Policy for Refinancing of Debt of Commissioned Projects along with Additional Corporate Loan for New/Expansion /Acquisition of projects

The objective of the scheme is to provide financial assistance to companies in power sector having commissioned power projects and are intending to refinance the existing debt along with availing additional debt for equity infusion. Request for financial assistance will be considered for commissioned projects only after 6 (six) months from COD of the entire project.

All players in power sector having existing power projects are eligible under the scheme provided the utility/entity is eligible as per the Operational Policy Statement (OPS) of PFC and the exposure is available under Prudential Norms of PFC. The State/Central Sector Borrower should not be in default to PFC. And Private Sector Borrowers, should not be in default to any Bank/FI/NBFC including PFC.

Under the scheme loan shall be extended to generation, transmission and distribution projects consisting of the following two components:

a) **Loan A**- For the purpose of refinancing existing debt of commissioned power projects for pre-payment of outstanding loan principal to Banks/FIs/NBFCs only. The extent of funding shall be restricted to the extent of prepayment of outstanding loan principal.

b) **Loan B**- For the purpose of equity infusion in new/ expansion of power project or acquisition of an existing power project. The extent of funding shall be determined on the basis of appraisal which would be limited to 50% of the total equity requirement of the new/expansion/acquired project. The quantum of the loan shall be considered on various other factors like DSCR, D/E ratio, etc.

PFC’s exposure can range from 50% to 100% depending on the risk perception of a particular proposal and type of borrower i.e. Govt. Sector or Private Sector, which shall be expressed as a percentage of total debt (i.e. both 'Loan A' & 'Loan B') as a result of new financing arrangement.

The maximum repayment period of the loan (i.e. Loan A & B) shall be as per the prevailing internal guidelines for maximum repayment period as given in Operational Policy Guidelines (OPS) and based on the Remaining Useful Design Life of the commissioned project. Further, PFC can sanction Loan 'A' & Loan 'B' with different repayment period. No moratorium shall be provided for repayment of principal and interest.

The borrower shall provide adequate security by way of creating First Charge on movable and immovable assets of the commissioned project(s), State Govt. Guarantee, Charge on surplus and unencumbered revenues arising out of free/allocated power, Charge on dividend distribution account of TRA or any other acceptable security. In case the assets of the project(s) are not sufficient to provide the required Asset Coverage Ratio, then subject to a minimum Fixed Asset Coverage Ratio of 1, some other assets of the borrower can be considered on case to case basis with coverage of atleast 1.25 times of such shortfall. Further, the borrower shall provide collateral security in the form of Personal Guarantee/Corporate Guarantee of promoters/Pledge of shares/First or Second pari-passu charge on the movable and immovable assets of the project(s) which are under commissioning or any other acceptable security

Payment Security Mechanism would be developed in consultation with the borrower. However, for private sector borrowers a Trust and Retention Account shall be insisted upon.

Interest rate and Financial Charges as notified from time to time shall be applicable.

The Project shall be appraised as per prevailing policy/procedure of the Corporation.