

## **Policy for Financial Assistance to Distribution Franchisee.**

The scheme shall provide financial assistance to Distribution Franchisee to make investment required to bring efficiency in the distribution system/ network of the designated area in accordance with the Distribution Franchisee Agreement.

Financial assistance shall be provided for Eligible Investments of the borrower/Distribution Franchisee in (a) the assets covered under Investment Roll-out plan/ minimum investment plan as per Distribution Franchisee Agreement and (b) the capital investment for new investment as well as for replacing existing assets which is approved / accepted by Discom and comply the requirements of Distribution Franchisee agreement, if any.

Private Sector entities shall be eligible as per the Operational Policy Statement (OPS) of PFC. Further, the entity can obtain funding either based on their balance sheet strength (Debt Equity Ratio of the project shall be 70:30) or through SPV route (Debt Equity Ratio of the project shall be 60:40).

The extent of funding shall be as per the Operational Policy Statement (OPS) of PFC subject to a maximum of Rs. 150 crore.

Adequate security shall be created in case of SPV and Balance Sheet Funding by the Distribution Franchisee. This can be in the nature of 1<sup>st</sup> pari-passu charge on all movable and immovable assets, on all existing & future receivables. Collateral security shall be provided by giving Personal Guarantee/Corporate guarantee and Pledge of shares. Trust and Retention Account (TRA) and Escrow Account shall also be created for Payment Security Mechanism. DSRA of at least 2 quarters out of Project revenues shall be required and shortfall in DSRA, if any, will be made good by Promoters/Company from its own revenues.

The maximum repayment period for the disbursements of each financial year shall be allowed upto 10 years or two year prior to the expiry of Distribution Franchise Agreement (DFA), whichever is earlier.

The disbursements which have been made during each financial year shall be clubbed and treated as a separate loan and a moratorium upto a maximum period of six months from the end of such financial year shall be allowed for principal repayment. No moratorium on interest payments shall be allowed.

The Other Terms and Conditions such as, prepayment conditions, Financial Charges etc. shall be applicable as per extant policies of RTL.

Interest Rates and financial charges as notified from time to time shall be applicable.

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