

## **Special Long-Term Transition Loan to DISCOMs for COVID 19**

- 1. Purpose:** For clearance of outstanding dues of CPSU Gencos & Transcos, IPPs and RE Generators as on 31<sup>st</sup> March 2020. The facility will be a one-time opportunity to avail loans. All loans shall be extended at the sole discretion of REC.
- 2. Eligible Borrower:**
  - a. State-Owned Distribution Companies/ Combined Generation & Distribution Companies, Holding Companies/Companies having administrative control of Discoms/ Companies buying power on behalf of Discoms and Private Sector Discoms shall be eligible under this scheme.
  - b. Borrower should not have any overdues in the books of REC/PFC.
  - c. Exposure: The borrower should have balance exposure available as per standard norms of REC.
- 3. Extent of Financial Assistance:**
  - a. Based on receivables of the Discoms from the State Govt departments, Companies, bodies, ULBs, PRIs, etc in the form of electricity bill dues and undisbursed subsidy, restricted to outstanding dues of CPSU Gencos and Transcos, IPPs and RE Generators as on 31<sup>st</sup> March 2020. 50% of eligible loan amount shall be provided in Tranche –I and balance 50% in Tranche –II to the utilities. UDAY limits shall not be applicable for these loans.
  - b. DISCOMs to give details of receivables from the State Govt in the form of electricity bill dues of State Govt depts., companies, bodies, ULBs, PRIs, etc and un-disbursed subsidy duly recommended by Energy Department of the State Govt. Electricity duty payable to State Govt., if any, shall be netted off while determining the extent of financial assistance.
  - c. DISCOMS shall also provide the outstanding dues of CPSU Gencos and Transcos, IPPs and RE Generators duly authenticated by Director Finance/ Key Management Personnel of the respective discom.
  - d. The payment shall be released directly to CPSU Gencos /RE Gencos/IPP/ CPSU Transcos based on authorisation of Discoms in this regard.
  - e. The borrower shall submit an undertaking that the amount financed under this scheme is not financed by other FIs and Banks under any other Scheme.
- 4.** The Loans under the scheme will be co-funded by REC and PFC in equal proportion. REC and PFC will assess eligible loan amount of respective Discoms and 50% of the eligible amount shall be considered in Tranche-I and balance in tranche-II.
- 5. Security Structure:**
  - a. State Government Guarantee  

The borrower shall submit an unconditional and irrevocable State Govt. Guarantee with due approval from the State Finance Department before the first disbursement. The State Government Guarantee shall cover the loan amount along-with interest and any other charges towards the loan.
  - b. Default Escrow Account with prescribed coverage factor as applicable for Rupee Term Loans.

## 6. Loan Period

The tenor of the loan will be up to a maximum period of 10 years including moratorium not exceeding 3 years. The moratorium shall only be on the payment of principal. Interest shall be serviced regularly on monthly basis. However, the period of loan may be decided on case-to-case basis in line with the requirement and as agreed by State Govt. Depending upon the tenor of the loan, the period of moratorium shall be decided on the merits of each case. However, the decision of REC shall be final in this regard. After moratorium period, repayment of the loan (Principal and Interest) will be made in Equated monthly instalments.

## 7. Prepayment of Loan

Borrower may be allowed prepayment of these loans without any prepayment premium in case the loan are repaid out of proceeds received from State Govt on account of electricity dues of Government/ attached offices, subsidy payable etc. In case Discoms decide to prepay these loans by availing fresh loans from FIs/ Banks pre-payment charges of 1% shall be levied.

## 8. Interest Rate

REC/ PFC cost of funds plus margin as applicable from time to time. To have uniformity, the interest rates to be charged by both REC & PFC shall be kept at the same level. The interest rate shall be same for all Discom(s) irrespective of their categorisation. The interest on loan will be payable monthly. REC will not consider any further rebate / discount for the loans funded under this scheme.

