ISSUE STRUCTURE

The CBDT vide the CBDT Notification has authorised our Company to raise Bonds aggregating upto Rs. 1000 crores in Fiscal 2016. In pursuance of CBDT Notification, our Company is authorised to raise a minimum of 70% of the allocated limit by way of various tranche(s) of public issue. Our Company has raised an amount aggregating to ₹ 300 crore, equivalent to 30% of the allocated limit, through private placement route. Our Company shall ensure that Bonds issued through public issue route and private placement route in the Fiscal 2016 shall together not exceed the allocated limit.

This Prospectus Tranche – I by the Issuer is of Bonds for an amount of ₹ 300 crores with an option to retain oversubscription upto ₹ 400 crores, aggregating upto ₹ 700 crores.

The following are the key terms of the Issue. This section should be read in conjunction with, and is qualified in its entirety by, more detailed information in "***Terms of the Issue***" on page 64 of this Prospectus Tranche I.

The key common terms and conditions of the Bonds are as follows:

Particulars	Terms and Conditions
Issuer	Rural Electrification Corporation Limited
Issue of Bonds	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 ₹1000 each in the nature of debentures having tax benefits under section 10 (15)(iv)(h) of the Income Tax Act, 1961, as amended ("**Income Tax Act**") and such bonds ("**bonds**"), for an amount aggregating upto the Shelf Limit* (₹700 crore) by way of issuance of bonds in one or more tranches in the fiscal 2016 (each a "tranche issue", and together all tranche issues upto the Shelf Limit, "**Issue**"). This tranche issue by the issuer is of bonds for an amount of ₹300 crore ("**Base Issue Size**") with an option to retain oversubscription of upto ₹400 crore aggregating upto ₹700 crore ("**Tranche I Issue**"). This Tranche I Issue is being offered by way of this Prospectus Tranche I containing, inter alia, the terms and conditions of Tranche I Issue ("**Prospectus Tranche I**"), which should be read together with the Shelf Prospectus dated October 21, 2015 filed with the Registrar of Companies, National Capital Territory of Delhi and Haryana ("**RoC**"), designated stock exchange and the Securities and Exchange Board of India ("**SEBI**") for the issue. The Shelf Prospectus together with the Prospectus Tranche I shall constitute the "**Prospectus**". ** In pursuance of CBDT Notification No. 59/2015, our Company is authorised to raise a minimum of 70% of the allocated limit by way of various tranche(s) of public issue. Our Company has raised an amount aggregating to ₹300 crore, equivalent to 30% of the allocated limit, through private placement route. Our Company shall ensure that Bonds issued through public issue route and private placement route in the Fiscal 2016 shall together not exceed the allocated limit.* The Issue, and for the avoidance of doubt, this Tranche I Issue is being made under the provisions of Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008, as amended ("**SEBI Debt Regulations**") and Notification no. 59/2015.F.No.178/27/2015-ITA-1 dated July 6, 2015 issued by the Central Board of Direct Taxes, Department of Revenue, Ministry of Finance, Government of India ("**CBDT Notification**"), by virtue of powers conferred upon it by item (h) of sub-clause (iv) of clause (15) of section 10 of the Income Tax Act.
Type of Instrument	Secured redeemable non-convertible bonds
Nature of Instrument	Secured
Mode of Issue	Public Issue
Eligible Investors	**Category I* ("Institutional"):** • Public financial institutions, scheduled commercial banks, resident multilateral and bilateral development financial institutions, state industrial development corporations;

Particulars	Terms and Conditions
	• Provident funds and pension funds with minimum corpus of ₹ 25 crore; • Insurance companies registered with the IRDA; • 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 the army, navy or air force of the Union of India or set up and managed by the Department of Posts, India; • Mutual funds registered with SEBI; and • Resident Alternative Investment Funds and Venture Capital Funds registered with SEBI, subject to investment conditions applicable to them. which are authorized to invest in the Issue. **Category II*** (**"Corporates"**): • Companies within the meaning of section 2(20) of the Companies Act; • Statutory bodies/corporations; • Cooperative banks; • Trusts including Public/ private charitable/religious trusts; • Limited liability partnerships; • Partnership firms in the name of the respective partners; • Regional rural banks; • Societies registered under the applicable law in India; • Association of persons; and • Other legal entities, subject to compliance with their respective applicable legislations. which are authorized to invest in the Issue. **Category III** (**"HNIs"**): The following Investors applying for an amount aggregating to above ₹10 lakhs across all Series of Bonds in this Tranche I Issue: • Resident Indian individuals; • Hindu Undivided Families through the Karta; and • Non Resident Indians on non-repatriation basis only; which are authorized to invest in the Issue. **Category IV** (**"RIIs"**):

