

DEBT REFINANCING POLICY

Nature of Financial Assistance

Project Term Loan / Guarantee assistance shall be extended for refinancing existing debt/guarantee including for forward/backward linkage to power projects.

Eligibility Criteria

- Utility/entity should be eligible as per the criteria given under OPS.
- The project should be eligible as per appraisal and applicable internal rating model of PFC.
- Requests for “Debt-Refinancing” will be entertained by PFC only for commissioned projects after 3 (three) months from COD of the entire project. PFC will not refinance the partly commissioned projects.
- In case of Private Sector Borrowers, the Debt Equity (D/E) Ratio at company level should not exceed 3:1 and D/E at the project level should not exceed 4:1.
- Projected minimum and average DSCR for the proposed loan period should not be lower than 1.15 and 1.30 respectively.
- In case of consortium financing, the consent of lead FI shall be required.
- In case of State/Central Sector Borrower, the entity should not be a defaulter to PFC. Further, in case of Private Sector Borrower, the entity should not be in default to any Bank/FI/NBFC.
- PFC shall not consider financial assistance under this scheme where the borrower seeks fresh financial assistance from PFC to prepay/replace the existing facility sanctioned by PFC itself. However, re-financing of the loan of other lender(s) in case of a project where PFC is already a lender can be considered as a new business proposal on the terms & conditions in line with the refinancing policy. In such cases, PFC shall necessarily carry out integrated rating / re-rating of the project, however, the benefit of improved rating, if any, shall be limited to additional debt to be refinanced.
- In case, the repayment of earlier loan is being resorted to by the borrower due to triggering of event of default, the case shall be considered on merit.

Extent of Refinancing

In case of debt refinancing, the extent of funding shall be expressed as a percentage of total outstanding principal loan amount as on the application date and linked to risk perception (grading) in case of Private Sector borrowers as follows :-

(% of total outstanding loan principal as on the date of application)

State/Central Sector Entities	Private Sector Entities		
	Gen. : IR-1 & 2	Gen. : IR-3 & 4 Discom ‘A’ All Transcos	Gen. : IR-5 Discom ‘B’
100 %	80 %	65 %	50 %

However, in cases, where exposure exceeds OPS limits (currently, as mentioned in the following table), specific approval for the same shall be sought :-

(as a % of project cost)

Grade (IR)	Thermal Generation	Hydro Generation
IR-1, IR-2	50%	50%
IR-3, IR-4	45%	50%
IR-5	30%	35%

Extent of funding in case of infrastructure projects with forward/backward linkages, including in the areas of Equipment Manufacturing (EM) and Fuel Sources Development & its Distribution (FSD&D) for Power Sector, may be decided on case to case basis with the approval of CMD.

Assistance under this scheme shall further be limited to the exposure available under Prudential Exposure norms, extent of prepayment of outstanding loan principal (excluding interest, premium payable on premature repayment of loan, other expenses etc.) or outstanding guarantee liability towards the Bank/FI/NBFC.

The above are maximum ceilings and the appraisal unit / team may recommend a lower exposure depending on the risk perception of a particular proposal and after considering factors like fuel security, power sale arrangement, projected financials etc. In refinancing cases, extent of funding/exposure ceilings linked to project cost as mentioned in OPS for various kinds of projects and the eligibility of additional exposure as applicable presently for loans where PFC is lead institution or based on integrated rating or additional exposure in case of debt refinancing shall also not be applicable except for comparing the limits for extent of financing mentioned hereinabove.

Mode of Disbursement

The funds shall normally be paid directly to the Bank(s)/FI(s)/NBFC(s) whose loan is/are being refinanced. However in exceptional cases where the situation warrants, payment to the borrower for onward payment to the Bank(s)/FI(s)/NBFC(s) may also be considered through TRA / Escrow Account, with the approval of CMD.

Repayment Period of Loan

The maximum tenor of the loan may be the maximum tenor allowed by PFC for a loan w.r.t. a new project/scheme of the same type as per prevailing OPS as reduced by the number of years for which loan has already been serviced since actual commissioning of the project. [For example, in case of a thermal project which has achieved COD on 1st January 2009, its last repayment date can not be beyond 15th July 2024 irrespective of the date of sanction/disbursement of debt refinancing, considering maximum repayment period of 15 years & moratorium period of 6 months after Commissioning/COD, for thermal generation project/scheme as per extant OPS]

Since the facility is to be extended only in respect of commissioned projects, there shall not be any moratorium on repayment of loan. Accordingly, the repayment of loan as well as interest payment / guarantee fee shall start immediately on the next standard due date falling after the date of disbursement / issue of guarantee. The standard due dates shall be on quarterly basis as applicable for term loan/guarantee.

However, in case of consortium financing wherein a certain moratorium period and first repayment date has already been agreed upon between the consortium members, PFC may agree for the same after reviewing the situation in totality.

Security

The security structure applicable for term loan / guarantee as per prevailing OPS including collaterals as per prevailing policy will generally be required. Further, the existing security(ies) available with the Banks/FIs/NBFCs (whose loan(s) is/are proposed to be refinanced) may also be given due consideration. Further, in case a Trust & Retention Account (TRA) arrangement does not exist for capturing the cash flows of the project, PFC shall insist that such a structure is created before disbursement of the loan.

The security for SPVs of State/Central sector borrowers that do not provide balance sheet support of the promoters may be decided on case to case basis depending upon the merits of the project and may also include pledge of shares, assignment of project contracts, TRA etc.

Interest Rate & Financial Charges

Interest rates shall be linked to the rating / grading of the borrower/loan. The other financial charges including upfront fee, processing fee, penal interest etc. shall be levied as applicable to other term loans / guarantees. The option of payment of commitment charges shall not be applicable for refinancing. Similarly, management fee & other charges as per applicable policy shall be recovered from the borrowers.

Besides, the borrower shall be liable to pay other charges, if any, levied on PFC by any statutory authority upon sanction of its loan.

Appraisal

The Corporation shall follow its prevailing policy/procedure of appraising the project. Where the facility is sanctioned under consortium, the Corporation may obtain a copy of Appraisal Report of the Project/Entity from the Lead Institution.

All standard terms & conditions applicable in case of project term loan / guarantee shall be applicable for the debt refinanced. Further existing standard documents may be adopted with necessary modifications, if any, on case to case basis, in consultation with Legal & Documentation (L&D) Unit.

NOTE : Refinancing of Projects under Construction Stage

PFC may consider refinancing of loans (principal amount excluding interest, prepayment premium, other expenses etc.) of other lender(s) the projects under construction stage after appraising as per prevailing appraisal criteria / methodology / policies (including extent of financing like 20% for thermal generation private sector projects as presently applicable) etc. followed for the new projects/loan proposals. However in case of consortium financing wherein a certain moratorium period and first repayment date has already been agreed upon between consortium members, PFC may also consider agreeing for the same after reviewing the situation in totality.

Where the facility is sanctioned under consortium, the Corporation shall seek consent of Lead FI and may also obtain a copy of the Appraisal Report of the Project/Entity from the Lead Institution.

The amount being refinanced in such cases may normally be paid directly to the Bank(s)/FI(s)/NBFC(s) whose loan is/are being refinanced. However, in exceptional cases where the situation warrants, payment to the borrower for onward payment to the Bank(s) / FI(s) / NBFC(s) may also be considered through TRA/Escrow Account with the approval of CMD. Further, while the disbursement for the refinancing portion may be in lump sum, the balance portion may be disbursed either as per applicable PFC policy or the consortium agreement, as the case may be.
