

## DEBT REFINANCING SCHEME

### **Purpose**

This scheme envisages to provide financial assistance to the borrowers, for *commissioned project\**, who have borrowed funds from other lending institution(s) at a higher rate of interest and now wish to replace with lower interest rate with the assistance of PFC. By this scheme, the borrowers may reduce their cost of borrowing. The scheme also cover guarantee assistance.

*\* Commissioned projects means projects where atleast a part of the envisaged benefits have started flowing and the rest of the work is progressing satisfactorily. For generating units this would mean that atleast the first unit has been successfully commissioned.*

### **Eligible entities**

Commercial entities engaged in generation, transmission, distribution of power or any combination of these activities including captive power producers and infrastructure projects with backward / forward linkage to power projects.

### **Extent of assistance**

<b>Central / State sector entities*</b>	- Up to 70% of the project cost
<b>Private sector entities</b>	
Thermal generation projects**	- Up to 20% of the project cost
Hydro generation projects**	- Up to 25% of the project cost
Other projects	- Up to 50% of the project cost

*\* Reforming entities - Up to 80% of the project cost.*

*\*\* The extent of financing can be enhanced by 10% of the project cost for thermal generation projects and hydro generation projects.*

However, for infrastructure projects with forward and backward linkages to power project, the extent of assistance will be limited to 20% of the project cost.

### **Interest rate and other charges**

- As notified from time to time for project term loans.
- Upfront fees, penal interest etc. as applicable to the term loan would be payable, as per the prevailing policy by all the borrowers. The option of commitment charges is not available.

### **5. Moratorium**

Since the loan is for completed project, no moratorium is allowed except in case of consortium financing wherein a certain moratorium period and first repayment date has already been agreed upon amongst the consortium members. In such cases, PFC may agree for the same after reviewing the situation in totality.

## 6. Disbursement mechanism

Disbursement will be made in lump sum to the bank/lending agency whose dues are prepaid.

## 7. Repayment

Repayment is determined on the basis of balance recovery period of term loan taken over and is to be made in maximum years of :

Type of Projects	State / Central Sector		Private Sector 3 Years/10 Years Reset Clause
	3 Years Reset Clause*	10 Years Reset Clause	
Hydro Generation Project	20	15	12
Thermal Generation Project	15	15	12
Studies, Consultancy, Training, R&D, S&I, Computerisation, Meters	5	5	5
All other Projects	15	12	10

*\* All such loans shall also have put and call option after the end of 12 years (thermal & other schemes) and 15 years for hydro schemes from the date of commissioning of project.*

Borrower may also opt for a shorter repayment period.

### 1. Security requirements

- Letter of Credit or Tripartite Escrow Agreement amongst the borrower, the bank and PFC for state and central sector entities while Trust and Retention mechanism for others.
- State / Central Government / Bank guarantee or charge on project assets, for state and central sector entities, while charge on project assets for others.
- Corporate and / or personal guarantee of the promoters for private sector, if the outcome of appraisal establishes a requirement for the same.
- Pledge of shares, assignment of contracts.

Other securities, as may be necessary.