Particulars	Terms and Conditions
	The following Investors applying for an amount aggregating upto and including ₹ 10 lakhs across all Series of Bonds in this Tranche I Issue: • Resident Indian individuals; • Hindu Undivided Families through the Karta; and • Non Resident Indians on non-repatriation basis only; which are authorized to invest in the Issue.
Lead Managers	AK Capital, Edelweiss and RR.
Listing	BSE. BSE shall be the Designated Stock Exchange for the Issue. The Bonds are proposed to be listed within 12 Working Days from the respective Tranche Issue Closing Date.
Credit Ratings	CRISIL Limited ("**CRISIL**") *vide* its letter no. PB/FSR/REC/2015-16/925 dated September 15, 2015, has assigned a credit rating of "**CRISIL AAA/Stable** " to the long term borrowing programme of our Company for FY 2015-16 aggregating to ₹45,500 crore and vide its letter no. PB/FSR/REC/2015-16/1109 dated October 19, 2015 dated revalidated the credit rating. Credit Analysis & Research Limited ("**CARE**") *vide* its letter no. CARE/DRO/RL/2015-16/1648 dated September 15, 2015 has assigned a credit rating of "**CARE AAA (Triple A)**" to the market borrowing programme of our Company for FY 2015-16 aggregating to ₹45,500 crore and vide its letter no. CARE/DRO/RL/2015-16/1878 dated October 19, 2015 revalidated the credit rating. India Ratings & Research Private Limited ("**IRRPL**") vide its letter dated September 16, 2015 has assigned a credit rating of "**IND AAA/Stable**" to the borrowing programme of our Company for FY 2015-16 aggregating to ₹45,500 crore and vide its letter dated October 19, 2015 revalidated the credit rating.. ICRA Limited ("**ICRA**") vide its letter no. D/RAT/2015-16/R7/7 dated September 16, 2015 has assigned the rating of "**[ICRA] AAA**" to the long term borrowing programme of our Company for FY 2015-16 aggregating to ₹45,500 crore and vide its letter no. D/RAT/2015-16/R7/8 dated October 19, 2015 revalidated the credit rating. Instruments with such ratings are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk. The above ratings are not a recommendation to buy, sell or hold securities and hence the Investors should take their own decision before investing in the Issue. These ratings may be subject to revision or withdrawal at any time by the assigning rating agencies and should be evaluated independently of any other ratings. For further details and for rationale for the above ratings, please refer to Appendix - II of the Shelf Prospectus.
Objects of the Issue and Utilisation of Proceeds	Please refer to "***Objects of the Issue***" on page 26 of this Prospectus Tranche I.
Step up/step down Coupon rate	Nil.
Coupon/Interest Reset Process	None
Interest payment date	First Coupon/ Interest Payment Date shall be December 28, 2015, and subsequently on December 1 of every year until the Maturity Date/ Redemption Date of the series of Bonds.
Working Day Convention/Day Count	All days, excluding Sundays or a holiday of commercial banks or a public holiday in Delhi or Mumbai, except with reference to Issue Period and Record Date, where Working Days shall mean all days, excluding Saturdays, Sundays and public holiday in India. Furthermore, for the purpose of post Issue Period, i.e. period beginning from Issue Closing Date to listing of the Bonds, Working Days shall

