

DIRECT DISCOUNTING OF BILLS SCHEME - FOR SELLERS

1. Purpose

The credit under the Bills Discounting scheme is available to all equipment manufacturers to enable them to sell their equipment, machinery, turnkey project and capital goods (including accessories and spares supplied along with machinery to the extent deemed reasonable) on deferred payment terms to the purchasers in power sector for expansion, modernization, replacement & diversification in power sector and new power projects.

2. Mechanism

Under the scheme, the delivery of the equipment / machinery is made by the seller to the purchaser against usance bills duly accepted / guaranteed by the purchaser's banker. Duly executed usance bills (half yearly installments) are discounted by the seller with PFC so that the seller gets immediate payment while the purchaser gets the facility of deferred payment terms. The seller obtains a limit from PFC to be utilised within a span of two years. Before discounting for specific proposal(s), the seller takes prior approval of PFC.

3. Eligible buyer entities

Commercial entities engaged in generation, transmission, distribution of power.

4. Eligibility criteria

- The seller should have been in operation for 3 years.
- Good performance record and financial position.
- Not defaulted to its term lenders.

5. Extent of assistance

100% of the invoice value including insurance, freight and taxes. The minimum amount of transaction covering a set of bills shall not be less than Rs. 100 lakhs. This transaction may include more than one machinery whose cost may be less than Rs. 100 lakhs.

6. Procedure

- a) The eligible seller must seek and obtain DDS limit from PFC.
- b) DDS limit is valid for two years from the sanction date.
- c) Under the DDS limit, seller may draw set of usance bills to cover eligible transactions as per terms detailed above.
- d) Bills are to be accepted by the purchaser/buyer and co-accepted or guaranteed by the purchaser's bank.

- e) Thereafter the bills are endorsed by seller in favour of PFC and presented for discounting.
- f) PFC will discount the bills.
- g) PFC will realize the bill amounts on respective due date from purchaser/guaranteeing bank.
- h) PFC may at its discretion, in exceptional cases, accept guarantee from purchaser/seller's group company or seller's banker or accept other tangible securities in lieu of purchaser's bank guarantee.

7. Tenor

3 years and below, 5 years and 7 years.

8. Interest rate

As notified by the Corporation from time to time.

9. Security requirements

The bills are to be accepted by the purchaser/buyer and co-accepted or guaranteed by the purchaser's bank. In case of state power utility, the security of bank guarantee / co-acceptance of bills by bank is not insisted upto a limit of Rs. 50 crores subject to 0.5% higher interest rate and opening of escrow account by the utility.

10. Repayment

Half yearly installments with interest on reducing balance.

11. Stamp duty

The bills drawn under the scheme attract stamp duty as per the provisions of the Indian Stamp Act.

