

Policy for Issue/Extension of Letter of Comfort (LoC) for opening of Letter of Credit (L/C) under Term Loan Sanctions

Letter of Comfort (LoC) can be issued to all sanctions of term loan where L/C opening is a requirement under EPC/Equipment Supply contract to enable the borrower to open L/C with its bankers.

The issue of Letter of Comfort shall be subject to the following terms & conditions: -

- 1) Proposal for issue of LoC shall be put up by respective project appraisal unit in line with the contract and L/C terms. The special terms & conditions which would be pre-requisite for issue of comfort letter shall also need to be clearly spelt out by the Appraisal unit on case to case basis. LoC can be issued after the compliance of all pre-disbursement conditions duly following the disbursement procedure in this regard.
- 2) Validity of LoC shall match with L/C requirement for the amount & period specified therein.
- 3) The maximum exposure for issue of LoC shall be limited to 100% of PFC's net worth i.e. at any time outstanding amount covered by the comfort letter shall not exceed 100% of PFC's net worth. Accordingly, availability of exposure limit shall be confirmed from the Disbursement Unit before issue of any comfort letter. The net worth shall be as notified by Accounts Unit of PFC from time to time.
- 4) All Letter of Comfort (LoC) issued may specifically indicate that borrower shall not be entitled to avail Buyers Line of Credit (BLC) / Buyers' Credit (BC) or similar arrangement/mechanism against such Letter of Comfort / Letter of Credit, unless specifically permitted by PFC in writing.

Annexure I to Policy Circular No.4:07:Policy(B1):Interest Rate:2011-12/11 dated 05.09.2011