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Notification No. 7/2012,

Dated: 14th February, 2012

In exercise of the powers conferred by item (h) of sub-clause (iv) of clause (15) of section 10 of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby authorises the Rural Electrification Corporation (hereinafter referred to as the entity), to issue, through a public issue, during the financial year 2011-12, tax free, secured, redeemable, non-convertible bonds of rupees 1,000 each, aggregating to rupees three thousand crores subject to the conditions specified namely:-

- (a) Tenure of Bonds: The tenure of the bonds shall be ten years or fifteen years;
- (b) Permanent Account Number (PAN): It shall be mandatory for the subscribers to furnish their PAN to the issuer;
- (c) Rate of Interest: The interest on the bonds shall be not less than fifty basis points lower than the yield on the Government Securities of equivalent residual maturity as reported by the Fixed Income Money Market and Derivative Association of India, as on the last working day of the month immediately preceding the month of the issue of the bonds:

Provided that a higher coupon rate of upto 20 basis points may be offered to Retail Individual Investor vis-à-vis the rate offered to Qualified Institutional Buyers (QIBs), corporate and High Networth Individuals(HNIs):

Provided further that higher rate of interest shall not be available in case the bonds are transferred, except in case of transfer to legal heir in the event of death of the original investor:

- (d) Commission on sale.- (i) the commission on sale shall be capped at a maximum of a flat fee of 1.25% of the issue size;
- (ii) The flat fee shall include the total expense for the issue of bonds, including the expenses for advertisement, brokerage, printing, collection, canvassing charges, road shows and all other charges spent for this process.

(iii) Provided that the brokerage shall not exceed 0.15 per cent in the case of Qualified Institutional Buyers and corporate and 0.35 per cent in the case of High Networth Individuals.

(e) The benefit under the said section shall be admissible only if the holder of such bonds registers his, her or it's name and the holding with the entity.

(f) The entity shall issue the bonds only by way of public issue, and not by way of private placement.

(Raman Chopra)
Director (ITA.I)

Explanation.- For the purposes of this notification,-

(i) Qualified Institutional Buyers and Retail Individual Investors shall have the same meaning as assigned to them in the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

(ii) Any individual investor investing more than rupees one lakh shall be treated as High Networth Individual.