Particulars	Terms and Conditions
	mean all days excluding Sundays or a holiday of commercial banks in Mumbai or a public holiday in India. **Day Count Convention** **Actual/Actual**; i.e. Interest will be computed on a 365 days-a-year basis on the principal outstanding on the Bonds. Where the interest period (start date to end date) includes February 29, interest will be computed on 366 days-a-year basis, on the principal outstanding on the Bonds. **Effect of holidays on payments** If any Coupon/Interest Payment Date falls on a day that is not a Working Day, the payment shall be made on the immediately succeeding Working Day along with interest for such additional period. Further, interest for such additional period so paid, shall be deducted out of the interest payable on the next Coupon/Interest Payment Date. If the Redemption Date/Maturity Date (also being the last Coupon/Interest Payment Date) of any Series of the Bonds falls on a day that is not a Working Day, the redemption proceeds shall be paid on the immediately preceding Working Day along with interest accrued on the Bonds until but excluding the date of such payment.
Interest on Application Money	Please refer to "***Terms of the Issue***" on page 71 of the Prospectus Tranche I.
Default Interest Rate	As specified in the Bond Trust cum Mortgage Deed.
Redemption Premium/Discount	Nil
Issue Price	₹ 1,000 per Bond
Issue Size	₹ 300 crores with an option to retain oversubscription upto ₹ 400 crores, aggregating upto ₹ 700 crores.
Discount at which Bond is issued and the effective yield as a result of such discount	Not Applicable
Put/Call	There is no put/call for the Bonds.
Minimum Application Size and in the multiple of thereafter	5 Bonds (₹ 5000) (individually or collectively, across all Series of Bonds) in the multiple of One Bond (₹ 1000) thereafter.
Tranche Issue Opening Date	October 27, 2015.
Tranche Issue Closing Date	November 4, 2015.
Pay-in Date	Date of Application.
Deemed Date of Allotment	The date on which the Board of Directors or Bond Committee approves the Allotment of the Bonds for each Tranche Issue or such date as may be determined by the Board of Directors or Bond Committee and notified to the Stock Exchange. All benefits relating to the Bonds including interest on Bonds (as specified for each tranche by way of Prospectus Tranche I) 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 or physical form, at the option of Applicants.
Trading Mode	In dematerialised form only^
Mode of Payment/ Settlement	For various modes of payment, see "***Terms of the Issue***" on page 73 of this Prospectus Tranche I.
Depositories	NSDL and CDSL
Record Date	15 (fifteen) days prior to the relevant Interest Payment Date, relevant Redemption

Particulars	Terms and Conditions
	Date for Bonds issued under this Prospectus Tranche I. In the event the Record Date falls on a Sunday or a holiday of the Depositories, the succeeding Working Day or a date notified by our Company to the stock exchanges, shall be considered as the Record Date.
Security and Asset Cover	The Bonds issued by our Company will be secured by way of first/*pari passu* charge on the book debts and/or immovable property of our Company, other than those that are exclusively charged/earmarked to any trustee/lender(s) of our Company, and/or any other security as may be agreed between our Company and the Trustee, pursuant to the terms of the Bond Trust cum Mortgage Deed with a minimum security cover of one time of the aggregate face value amount of Bonds and interest thereon outstanding at all times till the currency of the Bonds. The permissions or consent to create *pari passu* charge on assets of the Issuer have been obtained from the earlier creditors. Further details pertaining to the Security shall be more particularly specified in the Bond Trust cum Mortgage Deed.
Nature of Indebtedness and Ranking/Seniority	The claims of the Bondholders shall be superior to the claims of any unsecured creditors of our Company and subject to applicable statutory and/or regulatory requirements, rank *pari passu* with other secured creditors having a first *pari passu* charge on the book debts and/or immovable property of our Company that are charged as security under this Issue.
Cross Default	As provided in the Bond Trust cum Mortgage Deed.
Transaction Documents	Transaction Documents means documents/agreements/undertakings, entered or to be entered by our Company with Lead Managers and/or other intermediaries for the purpose of this Issue including but not limited to Bond Trust cum Mortgage Deed, Trustee Agreement dated July 17, 2015, CDSL Agreement dated October 16, 2007, NSDL Agreement dated November 15, 2007, Escrow Agreement dated October 19, 2015, Registrar MoU dated September 28, 2015, Consortium Agreement dated October 21, 2015 and Lead Managers MoU dated September 28, 2015. Please refer to section titled "***Material Contracts and Documents***" on page 118 of this Prospectus Tranche I.
Condition Precedent to Disbursement	N.A.
Condition Subsequent to Disbursement	As provided in Bond Trust cum Mortgage Deed.
Event of Default	As provided in Bond Trust cum Mortgage Deed.
Role and responsibilities of Trustee	As provided in Trustee Agreement/Bond Trust cum Mortgage Deed.
Terms of Payment	Full amount on Application except for ASBA Applicants.
Trading Lot	1 Bond
Governing Law and Jurisdiction	Laws of the Republic of India. The Courts of New Delhi will have exclusive jurisdiction for the purposes of this Issue.

* *With regard to Section 186(7) of the Companies Act, 2013, see general circular(No. 6/2015), dated April 9, 2015 issued by the MCA clarifying that in cases where the effective yield (effective rate of return) on tax free bonds is greater than the prevailing yield of one year, three year, five year or ten year government security closest to the tenor of the loan, there is no violation of Section 186(7) of the Companies Act, 2013.*

Participation by any of the above-mentioned Investor classes in this Issue will be subject to applicable statutory and/or regulatory requirements. Applicants are advised to ensure that Applications made by them do not exceed the investment limits or maximum number of Bonds that can be held by them under applicable statutory and/or regulatory provisions.

