

# RURAL ELECTRIFICATION CORPORATION LIMITED

(A Govt. of India Enterprises)  
Core-4, SCOPE Complex, Lodhi Road, New Delhi-110003.

## COMPANY SECRETARY'S DIVISION

No. SEC-1/8(1)/2010 / 978

Dated: 24<sup>th</sup> September, 2010

### LOAN POLICY CIRCULAR – No.004 / 2010

**Sub:** Relaxation of terms & conditions relating to Grading and charging additional interest of 0.5% per annum for not providing default escrow, for the borrowers falling under the category of State Government or Power Departments directly under the State Governments, and Extension of General Rebate / additional rebate for Power Utilities of North Eastern States.

**Ref:**

1. Loan Policy Circular No. SEC-1/8(1)/2005/123 dated 06.07.2005
2. Loan Policy Circular No. SEC-1/8(1)/2006/178 dated 14.06.2006
3. Loan Policy Circular No. SEC-1/8(1)/2006/342 dated 27.11.2006
4. Loan Policy Circular No. 011/2009 dated 09.12.2009

In partial modification of the existing terms and conditions as stipulated hereunder:-

- (1) Clause 7 of Para-III with heading "Notes to above rates" of Loan Policy Circular No. SEC- 1/8(1)/2005/123 dated 6.7.2005;
- (2) Clause 9 of Loan Policy Circular No. SEC-1/8(1)/2006/178 dated 14.6.2006; and
- (3) Para (b) of Loan Policy Circular No. SEC-1/8(1)/2006/342 dated 27.11.2006
- (4) Sl.Nos.8 and 9 of the 'Notes' of the Annexure to Loan Policy Circular No.011/2009 dated 9.12.2009,

the Chairman & Managing Director has approved the following relaxation in the terms & conditions relating to Grading and charging additional interest of 0.5% per annum for not providing default escrow, for the borrowers falling under the category of State Government or Power Departments directly under the State Governments, and Extension of General Rebate / additional rebate for Power Utilities of North Eastern States:-

#### **A. Entity Grading:**

- (i) In case of loans to State Governments and Power Departments directly under State Governments, interest rates as applicable for A and B category borrowers would be applicable, even in case of their grading being "C" (as per the latest applicable entity appraisal circular of REC). However, such borrowers (State Governments and Power Departments directly under State Governments) who are graded as A+ will continue to get the benefit of interest rate as applicable for A+ category.
- (ii) However, for determining the maximum permissible exposure to such borrowers, the actual grading shall be applicable.

#### **B. Default Escrow:**

In case of loans to State Governments and Power Departments directly under State Governments, the requirement of providing default escrow is not mandatory and additional interest of 0.5% per annum would not be applicable for not providing default escrow.

#### **C. Extension of General Rebate / additional rebate for Power Utilities of North Eastern States :**

The applicability of para (b) of the Loan Policy Circular No. SEC-1/8(1)/2006/342 dated 27.11.2006 would henceforth be only for Power Utilities of North Eastern States.

  
(B.R. Raghunandan)  
ED & Company Secretary

#### **Distribution:**

1. DM/Officer to CMD, D(F), D(T) and CVO
2. All Executive Directors / General Managers
3. All Addl.GMs /Dy.GMs /Chief Managers at Corporate Office.
4. All Zonal Managers / CPM in POs / Addl. Director, CIRE, and Incharge Sub-Offices
5. Dy.GM (IT) – for posting on the websites of REC.