

DIRECT DISCOUNTING OF BILLS SCHEME (DDS) – FOR BUYERS

1. Purpose

The credit under the Bill Discounting scheme is available to a buyer (actual user) in power sector for purchases of machinery, equipment and other capital goods (including accessories and spares supplied along with machinery) on deferred payment basis for expansion, modernization and replacement in power projects.

The policy shall not cover financing of acquisition of second hand equipment/machinery; grass-root/new projects or major expansion/diversification which would call for detailed appraisal; equipment/machinery/other capital goods already financed under any other scheme of PFC or other Bank/FI.

2. Eligible entities

- Existing borrowers (who have outstanding amounts under long term loans project finance). In case of new entity/borrower, PFC to carry out entity appraisal before extending facility under the scheme
- State and Central sector Borrowers not declared defaulter as per PFC policy.
- Privatised DISCOMs formed out of reform process not in current default to PFC or other banks/lenders.

3. Buyers

The borrower (i.e. buyers of equipment / machinery / capital goods under the scheme) may be State Electricity Board / Govt. Department; State Generation/Transmission/Distribution Companies; Central Sector Corporations/Companies and Private Distribution Companies.

4. Procedure

- a) The eligible buyer must seek and obtain bills discounting limit from PFC which will be valid for two years from the sanction date.
- b) The delivery of equipment / machinery / capital goods is made by the seller to the buyer against usance bills. The buyer shall be required to finalise all commercial terms of the purchase and complete the purchase formalities.
- c) Seller may draw set of usance bills in the format prescribed by PFC in half yearly installments.
- d) Bills are to accepted by the buyer and co-accepted or guaranteed by a scheduled commercial bank.
- e) The bills are endorsed by seller in favour of PFC and presented for discounting.
- f) PFC will discount the bills and will realise the bill amounts (principal & interest) on respective due dates from buyer / guaranteeing bank.

5. Extent of assistance

100% of the invoice value including insurance, freight and taxes, restricted to the Rs.300 crore per borrower. The minimum amount of transaction shall be Rs.1.00 crore. The transaction may include more than one equipment/machinery whose cost may be less than Rs.1 crore.

6. Tenor

3 years and below, 5 years and 7 years.

7. Interest rate

As notified from time to time.

8. Security

Bills are to be accepted by the buyer and co-accepted or guaranteed by a scheduled commercial bank.

9. Repayment

Half yearly installments with interest on reducing balance.

10. Stamp duty

The bills drawn under the scheme attract stamp duty as per the provisions of the Indian Stamp Act.

Note: The maximum total sanction under “DDS for buyers” and “Buyers’ Line of Credit Scheme” to a borrower shall not exceed Rs.300 crores.