SECTION III - INTRODUCTION
THE ISSUE

The following is a summary of the terms of the Bonds. This section should be read in conjunction with, and is qualified in its entirety by, more detailed information in "***Issue Structure***" and "***Terms of the Issue***" on page 163 and 169 of this Prospectus, respectively.

<table>
<tr><th colspan="5">COMMON TERMS AND CONDITIONS FOR ALL SERIES OF THE BONDS</th></tr>
<tr><td>Lead Managers</td><td colspan="4">A. K. Capital Services Limited and Axis Capital Limited</td></tr>
<tr><td>Issuer</td><td colspan="4">NHPC Limited</td></tr>
<tr><td>Issue of Bonds</td><td colspan="4">Public issue by the Company of tax free, secured, redeemable, non-convertible bonds in the nature of debentures of face value of Rs. 1,000 each, having tax benefits under Section 10(15) (iv) (h) of the Income Tax Act, for an amount aggregating up to Rs. 500 crore with an option to retain oversubscription up to Rs. 500 crore for issuance of additional bonds aggregating to a total of up to Rs. 1,000 crore*, during the Fiscal 2014.

* In terms of the CBDT Notification, our Company is allowed to raise tax free bonds upto a maximum amount of Rs. 1,000 crore in the Fiscal 2014, out of which our Company is required to raise a minimum of 70% i.e. Rs. 700 crore through public issue. Further, our Company may at its discretion, raise upto a maximum of Rs. 300 crore through private placement route, wherein suitable amount shall be earmarked for sovereign wealth funds, pension and gratuity funds. In case our Company decides to raise funds through private placement route, the amount of oversubscription that may be retained through public issue shall stand reduced accordingly. Our Company shall ensure that the tax free bonds issued through public issue and private placement route shall together not exceed Rs. 1,000 crore during the Fiscal 2014.</td></tr>
<tr><td>Face Value (Rs.)</td><td colspan="4">Rs. 1,000 per Bond</td></tr>
<tr><td>Issue Price (Rs.)</td><td colspan="4">Rs. 1,000 per Bond</td></tr>
<tr><td>Nature of Bonds</td><td colspan="4">Secured, redeemable and non-convertible</td></tr>
<tr><td>Nature of Indebtedness and Ranking/ Seniority</td><td colspan="4">The claims of the Bondholders shall be superior to the claims of any unsecured creditors of the Company and subject to applicable statutory and/or regulatory requirements, rank pari passu inter se to the claims of other secured creditors of the Company having the same security</td></tr>
<tr><td>Mode of Issue</td><td colspan="4">Public issue</td></tr>
<tr><td rowspan="2">Who can apply</td><td>Category I ("Qualified Institutional Buyers") ("QIBs")**</td><td>Category II ("Corporates")**</td><td>Category III ("High Networth Individuals") ("HNIs")</td><td>Category IV("Retail Individual Investors") ("RIIs")</td></tr>
<tr><td>• Public financial institutions as defined in Section 4A of the Companies Act, 1956, as amended, Indian Alternative Investment Funds registered with SEBI
• Scheduled commercial bank,
• Mutual funds, registered with SEBI,
• State industrial development corporations,
• Insurance companies registered with the Insurance Regulatory and Development Authority,
• Provident funds with a minimum corpus of Rs. 25. crore,
• Pension funds with a minimum corpus of Rs. 25 crore,
• The National Investment Fund set up by resolution F. No. 2/3/2005-DD-II dated November 23, 2005 of the GoI, published in the Gazette of India,
• Insurance funds set up and managed by the army, navy,</td><td>• Companies within the meaning of section 2(20) of the Companies Act, 2013,
• Limited Liability Partnerships registered under the provisions of the LLP Act,
• Statutory corporations,
• Trusts,
• Partnership firms in the name of partners,
• Cooperative banks,
• Regional rural banks,
• Societies registered under the applicable</td><td>The following investors applying for an amount aggregating to more than Rs. 10 lakh across all Series of Bonds in the Issue
• Resident Individual Investors
• Hindu Undivided Families applying through the Karta</td><td>The following investors applying for an amount aggregating up to and including Rs. 10 lakh across all Series of Bonds in the Issue
• Resident Individual Investors
• Hindu Undivided Families through the Karta</td></tr>
</table>

