

Policy for Guarantee for Credit Enhancement

The facility will provide credit enhancement of debentures issued in the domestic market by a power project SPV/holding company. This will help in channelizing funds (other than for working capital and short term loan) for power projects from long term institutional investors, such as insurance and pension funds, through bond markets for financing the power projects at competitive interest rate.

The proposed facility, by providing credit enhancement, will raise the credit rating of debentures, being issued by power project companies, to AA rating, to enable subscription to such debentures by long term institutional investors and promote development of the domestic corporate debt market which is also the desire of GOI. Credit rating of the bonds for which PFC has issued PCG, shall be renewed/re-affirmed yearly and informed to PFC.

The proceeds from the debentures shall be used for refinancing of existing project loan (i.e. principal, interest and prepayment of premium) from Banks/FI either in part or in full and the proceeds may be utilized for refinancing PFC's loans also subject to PFC's pre-payment policies. The end use of debenture proceeds shall be monitored by the Debenture Trustee.

Eligibility Criteria for an Entity	Eligibility Criteria for a Project	Other Criteria
<ul style="list-style-type: none"> • Private Sector Borrowers in the business of power generation • Can be a holding company/SPV registered in India with ROC • Minimum present credit rating of 'BBB (Plus/minus) stable' from atleast two credit rating agencies and debentures should be listed with NSE / BSE and placed privately. • The borrower should not be in default to PFC/banks/FI and the borrowers group companies should not be in default to PFC. 	<ul style="list-style-type: none"> • Utilization of debenture proceeds- for refinancing the project loans of projects having minimum 3 months post COD experience. • Projects having a maximum D/E ratio of 75:25. • Have in place a Fuel Supply Agreement, Power Purchase Agreement or other acceptable power selling arrangement. • Should not have power sale/receivable bill which are due & outstanding for more than 90 days after its due date. 	<ul style="list-style-type: none"> • Details of Project Loans proposed to be refinanced should be furnished along with application for PCG. • Proposed mobilized amount through debentures should not be more than the loan amount to be re-financed. • NOC from the existing lenders stating their acceptance of premature repayment of loan and ceding of charge in favour of PFC.

The appraisal shall be carried out as per the applicable rating methodology of PFC.

Assistance under this facility shall not be more than 40% of the proposed issue size of the debentures i.e. principal amount only which shall also stand reduced proportionately in case bonds are not fully subscribed and allotted. Further, PFC can issue First Loss Default Guarantee (FLDG) or Pari-Passu Guarantee.

The period of PCG would be linked with the period for which debentures are issued. Maximum Period for providing PCG should be linked with the loan repayment period as stipulated in PFC's Operational Policy Statement (OPS), as modified from time to time.

Second charge on Assets of the project(s) shall be taken as security while extending this facility. In case of SPV, the project assets and in case of holding company, project assets of subsidiary companies will be charged. Further, in case of PCG provided by PFC, 26% of promoters equity is to be pledged with PFC as a Collateral, alongwith counter guarantee in favour of PFC.

Creation of Security shall be within 3 months of providing PCG by PFC and in case security is not created within the stipulated period additional interest shall be charged.

Guarantee Fee and Financial Charges shall be applicable as notified from time to time. In case the debentures issued are downgraded by any one of the credit rating agency then PFC shall charge additional guarantee fee.