## 9. Additional Conditions for Sanction & Disbursement of funds/ loan:

Disbursement under the sanctioned loan will be made in two tranches. Each tranche may be disbursed in multiple instalments, as per requirement:

### I. Tranche-I:

#### Pre-commitment Conditions:

- A. **By Concerned Discom:** Following undertakings are required to be furnished:
  - i. To enable digital payments of electricity bills.
  - ii. To enable self-assessment by consumers (make provision for the consumer to send meter reading by picture of the meter or SMS to facilitate provisional billing). The bills shall be settled and accounted once the meter is read. The amounts paid by consumers shall be set off.
  - iii. To install smart prepaid or prepaid meters in government departments/attached offices, etc so that in future the electricity dues of DISCOMs are paid regularly.
  - iv. To submit a report duly authorised by Director Finance/ Key Management Personnel regarding outstanding power purchase bills, outstanding dues from State Govt. departments, companies, bodies, ULBs, PRIs, etc and outstanding subsidy receivable on a half-yearly basis for monitoring purposes.

- B. **By respective State Govt:** Following undertakings are required to be furnished:
- To install smart prepaid or prepaid meters in government departments/attached offices, etc so that in future the electricity dues of DISCOMs are paid regularly.
  - To put in place a system such that bills for subsidies are raised by DISCOMs and paid upfront every quarter/month.

**Pre-disbursement Conditions (Tranche-I):**

- The borrower should not have any overdues in the books of REC/PFC.
- To execute a quadripartite/tripartite agreement (between REC, PFC, Discom and State) covering following broad contours:
  - Liquidation plan for clearing of dues by State Govt. towards unpaid electricity dues from state govt. departments, companies, bodies, ULBs, PRIs, etc in three annual instalments;
  - Liquidation plan for clearing the unpaid subsidy amount to the Discom(s);
  - The dues/subsidy paid by the State Govt shall be used to repay outstanding loan amount to REC and PFC in the ratio of loan originally disbursed;
  - State Govt to ensure timely payment of electricity bill dues of State Govt department/ attached entities and subsidy amount to Discom(s)

II. **Tranche-II:**

**Pre-disbursement Conditions:**

- The borrower should not have any overdues in the books of REC/PFC.
- DISCOMs will have to show that the undertakings/ agreements given at the time of Tranche-I have been implemented or the implementation is in progress.
- A plan, endorsed by the State Government in consultation with Ministry of Power, to bring down their AT&C losses and ACS-ARR gap over the next three to four years.

**10. Additional Interest**

- In case, State Govt does not adhere to liquidation plan mentioned above, additional interest of 0.25% shall be charged on the outstanding loan amount during the currency of default.
- In future, as agreed, State Govt shall ensure timely payment of electricity dues from state govt. departments/attached entities and subsidy amount within 60 days of their due dates, failing which 0.25% additional interest rate shall be charged during the currency of default.
- Discom(s) to submit compliance/ status of above on quarterly basis to REC.

**11. Other terms & Conditions:**

- Discoms shall submit reports on half yearly basis duly authorised by Director Finance/ Key Management Personnel regarding outstanding power purchase bills, outstanding dues from state govt. departments and outstanding subsidy receivable on a half-yearly basis for monitoring purposes.
- REC has the right to recall the loan/stop disbursement in case of non-adherence

- iii. Standard terms and conditions for loans to Distribution utilities w.r.t exposure, etc shall be regulated as per the respective Discom categorisation. REC may stipulate any additional conditions, as it may deem fit, at the time of sanction of the loans.

## 12. Assistance to Private sector Utilities

The above conditions are for State sector utilities. The scheme shall also be applicable for private sector Distribution companies. The terms and conditions including security package and applicable interest rate shall be decided by REC. Due diligence and Entity appraisal shall be carried out by REC as per extant policy/practices/procedures. Since REC and PFC shall jointly provide the assistance, similar terms and conditions shall be incorporated for each loan with mutual agreement.