

Credit Facility for Purchase of Power through Power Exchange.

(1) Objective and Purpose of Loan

The financial assistance required for margin/settlement of dues of power exchange shall be provided to utilities/companies registered with the Power Exchange as member.

The facility of margin/funding shall be provided to the utilities/companies for purchase of power through Power Exchange.

The actual amount paid by PFC to Power Exchange on behalf of utility/company shall be treated as loan to the utility/company.

(2) Eligibility Criteria

The facility under this scheme shall be subject to signing of loan agreement with PFC and complying with following conditions.

- (i) Where the utility/company is **State/Central Sector borrower**, it should not be a declared defaulter as per PFC policy and should have a valid grading. In case the State Sector borrower provides bank guarantee as security, the requirement of grading / categorisation shall not be applicable.
- (ii) **Private Sector utility/company** will be considered eligible provided they are not in default to PFC under any scheme or to other Banks/FIs.

(3) Extent of Assistance

The financial assistance under this scheme shall be upto 100% of the requirement of margin/funds for bidding of power i.e energy and associated charges and taxes subject to maximum limit of Rs.50 crore per borrower i.e outstanding loan amount at any point of time per borrower shall not exceed Rs.50 crore.

(4) Period of Loan and Payment of Interest & Other Charges

The borrower shall repay the loan amount along with interest within a maximum period of 30 days from the date of disbursement of each tranche/disbursement. In case the due date of payment of dues is falling on holiday, the period of loan shall be reduced to previous banking working day and the interest shall be recovered for the days of actual utilization of funds by the borrower. Each tranche/disbursement shall be treated as a separate loan for determination of repayment period.

As per extant payment-procedure of the exchange, for the transactions backed by PFC's funding, the exchange shall block PFC's funds as margin (*equivalent to payment obligation of member*) on bidding day and the actual funds shall be transferred on the payment-obligation-date to Exchange/borrower's settlement account. PFC shall charge interest (at applicable rate) from the date of actual release/disbursement. The borrower shall indicate the period for which the credit is required from PFC.

Normally Banks do not levy any charge for blocking of funds out of OD/CC Limit. As such PFC shall also not levy any charge to the utilities/companies for blocking of PFC's OD/CC limits for

their bids as margin money. In case the bank, in future, levy any charge for blocking funds, PFC shall have right to levy such charges to the utility/company.

The blocking of funds is to be at the time of bidding and there is probability that utilities/companies are subsequently declared defaulter for non-payment of dues under any other scheme from PFC and disbursement is suspended during the period of blocking/commitment. Accordingly, a condition shall be stipulated for charging additional interest of 2% in case disbursement is required to be made under the loan during such period.

There may be situation when the bids of utilities in the power exchange, backed initially by blocking of PFC's OD/CC limit, and subsequently meeting the payment- obligations on payout-date out of its own resources. Since in such cases no interest shall be payable by PFC to banks, the borrower shall be allowed to meet its payment obligation out of its own resources either by transfer of funds to PXIL's settlement account or PFC's OD/CC account.

In case the dues are not paid on due date, the borrower shall pay penal interest @ 2% p.a. along with applicable interest compounding on daily basis.

5. Prepayment of Loan

The borrower shall be allowed to prepay the loan amount/disbursement tranche without premium subject to following:

- (a) Borrower should give three days notice for making pre-payment (including date of notice but excluding date of pre-payment).
- (b) Prepayment shall be allowed for full loan amount (disbursement tranche) and not for part of loan amount (disbursement tranche).
- (c) Prepayment shall be allowed for loan amount (disbursement tranche) utilized for a period of 15 days or more.
- (d) Prepayment shall not be allowed in cases where the remaining period of loan is less than the minimum aforesaid notice-period for prepayment.
- (e) On acceptance of pre-payment request, the proposed date of pre-payment will be treated as repayment date for all purposes including interest payment and charge of penal interest.

6. Deposit and Other Financial Charges

At present, no deposit or other financial charge is required to be paid to PXIL. In case the Corporation is required to place deposits and to pay any other charges such as annual fee etc. to exchange, the Corporation shall reserve the right to seek deposits and levy other financial charges to the borrower as determined by the Corporation from time to time.

7. Exposure Limit

The exposure to borrower under this policy shall be within the overall limit fixed by PFC under its prudential norms.

8. Security

The credit facility to State Sector borrowers (category 'B' and above) and Central Sector borrowers shall be backed by escrow cover. The credit facility to State sector borrower falling under category 'C' shall provide charge on escrowed revenue in addition to escrow cover.

As an option, state/central sector borrower shall be allowed to provide security in the form of Bank Guarantee. In such cases the borrower shall not be insisted for escrow cover or/and charge on receivable.

The credit facility to private sector companies/entities shall be secured by Bank Guarantee of Scheduled Commercial Bank and shall be valid for a minimum three months from the due date of payment of dues.

The Borrowers shall be allowed to provide Bank Guarantee separately for each disbursement.

9. Documents

The borrower shall execute the loan-agreement and other documents as required by the Corporation from time to time.

10. Remedial Actions

In the event of default by the borrower in payment of PFC dues, the Corporation shall take necessary remedial actions for recovery of dues.
