

RURAL ELECTRIFICATION CORPORATION LIMITED
Core-4, Scope Complex, No.7, Lodi Road, New Delhi-110003

No.:SEC-1/8(1)/2005/123

Dated: 6.07.2005

LOAN POLICY CIRCULAR

Sub.: Revision in interest rates applicable to REC's Loans/Schemes and withdrawal of some of the Loans/Schemes.

Ref.: REC's Loan Policy Circular No. SEC-1/8(1)/2004/222 dated 21.9.04.

I The Corporation has revised the interest rates and some of the terms and conditions in respect of various categories of REC's Loans/Schemes and withdrawn some of the Loans/schemes as detailed below:-

1. Applicable interest rates for reforming State Sector Borrowers and Central Sector Borrowers (other than Special Category PSUs) **are given at Annexure-I.**

2. Applicable interest rates for NTPC, NLC, DVC, NHPC, NPCIL, PGCIL, SJVNL and all 'AAA' rated companies in State/Central Sector (Special Category) **are given at Annexure-II.**

3. Applicable interest rates for Private Sector Borrowers **are given at Annexure-III.**

4. The following existing REC loans/schemes referred to in REC Circular dated 21.9.04 shall be covered under "**Distribution**" Category:-

- a. Intensive Electrification - **(P:IE)**
- b. Pumpset Energisation - **SPA (PE)**
- c. Comprehensive Systems Improvement - **(CSI)**
- d. Systems Improvement (SI)Meters/Transformers/Conductors/ Capacitors - **SI (M/Trans/Cond./Cap.)**
- e. System Improvement Schemes only covering voltages upto 11KV on secondary side of power sub-stations.
- f. H.V.D.S. & APDRP Schemes.

5. The System Improvement Schemes not covered under "**Distribution**" Category as above, will be covered under "**Transmission**" Category.

6. The Government of India has introduced a new scheme viz. "**Rajiv Gandhi Grameen Vidutikaran Yojana (RGGVY)**" – Scheme for Rural Electricity Infrastructure and Household Electrification" in April, 2005 for attainment of National Common Minimum Programme (NCMP) goal of providing access to electricity to all households in five years. This scheme would be implemented through REC with 90% capital subsidy from the Govt. of India and 10% loan from REC at an interest rate of 5% per annum, and it would cater to the funding requirement of power

utilities which includes electrification of villages (P:VE), electrification of Dalit Bastis (P:DB) and electrification of Hamlets (P:HE). **It has therefore been decided to discontinue sanction of the following categories of schemes** with effect from current financial year 2005-06 and no new scheme will be sanctioned hereafter in respect of these schemes referred to in REC Circular dated 21.9.2004:-

- a. Village Electrification – (P:VE)
- b. Dalit Basti Electrification - (P: DB)
- c. Hamlet Electrification - (P : HE)

However, ongoing schemes in respect of above categories of loans, where documentation has been completed/to be completed and part of the loan has been disbursed, will be continued for their completion and will be covered under “**Distribution**” category for interest rate purpose.

II There is no change in the existing interest rate on Short Term Loan (STL) which is as under:-

- a. For period upto 12 months. 7.25% p.a.
- b. For period above 12 months upto 36 months. 8% p.a.

III Notes to above rates:

1. State Grading :

- (a) **The state sector borrowers** who fulfil following criteria shall be covered under State Sector **Grade – I category:**
 - (i) No current default i.e. not a declared defaulter;
 - (ii) Satisfactory Escrow arrangement;
 - (iii) Reforming entity status as per REC/MOP guidelines.
 - (b) **The state sector borrowers** who do not fulfil all the above criteria will fall under **Grade-II category**, which will be reviewed from time to time.
 - (c) The revised interest rates for **Grade II State Sector borrowers** shall be higher by 0.50% than those of reforming State Sector borrowers **notified in Annexure-I.**
- 2. Private Sector borrowers other than AAA rated entities** will be appraised and graded based on merits of individual projects on case to case basis.
- 3. The Mega and Large loans are defined as under:**
- (i) **For state/central sector borrowers:**

- (a) **Mega** generation project loans :The generation projects where the sanction amount is above Rs. 1000 crore.
- (b) **Large** generation project Loans: The generation projects where the sanction amount is Rs. 700 crore to Rs. 1000 crore (both figures inclusive).

(ii) For private sector borrowers:

- (a) **Mega** generation project loans : The generation projects where the sanction amount is above Rs. 500 crs.
- (b) **Large** generation project loans: The generation projects where the sanction amount is Rs. 300 crs to Rs. 500 crs (both figures inclusive).

4. (a) **In case of state/central sector borrowers (other than Mega/Large loans)**, a 0.5% reduction in interest rate on term loans will be allowed on all disbursements made/to be made on or after 1.7.2005, from the date of:

- (i) Timely commissioning of the first unit for generation projects as per agreed schedule; or
- (ii) Completion of 80% disbursement for other projects/schemes (except loans for generation projects).

(b) **In case of private sector borrowers (other than Mega/Large loans)**, 0.5% reduction in applicable interest rate will be allowed for all types of existing and new projects (both stand alone and consortium loans) on outstanding loan amount/disbursement to be made, from the standard due date immediately following the date of Commercial Operation Date (COD) or 1.07.2005, whichever is later. This benefit shall be given irrespective of extent of disbursement under the loan at that point of time.

(c) **In case of Mega and Large loans (both State/Central sector and Private sector borrowers)**, a reduction in interest rate by 0.25% shall be allowed on all disbursement made/to be made on or after 1.07.2005 or from the date of commissioning of first unit of generation (for state/central sector) or C.O.D of project (for private sector), as the case may be, whichever is later.

