



रूरल इलेक्ट्रीफिकेशन कारपोरेशन लिमिटेड
RURAL ELECTRIFICATION CORPORATION LIMITED
भारत सरकार का उद्यम (A Government of India Enterprise)
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Website www.recindia.nic.in CIN: L40101DL1969GOI0010095

No. REC/Finance/Resource/ECB-30/18-19

Date: April 26, 2018

To

Sir/Madam,

Sub: Raising unsecured ECB – Term Loan equivalent to US\$ 250 million with green shoe option

REC has an International rating of 'Baa3' and 'BBB-' from Moody's & Fitch respectively and highest rating of AAA (triple A) for the borrowing programme of the financial year 2018-19 from CARE, CRISIL, ICRA & India Ratings and Research.

REC has been granted "In Principle" approval from RBI for raising ECB for funding Infrastructure Power Sector Projects including renewable energy projects in India.

You are requested to quote **Firm Rate** for raising ECB equivalent to US\$ 250 million with green shoe option through Term loan as per 'Annexure A' attached

The basic structure of the said ECB is as under:

Amount	:	Equivalent of US\$ 250 million with green shoe option
Currency	:	US\$
Purpose	:	For funding power infrastructure sector or for renewable energy projects in infrastructure sector in India in line with the Green Bond framework of REC as per Annexure-B.
Tenor	:	5 years with Bullet repayment
Interest payment	:	Semi-annually payable in US\$
Withholding tax	:	As applicable
Validity of the offer	:	30 days
Last date of submission of Bid	:	May 17, 2018

A bank is allowed to quote individually to underwrite the entire amount; however, the individual bank's minimum commitment shall not to be less than US\$ 75 million. REC reserves the right to get the clubbing done at its own end.

The offer should reach REC office latest by 04.30 pm on May 17, 2018 under a closed cover addressed to **Mr. Sanjay Kumar, General Manager (Finance)**, subscribed as "**Raising unsecured ECB – Term Loan equivalent to US\$ 250 million with green shoe option**". The raising of above fund shall be subject to RBI's guidelines, other statutory authority or Government approvals in this regard. REC reserves the right to reject any or all offers without assigning any reason thereof. In case of any further information in this regard Mr. Supreet Pandya, Dy. Manager (Finance) may be contacted at 011-43091670/ 9891232666, supreetpandya@recl.in.

Yours sincerely,

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(Sanjay Kumar)

General Manager (Finance)

Annexure-A

Offer for raising ECB equivalent to US\$ 150 million with green shoe option

Term Loan

Name of the Bank giving the quote					
S.No.	Particulars	<u>OPTION - I</u>		<u>OPTION – II</u>	
1.	Currency	US \$		US \$	
2.	Tenor	5 years, Bullet repayment		5 years, Bullet repayment	
3.	Interest	Semi-annually payable in US \$, Act/360		Semi-annually payable in US \$, Act/360	
4.	Purpose	For funding power infrastructure sector in India		For funding renewable energy projects in infrastructure sector in India in line with the Green Bond framework of REC as placed on Annexure-B.	
5.	Firm Commitment amount (in US\$)				
6.	Break up of all-in cost (p.a.) on absolute basis and as a %age both:	Amount in USD for tenor of 5 years	%age	Amount in USD for tenor of 5 years	%age
a)	Margin over 6 Months US\$ Libor				
b)	Arrangement /Upfront fee				
c)	Legal cost				
d)	Agency fee				
e)	Out of Pocket expenses <i>(to be quoted for only one location. In case of more than one location, the amount quoted will be increased proportionately)</i>				
	All-in cost over 6 Months US\$ Libor (a+b+c+d+e)				
7.	Applicable withholding tax				
8.	Total cost to REC (in % age) over 6 Months US\$ Libor				

Important instruction to bidders:

- 1) All the fields must be filled for the option for which the bid is being submitted.
- 2) The bidder may quote for any one or more of the options as above, keeping the overall exposure the bank want to take in view and with minimum commitment in each option of USD 75 million equivalent.
- 3) REC will go for only one of the options, as it may deem fit, with Cost to REC as the sole criteria.
- 4) Interested bidders can quote for above options for any of the currency other than US\$. However, the bidder has to quote the firm rate swapped to 6 month US\$ payable in US\$ semi-annually (with margin in the base currency separately) and the same must be valid till the drawl of the loan. The minimum firm commitment in such case will be equivalent of US\$ 75 million. For the purpose of calculations, the respective currency shall be converted to US\$ using Bloomberg BFIX closing rate as on date of this letter.
- 5) While bidding please consider the following non-negotiable points:

A. Consolidated financial covenants

The Borrower to ensure that:

- a) Consolidated Tangible Net Worth is not at any time less than Sixty Billion Indian Rupees (INR 60,000,000,000);
- b) The ratio of Consolidated Total Borrowings to Consolidated Tangible Net Worth does not at any time exceed 10:1;
- c) The ratio of Consolidated EBITDA to Consolidated Finance Costs is not at the end of each Measurement Period, less than 1.1 to 1; and
- d) It will adhere to the minimum Capital Adequacy Ratio prescribed by the RBI.

B. Hedging:

No precondition of hedging is acceptable in the bid document; accordingly, no First Right of Refusal will be granted. However, hedging as per applicable RBI guidelines shall be carried out by REC.

C. Clear Market Clause:

REC reserves it's right to raise funds in any currency through alternate market/modes i.e. bonds (including Masala Bonds) etc. and also including loans from multilateral financial institutions like JICA, KfW, WB etc. from offshore markets and loans/ bonds or any other mode in the domestic currency/ domestic markets in India.

Annexure-B

Green Bond Framework

Introduction:

Rural Electrification Corporation Limited (REC) is committed to finance across the value chain of power infrastructure sector viz. generation, transmission and distribution including renewable energy projects. REC plays a key role in achieving Government of India's goal of providing reliable and quality 24x7 power to all at competitive prices in sustainable manner. REC has been sanctioning loan assistance to grid-connected and off-grid Renewable Energy projects including solar photo-voltaic projects, biomass, biofuels, biogas projects and wind projects.

REC has been promoting and financing power projects that are optimizing the use of multiple energy resources with innovative eco-friendly technologies, thereby contributing to the economic development of the nation, social upliftment of the society and promoting a healthy environment.

REC has formulated and implemented a 'Corporate Social Responsibility & Sustainability Policy'. The Corporate Social Responsibility and Sustainable Development (CSR & SD) initiatives of the Company were continued with a view to integrate REC's business operations with social processes while recognizing the interests of its stakeholders. While identifying such initiatives the Company has adopted an integrated approach to address the community, societal and environmental concerns measured in terms of triple bottom line approach. REC has been undertaking various initiatives in the fields of sustainability and development programmes including environmental sustainability, drinking water facilities, solar smart micro grid lights in select un-electrified/ poorly electrified villages, etc.

Framework Overview:

The Green Bond Framework is established in accordance with the Climate Bonds Standard version 2.1 (for more details visit https://www.climatebonds.net/standards/standard_download) and also adheres to the Green Bond Principles, 2016 issued by the International Capital Markets Association (ICMA).

This Green Bond Framework (framework) broadly lays down REC's mechanism of fund raising from Green Bonds and to use the proceeds of those issuance(s) to invest in renewable energy and energy efficiency in a manner that is consistent with REC's sustainable values

Use of proceeds:

The proceeds from the issuance of Green Bonds by REC will be applied for on-lending to renewable energy (RE) projects ("Eligible Green Projects"). The Eligible Green Projects will broadly cover the following, subject to availability of sector-specific technical criteria under Climate Bonds Standard:

- a) Solar projects or assets in one or more of the following activities:
 - Solar electricity generation facilities where a minimum of 85% of electricity generated from the facility is derived from solar energy resources
 - Wholly dedicated transmission infrastructure for solar electricity generation facilities.
- b) Wind projects or assets in one or more of the following activities
 - The development, construction and operation of wind farms.
 - Wholly dedicated transmission infrastructure for wind farms.
- c) Biomass energy projects or assets in one or more of the following activities

