable on 20th October 2011</i>
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	2016	496,464,371.85	March 20	2016	911,577,993.00
September 20	2016	542,079,094.07	September 20	2016	995,333,000.00
March 20	2017	442,099,529.40	March 20	2017	811,756,542.00
Total		1,480,642,995.32	Total		2,718,667,535.00

