

RURAL ELECTRIFICATION CORPORATION LIMITED

(A Govt. of India Enterprise)

Core-4, Scope Complex, No.7, Lodi Road, New Delhi-110003

No.SEC-1/8(1)/2006/

Dated: 14th June, 2006

LOAN POLICY CIRCULAR

Sub: Revision in interest rates applicable to REC's Loans/Schemes

Ref: REC's Loan Policy Circular No. SEC-1/8(1)/2005/123 dated 6.07.2005.

The Corporation has revised the interest rates and some of the terms and conditions in respect of various categories of REC's Loans/Schemes and clubbed some of the Loans/schemes as detailed below :

1. **The revised interest rates as indicated in Annexure-I will be applicable on all disbursements made on or after 23.05.2006 irrespective of date of sanction of loans.**
2. Large and Mega Loan Categories for Generation Projects have been clubbed into a single category of Large Loans with sanction amount of **Rs.700 crores & above in respect of State/Central Sector Borrowers.**
3. Large and Mega Loan Categories for Generation Projects have been clubbed into a single category of Large Loans with sanction amount of **Rs.500 crores & above in respect of Private Sector Borrowers.**
4. The reduction on rate where the reduction is due to commissioning/Commercial Operation Date (COD) of project shall be made from the date of receipt of intimation in REC in regard to commissioning (for State/ Central Sector Borrowers) or COD (for Private Sector Borrowers) of project or the actual date of commissioning/ COD of project, whichever is later; provided that if intimation is received within 5 (Five) working days from actual commissioning/ COD of the project, the reduction shall be given w.e.f. the date of commissioning or COD, as the case may be. The reduction shall be applicable from the date, the existing payment-defaults, if any, under any facility extended by REC, are cleared by the borrower or the eligibility dates as given above, whichever is later.
5. COD/80% drawal rebate is available only for Generation projects and withdrawn for other schemes.
6. For all new sanctions w.e.f. 01-04-2006 with 3 years interest reset rates, the option to the borrower to pre-pay the loan without premium in case of upward revision of interest rates has been withdrawn.
7. A volume discount of 25 bps on applicable interest rate is offered in case of loans for distribution and transmission schemes on future sanctions. The minimum disbursement amount considered for offering this discount is Rs.700 crores in case of Discoms & Transco and Rs.1000 crores for an integrated SEB for the combined disbursement for Distribution and Transmission Schemes. For this purpose borrowers shall be required to sign a MoU with REC, committing to draw required amount within a period of two years from the date of signing of MoU. The Transmission/Distribution loans sanctioned after signing of MoU would be eligible for the benefit under this policy. In case of Distribution Schemes to be covered under the scheme, one of the following security options be considered for passing the rebate. First charge on a separate identified circle/First pari-passu charge on total assets of a Discom /Pledge of Equity Shares.

8. The revised interest rate for Grade II State Sector Borrowers and non-reforming State Sector Borrowers shall continue to be higher by 0.50% than those of reforming State Sector Borrowers as notified at Annexure-I. The State sector borrowers who fulfill following criteria shall be covered under State Sector Grade-I category:
 - i. No current default i.e. not a declared defaulter.
 - ii. Satisfactory escrow arrangement.
 - iii. Reforming entity status as per REC/MOP guidelines.
9. An additional rate of 0.5% shall be charged to all till escrow cover or any other payment security mechanism as acceptable to REC is made available. However, this will not dilute the condition wherever escrow cover is mandatory.
10. All loans to Private Discoms are subject to providing the escrow coverage in addition to charge on assets and other additional securities as determined through appraisal and also subject to the Private Discoms achieving the required grade on the basis of their performance as per their ratings. Providing Escrow cover is also mandatory for Discoms in state sector.
11. Borrower shall have the option to choose interest rates with 10 years interest reset irrespective of the tenure of loan.
12. In case of interest rate with reset after 3 / 10 years, the Corporation shall have the right of interest reset after 3/ 10 years beginning with the date of first disbursement. Interest reset, if exercised by the Corporation, shall apply from the standard due date immediately following the end of 3rd / 10th year period.
13. All interest rates indicated above are on quarterly rest basis unless otherwise indicated.
14. **The earlier practice of sending Loan Policy Circulars directly to SEBs/State Sector Borrowers/Discoms is discontinued with immediate effect. Zonal Managers/CPMs and other officers in Corporate Office issuing sanction letters are therefore requested to ensure that applicable interest rates and other terms and conditions are duly circulated to all concerned and correctly incorporated in the sanction letters.**
15. In case of fresh loan, the sanction letter should state option of the borrower to choose interest rate reset for 3 years / 10 years and the acknowledgement of the borrower should contain the interest rate reset period.

All other terms and conditions shall remain unchanged.

Hindi version follows.

Sd./-
(B.R. Raghunandan)
GM (Law) & CS

Distribution:

1. DD/PS to CMD/D(F)/D(T)/CVO
2. All EDs and GMs, REC, New Delhi.
3. All Chiefs/Jt.Chiefs/Dy.Chiefs, Corporate Office, New Delhi.
4. All Zonal Managers/CPMs, REC POs/Addl.Director, CIRE, Hyderabad/Incharge, Sub-Office.
5. All Sections/Divisions in the Corporate Office, New Delhi.

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Annexure-I

Lending Rates effective from 23.05.2006

SCHEMES	Reforming State Sector Borrowers / Central Sector Borrowers (other than Identified CPSUs and AAA Companies)				Identified CPSUs and all AAA Companies				Private Sector Borrowers				
	with reset after every 3 years		with reset after 10 years		with reset after every 3 years		with reset after 10 years		with reset after every 3 years		with reset after 10 years		
	Pre-COD	Post-COD	Pre-COD	Post-COD	Pre-COD	Post-COD	Pre-COD	Post-COD	Pre-COD	Post-COD	Pre-COD	Post-COD	
A) <u>Term Loan/Schemes</u>													
1) Conventional Generation-Large	9.75	9.50			9.50	9.25			10.00	9.50			
2) Generation-Others (including Non Conventional)	10.00	9.75	10.75	10.50	9.75	9.50	10.50	10.25	10.25	9.75	11.00	10.50	
3) R&M, R&U, Trans., Dist. and other Schemes	9.75		10.50		9.50		10.25		10.00		10.75		
4) Computerization	9.00				9.00								
B) <u>Short Term Loans - upto 1 year</u>					9.25								
STL- More than 1 year up to 3 year					9.50								
C) <u>Loan to Equipment Manufacturers</u>													
1) upto 1 year	10.00				9.75				11.00				
2) 1-5 years	10.25				10.00				11.25				

1 The above rates are effective rates on quarterly rest basis.

2 Identified CPSUs are NTPC, NLC, DVC, NHPC, NPCIL,PGCIL, SJVNL or any other entity as identified by the Corporation from time to time.

3 The rates mentioned at A-4 (Computerization) and B(Short Term Loans) are not applicable for AAA Private Sector Borrowers.

■ Not Applicable