COMMON TERMS AND CONDITIONS FOR ALL SERIES OF THE BONDS	
	or air force of the Union of India, and • Insurance funds set up and managed by the Department of Posts, India which are authorized to invest in Bonds. | law in India , • Association of Persons • Other domestic legal entities registered under applicable laws in India, which are authorised to invest in Bonds
Listing	NSE and BSE. NSE is the Designated Stock Exchange. For more information, see "***Terms of the Issue – Listing***" on page 181 of this Prospectus
Credit Ratings	ICRA Limited has, vide its letter dated September 27, 2013 assigned a credit rating of "[ICRA] AAA" to the Bonds. Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk. India Rating & Research Private Limited has, vide its letter dated October 1, 2013 assigned a credit rating of IND 'AAA' to the Bonds. Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk. Credit Analysis & Research Limited has, vide its letter dated September 27, 2013 assigned a credit rating of 'CARE AAA' to the Bonds. Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk. For the rationale for these ratings, see "***Annexure B – Credit Rating***" of this Prospectus.
Objects of the Issue and Utilisation of Proceeds	See "***Objects of the Issue***" on page 61 of this Prospectus
Security	A *pari passu* first charge on specific assets of the Company, as may be mentioned in the Bond Trust Deed, with an asset cover of one time of the total outstanding amount of Bonds. The Company reserves the right to create first pari passu charge on the said specific project assets for its present and future financial requirements or otherwise, without requiring the consent of, or intimation to, the Bondholders or the Bond Trustee in this connection, provided that a minimum security cover of 1 (one) times is maintained
Security Cover	One time of the total outstanding amount of Bonds
Put/Call Option	There is no put/call option for the Bonds
Mode of Issuance	In dematerialised form and physical form, at the option of the Applicant***
Bond Trustee	IDBI Trusteeship Services Limited
Mode of Trading	In dematerialised form only***
Registrar	Karvy Computershare Private Limited
Modes of Payment/Settlement Mode	1. Direct Credit; 2. National Electronic Clearing System ("**NECS**"); 3. Real Time Gross Settlement ("**RTGS**"); 4. National Electronic Fund Transfer ("**NEFT**"); and 5. Demand Draft/ Cheque/ Pay Order For more information, see "***Terms of the Issue – Manner & Modes of Payment***" on page 176 of this Prospectus.
Market Lot / Trading Lot	One Bond
Record Date	Date falling 15 days prior to the relevant Interest Payment Date on which interest or the Maturity Date on which the Maturity Amount is due and payable under the Prospectus. In the event the Record Date falls on a Saturday, Sunday or a Public Holiday in New Delhi or any other payment centre notified in terms of the Negotiable Instruments Act, 1881, the succeeding Working Day shall be considered as the Record Date
Working Day Convention/ Day Count	A Working Day shall mean all days excluding Sundays or a public holiday in India or at any other payment centre notified in terms of the Negotiable Instruments Act, 1881, except with reference to Issue Period, Interest Payment Date/ Coupon Payment Date and Record Date, where working days shall mean all days, excluding Saturdays, Sundays and public holiday in India or at any other payment centre notified in terms of the Negotiable Instruments Act, 1881 **Day Count Convention** Actual/actual, i.e., coupon/ interest rate will be computed on a 365 days-a-year basis on the principal

