

RURAL ELECTRIFICATION CORPORATION LIMITED

(A Govt. of India Enterprises)

Core-4, SCOPE Complex, Lodhi Road, New Delhi-110003.

COMPANY SECRETARY'S DIVISION

No. SEC-1/8(1)/2009

1450

Dated: 9th December, 2009

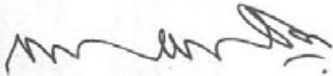
LOAN POLICY CIRCULAR – No.011 / 2009

Sub: Revision in the lending rates of Term Loans.

- Ref : 1. Loan Policy Circular No. 008/2009 dated 13th August, 2009.
2. Loan Policy Circular No. 010/2009 dated 15th September, 2009.

The Sub-Committee of the Board of Directors of REC, in its 26th Meeting held on 9th December, 2009 has approved revision of lending rates in respect of Terms Loans as under :

- (i) in the categories of (A) (1) Conventional Generation – Large, (2) Generation - Others (excluding Non-Conventional), (4) Computerisation, and (B) (1) & (2) Loan to Equipment Manufacturers, the interest rates have been reduced by 25 bps; and
- (ii) in the category of (3) R&M, R&U, Transmission, Distribution and other schemes, the interest rates have been reduced by 50 bps.
2. The above revised interest rates as incorporated in the Annexure will be applicable in respect of all disbursements made on or after 10th December, 2009.
3. All other terms and conditions of loans / schemes as notified earlier remain unchanged.
4. Zonal Managers/CPMs and other officers in Corporate Office issuing sanction letters are requested to ensure that applicable interest rates and other terms and conditions are duly circulated to all concerned and correctly incorporated in the sanction letters.


(B.R. Raghunandan)
GM & Company Secretary

Encls : Annexure

DISCLAIMER: "Rural Electrification Corporation Limited proposes, subject to receipt of requisite approvals, market conditions and other considerations, to make a further public offer of its equity shares and has filed a draft red herring prospectus ("DRHP") with the Securities and Exchange Board of India ("SEBI"). The DRHP is available on the website of SEBI at www.sebi.gov.in as well as on the websites of the book running lead managers at www.kmcc.co.in, www.dspml.com, www.icicisecurities.com, www.jmfinancial.in and www.abnamro.co.in. Investors should note that investment in equity shares involves a high degree of risk and for details relating to the same, see the section titled "Risk Factors" of the aforementioned DRHP.

This advertisement is not an offer of securities for sale in the United States or elsewhere. Securities may not be offered or sold in the United States absent registration under the US Securities Act of 1933, as amended, or an exemption therefrom. Neither the issuer nor the selling security holder have registered nor intend to register any securities under the US Securities Act of 1933, as amended. There will be no public offering of the securities in the United States. The issuer is not and will not be registered under the US Investment Company Act of 1940, as amended, and investors will not be entitled to benefits of that Act. No money, securities or other consideration from any person is being solicited and, if sent in response to the information contained in this advertisement, will not be accepted".

RURAL ELECTRIFICATION CORPORATION LIMITED
Lending rates effective from 10th December, 2009

I - TERM LOANS

Sl. No.	Schemes	State Sector Borrowers (Category "A+") and Identified CPSUs and all AAA Companies				State Sector Borrowers (Category "A" & "B"), Central Sector Borrowers (other than identified CPSUs & AAA Companies)				Private Sector Borrowers Grade - I to III				Private Sector Borrowers Grade - IV				Private Sector Borrowers Grade - V				
		With reset after every 3 years		With reset after 10 years		With reset after every 3 years		With reset after 10 years		With reset after every 3 years		With reset after 10 years		With reset after every 3 years		With reset after 10 years		With reset after every 3 years		With reset after 10 years		
		Pre COD	Post COD	Pre COD	Post COD	Pre COD	Post COD	Pre COD	Post COD	Pre COD	Post COD	Pre COD	Post COD	Pre COD	Post COD	Pre COD	Post COD	Pre COD	Post COD	Pre COD	Post COD	
		% p.a.		% p.a.		% p.a.		% p.a.		% p.a.		% p.a.		% p.a.		% p.a.		% p.a.		% p.a.		
A)	Term Loan/Schemes																					
1)	Conventional Generation-Large	10.75	10.75	11.00	11.00	11.00	11.00	11.25	11.25	11.25	11.25	11.50	11.50	11.50	11.50	11.75	11.75	12.00	12.00	12.25	12.25	
2)	Generation-Others (excluding Non-conventional)*	11.00	11.00	11.25	11.25	11.25	11.25	11.50	11.50	11.50	11.50	11.75	11.75	11.75	11.75	12.00	12.00	12.25	12.25	12.50	12.50	
3)	R&M, R&U, Transmission, Distribution and other Schemes	10.75		11.00		11.00		11.25		11.25		11.50		11.50		11.75		12.00		12.25		
4)	Computerization	11.00				11.25																
B)	Loan to Equipment Manufacturers																					
1)	Upto 1 year	11.00				11.25				12.00				12.00				12.00				
2)	More than 1 year and up to 3 years	11.50				11.75				12.50				12.50				12.50				