- The development, construction and operation of projects that generate electricity using the organic material viz. living or recently living plant and animal material as source of fuel.
 - Wholly dedicated transmission infrastructure for Biomass energy projects.
- d) Hydropower projects in one or more of the following activities
- financing of, or investments in, small storage hydroelectric projects (less than 25 megawatts) and run-of-river (a type of hydroelectric generation plant whereby little or no water storage is provided) hydroelectric projects of all sizes.
 - Wholly dedicated transmission infrastructure for such Hydropower projects.
- e) Financing of or investment in technology and/or equipment that improves energy efficiency in industrial, buildings and other sectors. Financing of Energy storage units such as smart systems and meters that support improved energy management, communal heating systems (excluding coal-fired sources), thermal heat storage (excluding coal-fired sources), hydro-energy storage systems and heat pumps.
- f) Sustainable water management: investment in water collection, treatment, recycling, re-use, technologies and infrastructure and sewage treatment facilities using recycled water
- g) Sustainable waste management projects that include financing of, or investments in, waste minimization, collection, management, transportation, disposal, re-use and recycling, including waste-to-energy power plants.
- h) Combination of the above two or more technologies known as hybrids, where the projects are being set up after due regulatory approvals.
- i) Financial assistance provided by REC to the Power Utilities for meeting their mandated Renewable Purchase Obligations (RPOs).

Selection and Evaluation of Eligible Green Projects:

REC appraises the projects on the basis of defined set of guidelines which focuses on the Project Appraisal and Entity (Promoter) Appraisal. Against the backdrop of India's heavy reliance on fossil fuel and climate change considerations, a dedicated Renewable Energy (RE) Division was set up in 2010 to finance RE deployment. RE division checks the Project's Techno Financial Viability and Entity division checks the strength of the promoter and borrower. Parameters for project grading are categorized in two sets i.e. Quantitative and Qualitative. Quantitative parameter covers cost of generation, debt service coverage ratio (DSCR) and Qualitative parameters covers engineering, procurement and construction (EPC) contractor's strength, offtaker's risk, resource assessment, operations & maintenance (O&M) contractor's strength etc. Entity grading is obtained by rating the entity based on upfront equity, pro-rata equity, existing business, capacity to raise equity, financial strength etc. Integrated rating is arrived through a defined matrix of project grading and entity grading.

All Renewable Energy projects sanctioned by the RE Division as above, shall be considered as Eligible Green Projects and the disbursements thereof shall be allocated towards the Green bond issuance.

Post issuance, KPMG will provide assurance that the nominated projects are in alignment with the Green Bond Framework for the inaugural Green Bond issue.

In respect of subsequent issuance of green bonds or changes to the initial list of projects, similar assessment and approval process would be carried out by REC.

Management of Proceeds:

The proceeds will be allocated for the financing of existing projects including re-financing and new Eligible Green Projects.

The net proceeds from the issue of Green Bonds will be utilized for financing of Eligible Green Projects, to be termed as 'Green Portfolio'. REC has a well laid internal tracking system through ERP system in place which shall be used to monitor, establish and account for the allocation of the proceeds for such Green Portfolio, which will be regularly updated to reflect loans refinanced or repaid and new loans allocated from the proceeds.

Pending the full allocation to Eligible Green Projects, balance of issuance proceeds will be invested or allocated, as appropriate, in current account, Corporate term deposits/ term deposits with commercial banks, units of debt mutual funds or government securities permitted as per the company's investment policy, applicable guidelines of Reserve Bank of India or any statutory body in this regard.

Reporting:

REC will report the use of the proceeds by way of sector-wise information of the projects financed under each of REC's Green Bond issuance through a separate section in the Annual Report. The report will also be published on REC website at (<http://www.recindia.nic.in/>).

Assurance:

REC Green Bond framework has been published on its website (<http://www.recindia.nic.in/>). REC's Green Bond Frame work has been reviewed by KPMG and certified by Climate Bonds Initiative for the Green Bond issue(s).

REC will also get post issuance reviewed by KPMG, on the basis of which certification will be obtained from the Climate Bonds Initiative to assure that the use of proceeds allocation, ongoing eligibility of the projects and assets, adequacy and output of the Issuer's internal control and systems and use of funds not yet allocated are as per the framework established. Post issuance Certification will be completed within one year from the date of issue of bonds
