

POLICY FOR BUYERS' LINE OF CREDIT

1. Purpose

To provide non-revolving rupee line of credit to actual users in power sector for purchases of machinery, equipment and other capital goods (including accessories and spares supplied along with machinery and also associated civil and erection works done by the supplier) on deferred payment basis.

2. Eligible entities

Existing borrower (who have outstanding amounts under long term loans – project finance) under State & central sector including power departments not declared defaulter as per PFC policy. Privatised DISCOMs formed out of reform process not in current default to PFC or other Banks / lenders are also eligible.

3. Mechanism

Based on the assessment of the borrower's requirement of funds for procuring above referred items, PFC shall sanction a line of credit to the borrower. The borrower shall be required to finalise all commercial terms of the purchase and complete the purchase formalities. PFC shall release amount against the line of credit as and when the equipment and other capital goods are received by the borrower and disbursement request is received from the borrower.

4. Extent of assistance

100% cost of the equipment / machinery / capital goods restricted to the following amounts:

- Rs. 300 crores for state / central sector borrowers / private sector borrowers subject to availability of exposure limit as per policy.
- The minimum line of credit shall be Rs. 1.00 crores.

5. Interest rate & other charges

As notified by the Corporation from time to time.

6. Disbursement mechanism

Disbursement(s) may be released directly to the supplier or to the borrower upon execution of agreement & submission of security documents.

Entire line of credit shall be utilised within two years from the date of sanction. Each disbursement / tranche should not be less than 10% of the sanctioned line of credit amount and shall be treated as a loan.

7. Period of loan

The period of loan including moratorium period for each disbursement under the line of credit sanctioned to a borrower shall not exceed 7 years. The moratorium period shall be:

- (i) **For repayment period upto 2 years :** Two months from the date of disbursement. The first EMI shall be payable on 15th of the month falling immediately after moratorium of two months from the date of disbursement.
- (ii) **For repayment period of more than 2 years :** Six months from the date of each disbursement. The first installment of principal shall be paid on the immediate standard due date falling after six months of moratorium from the date of disbursement. No moratorium shall be given for payment of interest.

8. Security

The borrower shall furnish following documents / security :

For state / central sector borrowers :

- i. Escrow account agreement, in the prescribed format , and
- ii. State Govt. Guarantee or Charge on equipment / machinery financed under this scheme or First Charge on other assets. Where the other assets are already charged to other lenders by the borrower, PFC may agree for charge on assets on pari - passu basis.

For privatised dicoms :

- i. Escrow account agreement in the prescribed format, and
- ii. Charge on assets
- iii. Corporate guarantee, if required.

Note: The maximum total sanction under “Buyers’ Line of Credit Scheme” and “DDS for buyers” to a borrower shall not exceed Rs.300 crores.