II - SHORT TERM LOANS (STL) :

Sl. No.	Category of Borrower	Rate of interest for STL of upto one year, with monthly Rest (% p.a.)	Rate of interest for STL of More than one year and upto three years, with monthly Rest (% p.a.)
1	Central Sector Borrowers/ Identified CPSUs/ State Sector Category "A"	8.25	10.25
2	State Sector Borrowers- Category "A" and other CPSUs	8.50	10.50
3	State Sector Borrowers- Category "B" / Private Sector Borrowers ("AAA")	8.75	10.75
4	State Sector Borrowers- Category "C"/Private Sector Borrowers other than "AAA"	9.00	11.00

Notes:

- The above rates are effective rates on quarterly rest basis except for STL where rates are with monthly rest.
- Identified CPSUs are NTPC,NLC,DVC,NHPC,NPCIL,PGCIL,SJVNL, THDC or any other entity as identified by the Corporation from time to time.
- The rates mentioned as above for Computerisation are not applicable for AAA private sector borrowers.
- The revised interest rates as above will be applicable in respect of all disbursements made on or after 10th December, 2009.
- Definition for large Generation Projects as at A(1) above stands revised to Sanction amount of Rs.500 Crores and above both in respect of State / Central Sector Borrowers as well as Private Sector Borrowers.
- *In respect of TermsLoans for Non-conventional Generation Projects, the rate of interest would be the same as applicable for Conventional Generation-Large category at Sl.No.A(1) above.
- In respect of Private Sector Borrowers, Grades-I,II,III,IV & V as stated above are based on REC's internal categorization / grading methodology.
- In respect of State Sector Borrowers, the rating "A+", "A", "B", "C" are based on the REC's internal grading methodology
- For State Sector category "C" borrowers, the applicable rates would be 0.50% higher than the applicable rates for State Sector category "A" Borrowers .
- A volume discount of 25 bps on applicable interest rates can be offered in case of loans for distribution & transmission schemes on future sanctions, if disbursements under these schemes reach target amount within specified period. The minimum disbursement amount to be considered for offering this discount is Rs.700 crores in case of Discoms & Transco and Rs.1000 crores for an integrated SEB for the combined disbursement for its Distribution and Transmission schemes. For this purpose, borrowers shall be required to sign an MOU with REC, committing to draw the required amount within a period of two and half years from the date of signing of MOU. The Transmission and Distribution loans sanctioned after signing of MOU with REC would be eligible for the benefit under this policy. The discount under the policy shall be passed on to the borrowers only on the interest due on or after drawal of Rs.700 crores / Rs.1000 crores as applicable. The Total disbursement made during the specified period shall be eligible for a discount of 25 bps from the applicable rate till it is repaid.
- A general rebate of 25 bps on the prevailing interest rates for T&D projects / schemes, and additional rebate of 25 bps for compliance with reform conditionalities as stipulated by Ministry of Power from time to time, is applicable to North Eastern States only in line with our existing Loan Policy Circulars No.SEC-1/8(1)/2006/342 dated 27th November, 2006 and No.SEC-1/8(1)/2008/1165 dated 9th June, 2008.
- In case of Joint Venture being formed by Identified CPSUs / State Sector Borrowers / Central Sector Borrowers among themselves, the applicable rate of interest for such JV entity shall be same as applicable to the entity holding 51% or more equity in the said JV.
- In case of Generation projects, if there is a Government Sector entity (Other than identified CPSUs / rated State entities and AAA rated companies) which has presently not been rated, interest rates as applicable to the GENCO of the respective State would apply to such entities, till it is rated.

Not Applicable