COMMON TERMS AND CONDITIONS FOR ALL SERIES OF THE BONDS		
	outstanding on the Bonds. Where the coupon/ interest period (start date to end date) includes February 29, coupon/ interest rate will be computed on 366 days-a-year basis, on the principal outstanding on the Bonds. **Effect of holidays on payments** If the date of payment of coupon/ interest or principal or redemption or any date specified does not fall on a Working Day, the succeeding Working Day will be considered as the effective date. Coupon/ Interest and principal or other amounts, if any, will be paid on the succeeding Working Day. In case the date of payment of coupon/ interest falls on a holiday, the payment will be made on the next Working Day, without any interest for the period overdue. In case the date of redemption falls on a holiday, the payment will be made on the next Working Day without interest for the period overdue	
Transaction Documents	Documents/undertakings/agreements entered into or to be entered into by the Company with Lead Managers and/or other intermediaries for the purpose of this Issue, including but not limited to the following: -	
	Bond Trustee Agreement	Bond Trustee Agreement dated September 27, 2013 entered into between the Bond Trustee and the Company
	Bond Trust Deed	Trust Deed to be entered into between the Bond Trustee and the Company within three months from the Issue Closing Date
	Escrow Agreement	Agreement dated October 4, 2013 entered into by the Company, the Registrar to the Issue, the Lead Managers and the Escrow Collection Bank(s) for collection of the Application Amounts and where applicable, refunds of amounts collected from Applicants on the terms and conditions thereof
	Issue Agreement	The agreement entered into on September 27, 2013 between the Company and the Lead Managers
	Consortium Agreement	Consortium Agreement dated October 8, 2013 entered into between the Company and the Consortium Members
	Registrar Agreement	Agreement dated September 27, 2013 entered into between the Company and the Registrar to the Issue, in relation to the responsibilities and obligations of the Registrar to the Issue pertaining to the Issue
	Tripartite Agreements	Tripartite agreement dated July 6, 2007 between the Company, CDSL and the Registrar to the Issue and the tripartite agreement dated October 10, 2007 between the Company, NSDL and the Registrar to the Issue
Issue Opening Date	October 18, 2013	
Issue Closing Date	November 11, 2013 The Issue shall remain open for subscription from 10.00 a.m. to 5.00 p.m. (Indian Standard Time) during the period indicated above with an option for early closure or extension, as may be decided by the Board of Directors or the Functional Authority. In the event of such early closure or extension of the subscription list of the Issue, the Company shall ensure that public notice of such early closure/extension is published on or before such early date of closure or the Issue Closing Date, as applicable, through advertisement(s) in atleast one leading national daily newspaper	
Pay-in Date	Application Date. Full amount with the Application Form, except ASBA Applications. See "***Issue Procedure – Payment Instructions***" on page 202 of this Prospectus.	
Deemed Date of Allotment	The date will be on which, the Board of Directors or Functional Authority approves the Allotment of Bonds for the Issue or such date as may be determined by the Board of Directors or Functional Authority and notified to the Designated Stock Exchange. All benefits relating to the Bonds including interest on Bonds (as specified by the Prospectus) shall be available from the Deemed Date of Allotment. The actual allotment of Bonds may take place on a date other than the Deemed Date of Allotment.	
Interest on Application Money	See "***Terms of the Issue-Interest on Application and Refund Money***" on page 175 of this Prospectus	
Default Interest Rate	The Company shall pay liquidated damages at a compounded rate of 1% per annum on the amount in respect of which a default has been committed in the event the Company fails to pay any amounts	

COMMON TERMS AND CONDITIONS FOR ALL SERIES OF THE BONDS	
	outstanding payable, when due and payable.
Redemption Premium/Discount	Not applicable
Conditions precedent/subsequent to disbursement	Other than the conditions specified in the SEBI Debt Regulations, there are no conditions precedent/subsequent to disbursement. See "***Terms of the Issue - Utilisation of Issue Proceeds***" on page 181 of this Prospectus
Event of Default	See "***Terms of the Issue***" on page 169 of this Prospectus
Cross Default	Not applicable
Roles and Responsibilities of Bond Trustee	See "***Terms of the Issue- Bond Trustee***" on page 180 of this Prospectus
Discount at which Bond is issued and the effective yield as a result of such discount	Not applicable
Governing Law	Laws of the Republic of India
Jurisdiction	The courts of New Delhi will have exclusive jurisdiction for the purposes of the Issue.

*** With regard to Section 372A (3) of the Companies Act, 1956, kindly refer to General Circular No. 6/ 2013, dated March 14, 2013 issued by Ministry of Corporate Affairs, GoI clarifying that in cases where the effective yield on tax free bonds is greater than the prevailing bank rate, there shall be no violation of Section 372A(3) of the Companies Act, 1956.*

****In terms of Regulation 4(2) (d) of the Debt Regulations, the Company will make public issue of the Bonds in the dematerialised form. However, in terms of Section 8 (1) of the Depositories Act, the Company, at the request of the Investors who wish to hold the Bonds in physical form will fulfil such request. However, trading in Bonds shall be compulsorily in dematerialised form.*

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.