4.1 Further, the reduction in rate (where the reduction is due to commissioning/COD of project) shall be made from the date of receipt of intimation in REC in regard to commissioning (for state/central sector) or COD (for private sector borrowers) of project or the actual date of commissioning/COD of project, whichever is later; provided that if intimation is received within 5 (five) working days from actual commissioning /COD of the project, the reduction shall be given w.e.f. the date of commissioning or C.O.D, as the case may be.

4.2 In all the above cases of (a), (b) and (c), the reduction shall be applicable from the date, the existing payment-default, if any, under any facility extended by REC, are cleared by the borrower or the eligibility dates as given above, whichever is later.

5. In case of the schemes sponsored by North Eastern States/SEBs and special category states such as Himachal Pradesh, Uttaranchal and Jammu & Kashmir, in the categories of schemes at Paras I.4 and I.5 above, the interest rate applicable will be 6.75% p.a. for loans of period upto 5 years, and 7% p.a. for loans of period of more than 5 years.

6. In respect of Short Term Loan (STL) at Para II above, interest amount is payable monthly, with option to borrower to pay principal in lumpsum (bullet) or in equal monthly/quarterly instalments. In the case of bullet repayment of STL, interest amount shall be recovered at the above rate for the contracted period.

7. An additional interest of 0.5% p.a. shall be charged on the categories of loans at Paras I.1 to I.3 above, till escrow cover or any other payment security mechanism as acceptable to REC is available.

8. **In case of interest rates with 3 year reset clause**, the Corporation shall have the right of interest reset after every 3 years beginning with the date of first disbursement. Interest reset, if exercised by the Corporation, shall apply from the standard due date immediately following the end of 3rd year period.

9. **In case of interest rate with reset after 10 years**, if the repayment period is more than 10 years, the Corporation shall have the right of interest reset after 10 years beginning with the date of first disbursement.

10. In case the interest rate is enhanced by the Corporation, on expiry of 3 years or 10 years as the case may be, by exercising the interest reset condition, the borrower shall have option to prepay the entire loan outstanding amount without payment of premium.

11. **In respect of R&M/R&U Projects** the total period of loan including moratorium shall normally not exceed 10 years. However, in case the total period exceeds 10 years, reset clause as mentioned above will apply.

12. **In case of consortium financing/co-financing of projects**, REC shall have the liberty to charge its own rates or the higher rates of other consortium members.

13. **In respect of debt-refinancing cases**, the rates for appropriate category of projects shall be applicable unless decided otherwise by REC.

14. Processing Fee

In respect of private sector borrowers, a non-refundable processing fee @ 0.1% of the loan applied, subject to a ceiling of Rs.20.00 lakh, shall be charged. 50% of this will be taken at the time of receipt of loan application, and balance 50% of processing fee will be taken after sanction but before documentation. In case the sanctioned amount is less than the applied amount, the amount shall be suitably adjusted in the balance 50% amount. This processing fee shall be applicable for all the applications received in REC's format w.e.f. 1.9.2004.

15. Upfront Fee

(a) **In respect of state sector borrowers**, the following policy for levy of upfront fee for generation projects shall continue to apply:-

- (i) for loans not exceeding Rs.100 crore, there shall be no upfront fee payable by the borrower;
- (ii) for loans exceeding Rs.100 crore, an upfront fee of 0.1% of the loan amount sanctioned (non-refundable) shall be levied as per existing procedure.

(b) **In respect of private sector borrowers**, upfront fee of 1% of the loan amount sanctioned shall be levied for all loans/schemes of REC.

16. Commitment Charges

(a) All borrowers shall furnish at the time of submission of Memorandum of Agreement (MOA) to the Corporation a quarter-wise schedule of drawal of this loan, the year being the financial year commencing April 1st and ending March 31st and the quarters being three months period beginning from 1st April, 1st July, 1st Oct. and 1st Jan of the year. The borrower will be required to draw the entire amount of committed funds in the respective quarters. In case the borrower is unable to draw the committed funds in the scheduled quarter, the Corporation will recover commitment charges on the un-drawn amount of previous quarter from the first day of following quarter till the date of actual date of drawal @ 0.25% p.a. The commitment charges will be payable quarterly on 15th April, 15th July, 15th October and 15th January every year after execution of loan documents till the date of drawal of loan by the borrower.

(b) **The state sector borrowers** shall be allowed prospective revision of drawal schedule **twice** during the currency of the loan, with due concurrence of REC.

17. The state sector borrowers can opt for payment of either upfront fee or commitment charges for their generation projects under due intimation to REC before signing of Memorandum of Agreement.

18. All the interest rates indicated above are on quarterly rest basis. In the case of EMI, the interest rates indicated above shall be appropriately worked out for the purpose of calculation of interest under EMI installment.

19. Statutory taxes levied, if any, and paid/payable by REC will be paid/payable by the borrower.

20. **The penal interest to be levied on defaulted payment has been reduced from 2.75% p.a. to 2% p.a. with effect from 1st July 2005.**

21. **The revised interest rates as indicated in Paras I.1 to I.3 above, and in Annexures I to III shall be applicable on all disbursements made on or after 1st July 2005 irrespective of the date of sanction of loans. Some of the other changed terms and conditions as contained above shall also come into effect from 1st July 2005. All other terms and conditions applicable hithertofore remain unchanged.**

Hindi version follows.

Yours faithfully,

(B.R. Raghunandan)
GM(Law) &CS

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All State Electricity Boards.

The Secretaries-Incharge of Power,
All State Governments.

The Chairmen/Managing Directors,
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6. File No. SEC-4/1(294)/2005