

Short Term Rupee Loan (STL) Scheme (1 Year)

1. Objective and Purpose of Loan

The Short Term Rupee Loan (STL) scheme envisages providing rupee short-term finance to all existing borrowers and also new utilities formed as a result of reform process that are in the business of generation/transmission/distribution of power to meet their immediate requirement of funds. The rupee loan under the scheme shall be provided for following purposes:

- Purchase of fuel for power plant
- Purchase of consumables, essential spares
- Emergency procurement/works for generating plant and T&D network in the nature of repair & maintenance work
- Purchase of power
- Against receivables (applicable for all types of entities)

The financial assistance under this scheme shall be upto 100 % of the requirement of funds for the eligible items. The loan under the scheme shall further be limited to the actual requirement of funds of the borrowers.

2. Eligibility Criteria

- a) The scheme is open to all the existing borrowers engaged in generation/transmission/distribution of power. *[The borrowers who have outstanding amounts under long-term loans (project finance) shall be termed as existing borrowers]*
- b) In case of State/Central Sector Borrower, the entity should not be a declared defaulter to PFC; and in case of existing Private Sector Borrowers, the entities should not be in current default to PFC/Banks/NBFCs/other FIs.
- c) Private Sector Borrowers formed out of reforms process will be considered eligible provided they are not in current default to PFC/Banks/NBFCs/other FIs, the proposed loan amount has been accepted as a part of resource requirement for the year by the concerned SERC, the cash flow projections have been submitted to the satisfaction of PFC and the utility has agreed to open escrow account with tripartite agreement for PFC support. In such cases the loan can be considered for new entities also who are not existing borrowers.

Exclusion: Assistance under this scheme will not be available for items already financed by PFC/Banks/NBFCs/other FIs under any scheme.

3. Period of Loan

The loan under this scheme shall be repaid within a period of one year from the date of disbursement.

Validity Period for the drawal : The borrower shall have to draw the entire loan amount within 120 days from the date of sanction. The undrawn amount after a period of 120 days from the date

of sanction shall be treated as cancelled. The Corporation may agree to extend the same for further period, wherever felt appropriate.

4. Interest Rates

Interest rates as declared by PFC from time to time for Short Term Loans (STLs) will be applicable.

5. Sanction and Loan Administration

Application for short-term loan will be made by the entity in the prescribed format. Application could be made for sanction of loan under any one option or a combination of options based on actual requirement. The options are indicated below :-

- a) Option I (Bullet Repayment Option) : Loan will be sanctioned for a tenor of 30 days to 1 year in multiples of 30 days. In case the borrower has taken loan for a period less than 360 days, then the loan may be further rolled over (without refund of Principal Amount) by PFC at its discretion based on borrower's request for a further period in multiples of 30 days so that maximum period of loan including roll over shall not increase 360 days. Further, the rollover would be considered provided the borrower has paid outstanding interest & other charges on the STL till rollover date, and fulfills other eligibility criteria as per prevailing policy.

Such rollover may also be repeated at the discretion of PFC provided that the aggregate of first sanction period and rollover period(s) do not exceed 360 days.

Interest & other charges, if any, shall be paid by the borrower on monthly basis. Upon maturity (i.e. end of the sanction / roll-over periods), the amount of principal, interest and other charges for the balance outstanding period shall become payable.

- b) Option II (EMI Option) : Loan will be sanctioned for a tenor upto one year. A moratorium of 2 (two) months shall be applicable for repayment of principal amount. However, there shall not be any moratorium on payment of interest & other charges, which shall be paid by the borrower on monthly basis. After the 2 months moratorium on principal, the borrower shall make repayment in EMIs of principal plus interest.

The EMIs shall fall due on 15th day of each month starting after 2 months' moratorium on principal repayment.

Loans under each of these options may be drawn in maximum of 5 (five) tranches, each tranche being at least Rs.10 crore, except the last tranche. A repayment schedule will be made out for each tranche.

6. Exposure Limit

- a) Central Sector and State Sector (Category 'B' & above) Borrowers : Extent of financing shall be limited to maximum of Rs.500 crore.
- b) State Sector (Category 'C') Borrowers : Extent of financing shall be limited to maximum of Rs.250 crore.

The above ceilings may continue to be regulated within the exposure limits given in the prudential norms.

7. Security

The borrower shall furnish following securities: -

Central Sector and State Sector (Category 'B' & above)	<ul style="list-style-type: none">▪ 50% of total Exposure Limit to be sanctioned on the security of Escrow Account▪ Beyond 50% of total Exposure Limit to be sanctioned on the security of Government Guarantee/Charge on Assets in addition to Escrow Account
State Sector (Category 'C')	Government Guarantee in addition to the Escrow Account. However, PFC may also accept Charge on Assets as Primary Security instead of Government Guarantee where improvements in grading are expected due to changes in operating environment or on the basis of specific conditions stipulated.

Escrow Coverage Factor to be taken as 1.0 time.

8. Penal Interest

The penal interest, over and above the normal interest rate, may be levied on delayed payment of dues as per penal interest policy applicable from time to time. A grace period of 2 days from the due date will be allowed for State/Central borrowers before levying penal interest in line with applicable policy for long term rupee loans.

At present the penal interest rate is 2.0% p.a. over & above the normal interest rate at which the loan is sanctioned. The penal interest shall be compounded on daily basis.

9. Cost, Charges, Commission and Expenses

All costs, charges, commissions, expenses, duties and taxes, if any, shall be borne by the buyer/borrower availing facility under this scheme.

10. Documents

The borrower shall be required to execute the following documents against the loan :

- a) Memorandum of Agreement (MOA)
- b) Terms and Conditions of loan
- c) Escrow account agreement in the prescribed format
- d) Government Guarantee / Hypothecation deed, wherever applicable.
- e) Any other document that may be required by the Corporation under the loan

11. Disbursement Procedure

At the time of making request to PFC for release of tranche the borrower shall indicate the purpose for which the amount is proposed to be used and furnish the following certificate signed by authorized official of the borrower : -

- i) The amount claimed above is not financed by under any other scheme of PFC or of other FIs/Banks.
- ii) The payment has actually been made to the agency (*applicable where reimbursement of expenses is sought for*).
- iii) The acquired material/equipment/machinery is not second hand;
- iv) The acquired material/equipment/machinery or works are not in the nature of major expansion/diversification or for grass-root/new projects, which would call for detailed appraisal.

The borrower shall furnish utilization certificate for the amount released within 60 days from the date of disbursement.

On the advice of the borrower, the Corporation may also make direct payment to the executing agency under intimation to the borrower. In such cases, the borrower shall have to furnish the above certificate (i through iv) along with the claim.

The Corporation shall follow the existing procedure of payment of claims as applicable under long term loans.

12. Remedial Actions

In the event of default in payment of dues, unless provided otherwise, the guidelines for application of remedies in the event of default by the borrowers shall be applicable. All the remedial actions shall be initiated by Loan Recovery Unit in consultation with L&D Unit, wherever felt necessary.