Applicants are advised to ensure that they have obtained the necessary statutory and/or regulatory permissions/consents/approvals in connection with applying for, subscribing to, or seeking Allotment of Bonds pursuant to the Issue.

For specific terms of each Bond please refer to section titled "*Issue Structure- Specific Terms for each Series of Bonds*" on page 167 of this Prospectus

IDBI Trusteeship Services Limited has vide its letter dated September 27, 2013 given its consent for its appointment as Bond Trustee to the Issue and for its name to be included in this Prospectus and in all the subsequent periodical communications sent to the holders of the Bonds issued pursuant to this Issue.

SPECIFIC TERMS AND CONDITIONS FOR EACH SERIES OF BONDS

Options	**Series of Bonds***		
	For Category I, II & III**		
	Series 1A	**Series 2A**	**Series 3A**
Coupon Rate (%) p.a	8.18	8.54	8.67
Annualised Yield (%) p.a	8.18	8.54	8.67
Options	**For Category IV****		
	Series 1B	**Series 2B**	**Series 3B**
Coupon Rate (%) p.a	8.43	8.79	8.92
Annualised Yield (%) p.a	8.43	8.79	8.92
For Category I, II, III & IV**			
Minimum Application	5 Bonds (Rs. 5000) (invidually or collectively, across all Series		
In the multiple of	One Bond (Rs. 1000)		
Tenor	10 years	15 years	20 years
Maturity / 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 (Rs./Bond)	Repayment of the Face Value plus any interest at the applicable Coupon/ Interest Rate that may have accrued at the Redemption Date		
Coupon/ Interest Type	Fixed Coupon Rate		
Coupon / Interest Payment Date	The date, in case of the first coupon/ interest payment shall be April 1, 2014 and for subsequent Fiscal Years the interest payment date shall be on April 1 of every Fiscal year. The last interest payment in each case will be made on the Redemption Date on prorata basis		
Coupon/ Interest Reset Process	Not applicable		
Frequency of Coupon/ Interest Payment	Annual		

**The Company shall Allot Series 2A/ Series 2B (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 the CBDT Notification and for avoidance of doubt, it is clarified as under:*

a. *The coupon rates indicated under Series 1B, Series 2B and 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 Series 1B, Series 2B and Series 3B are transferred by RIIs to Non-RIIs viz, QIBs, Corporates and/or High Networth Individuals, the coupon rate on such Bonds shall stand at par with coupon rate applicable on Series 1A, Series 2A and Series 3A respectively.*
c. *If the Bonds allotted against Series 1B, Series 2B and 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 Series 1B, Series 2B and 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 allotee(s)/ transferee(s) hold the Bonds under Series 1B, Series 2B and Series 3B for an aggregate face value amount of over Rs. 10 lakh, then the coupon rate applicable to such RII allottee(s)/transferee(s) on Bonds under Series 1B, Series 2B, Series 3B shall stand at par with coupon rate applicable on Series 1A, Series 2A, and Series 3A, respectively;*
f. *Bonds allotted under Series 1A, Series 2A and Series 3A shall carry coupon rates indicated above till the respective maturity of Bonds irrespective of Category of holder(s) of such Bonds;*
g. *For the purpose of classification and verification of status of the RII Category of Bondholders, the aggregate face value of Bonds held by the Bondholders in all the Series of Bonds, allotted under the respective Issue shall be clubbed and taken together on the basis of PAN.*

Minimum Subscription

In terms of the SEBI Debt Regulations, an issuer undertaking a public issue of debt securities may disclose the minimum amount of subscription that it proposes to raise through the issue in the offer document. The Company has decided not to stipulate minimum subscription for this Issue.

Market Lot & Trading Lot

As per the SEBI Debt Regulations, since trading in the Bonds will be in dematerialised form only, the tradable lot is one Bond ("**Market Lot**"). The Company has made depository arrangements with CDSL and NSDL for trading of the Bonds in dematerialised form, pursuant to the tripartite agreement dated July 6, 2007 between the