

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)/2010

Dated: 20th August, 2010

LOAN POLICY CIRCULAR – No. 003 / 2010

Sub: Introduction of new product under Term Loan Portfolio with Annual Reset Clause linked to Indian Bench Mark (INBMK) (one-year G-Sec yield), and Revision in the lending rates of Short Term Loans.

Ref : Loan Policy Circular No. 002/2010 dated 19th July,2010.

The Sub-Committee of the Board of Directors of REC, in its 28th Meeting held on 11th August, 2010 has approved the following : -

(A) Introduction of new product under Term Loan Portfolio with Annual Reset Clause linked to Indian Bench Mark (INBMK) (one-year G-Sec yield).

The lending rates for 1 year INBMK linked loans with an annual reset along with reclassification of Category of Borrowers will be as follows:

Category of Borrower	Initial rate of interest / Type of Term Loan or Schemes		
	<i>Conventional Generation-Large</i>	<i>Generation-Others (excluding Non-Conventional)</i>	<i>R&M, R&U, Transmission, Distribution and other Schemes</i>
State Sector Borrowers (Category "A+" & "A") and Identified CPSUs	1 year INBMK +400 bps	1 year INBMK +425 bps	1 year INBMK +400 bps
State Sector Borrowers (Category "B"), Central Sector Borrowers (other than identified CPSUs)	1 year INBMK +425 bps	1 year INBMK +450 bps	1 year INBMK +425 bps
State Sector Borrowers (Category "C")	1 year INBMK +450 bps	1 year INBMK +475 bps	1 year INBMK +450 bps

Notes:

- The above rates would be applicable for loans with tenure of 13 years or more. For loans of tenure of less than 13 years, 25 bps extra interest would be charged from the rates indicated in the table above.
- The loans will have no put or call option.
- First reset date shall be one day prior to the date of disbursement and annual reset date shall be one day prior to completion of 365 days subject to Modified Following Business Day Convention. For the purpose of reference of 1-Year INBMK as the Benchmark Rate, the bid side of yield of 1-Year GOI Benchmark as per Reuters INBMK at 12.00 noon would be annualized and taken as the reset rate. The Rates would be rounded off to the second decimal place.
- All other terms and conditions and rebates as applicable to Term Loans would also be applicable to loans under this scheme.

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(B) Revision in the lending rates of Short Term Loans :

Sl. No	Category of Borrower	Rates for upto 6 months	Rates for more than 6 months & upto 1 year	Rates for more than 1 year & upto 3 years
1	Central Sector Borrowers/ Identified CPSUs/ State Sector Category "A+"	9.75%	10.00%	10.50%
2	State Sector Borrowers- Category "A" and other CPSUs	10.00%	10.25%	10.75%
3	State Sector Borrowers- Category "B"/ Private Sector Borrowers ("AAA")	10.25%	10.50%	11.00%
4	State Sector Borrowers- Category "C"/ Private Sector Borrowers other than "AAA"	10.50%	10.75%	11.25%

2. The new / revised lending rates of (a) Term Loans with Annual Reset Clause linked to Indian Bench Mark (INBMK) (one-year G-Sec yield) and (b) Short Term Loans as indicated above, will be applicable in respect of all disbursements made on or after 20th August, 2010.

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)
ED & Company Secretary**