^ *Our Company will make public issue of the Bonds in the dematerialised and physical form. However, in terms of Section 8 (1) of the Depositories Act, our Company, at the request of the Investors who wish to hold the Bonds in physical form will fulfill such request. However, trading in Bonds shall be compulsorily in dematerialized form.*

TERMS AND CONDITIONS IN CONNECTION WITH THE BONDS

Nature of the Bonds

The Bonds being issued are in form of Tax Free Secured Redeemable Non-Convertible Bonds in the nature of Debentures of face value of ₹ 1,000 each having tax benefits under Section 10 (15) (iv) (h) of the Income Tax Act, 1961, to be issued by our Company in terms of the Shelf Prospectus and Prospectus Tranche I. The Bonds shall bear a fixed rate of interest, as set out in this Prospectus Tranche I.

The specific terms of Bonds are set out below:

Options	**Series of Bonds***		
	For Category I, II & III#		
	Tranche I Series 1A	**Tranche I Series 2A**	**Tranche I Series 3A**
Coupon rate (%) p.a.	6.89 %	7.09%	7.18%
Annualised yield (%) p.a.	6.89%	7.09%	7.18%
	For Category IV only#		
	Tranche I Series 1B	**Tranche I Series 2B**	**Tranche I Series 3B**
Coupon rate (%) p.a.	7.14%	7.34%	7.43%
Annualised yield (%) p.a.	7.14%	7.34%	7.43%

For Category I, II, III# and IV#			
Frequency of interest payment	Annual	Annual	Annual
Minimum Application size	5 Bonds (₹ 5,000) (individually or collectively, across all Series of Bonds) in the multiple of One Bond (₹ 1000) thereafter	5 Bonds (₹ 5,000) (individually or collectively, across all Series of Bonds) in the multiple of One Bond (₹ 1000) thereafter	5 Bonds (₹ 5,000) (individually or collectively, across all Series of Bonds) in the multiple of One Bond (₹ 1000) thereafter
In multiples of	In the multiple of One Bond (₹ 1,000) thereafter	In the multiple of One Bond (₹ 1,000) thereafter	In the multiple of One Bond (₹ 1,000) thereafter
Face value	₹ 1,000 per Bond.	₹ 1,000 per Bond.	₹ 1,000 per Bond.
Issue price	₹ 1,000 per Bond.	₹ 1,000 per Bond.	₹ 1,000 per Bond.
Tenor	10 years.	15 years.	20 years.
Coupon Type	Fixed coupon rate	Fixed coupon rate	Fixed coupon rate
Redemption Date	10 years from the Deemed Date of Allotment.	15 years from the Deemed Date of Allotment.	20 years from the Deemed Date of Allotment.
Redemption Amount (₹/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.	Repayment of the face value along with any interest that may have accrued at the Redemption Date.

* *Our Company shall allocate and allot Tranche I Series 1A/ Series 1B (depending upon the category of applicants) to all valid applications, wherein the Applicants have not indicated their choice of the relevant Series of Bond.*

\# *In pursuance of CBDT Notification and for avoidance of doubts, it is clarified as under:*

a. *The coupon rates indicated under Tranche I Series 1B, Tranche I Series 2B and Tranche I Series 3B shall be payable only on the Portion of Bonds allotted to RIIs in the Issue. Such coupon is payable only if on the Record Date for payment of interest, the Bonds are held by investors falling under RII Category viz Category IV.*

b. *In case the Bonds allotted against Tranche I Series 1B, Tranche I Series 2B and Tranche I Series 3B are transferred by RIIs to Non-RIIs viz, Institutions, Corporates and/or High Networth Individuals, the coupon rate on such Bonds shall stand at par with coupon rate applicable on Tranche I Series 1A, Tranche I Series 2A and Tranche I Series 3A respectively.*

c. *If the Bonds allotted against Tranche I Series 1B, Tranche I Series 2B and Tranche I Series 3B are sold/ transferred by the RIIs to investor(s) who fall under the RII category as on the Record Date for payment of interest, then the coupon rates on such Bonds shall remain unchanged;*

d. *Bonds allotted against Tranche I Series 1B, Tranche I Series 2B and Tranche I Series 3B shall continue to carry the specified coupon rate if on the Record Date for payment of interest, such Bonds are held by investors falling under RII Category;*

e. *If on any Record Date, the original RII allottee(s)/ transferee(s) hold the Bonds under Tranche I Series IA, Tranche I Series IB, Tranche I Series 2A, Tranche I Series 2B, Tranche I Series 3A, Tranche I Series 3B for an aggregate face value amount of over ` 10 lacs, then the coupon rate applicable to such RII allottee(s)/transferee(s) on Bonds under Tranche I Series 1B, Tranche I Series 2B, Tranche I Series*