

Policy for Underwriting of Debt

1.0 Objective:

To facilitate the early financial closure, implementation and commissioning of the project, PFC will underwrite the total debt requirement of project.

2.0 Project Eligibility Criteria:

The debt underwriting would cover the power projects in Generation including Renewable Energy projects, Transmission and Distribution schemes.

3.0 Entity Eligibility Criteria:

- 3.1 All Private Sector entities are eligible under the policy.
- 3.2 All entities/projects which are eligible under PFC's extant policies shall be funded under the policy. However, for the projects where Integrated Rating (IR) is applicable, minimum IR-4 shall be required.

4.0 Extent of Funding:

The extent of debt underwriting shall be upto total debt requirement of the project subject to the exposure available as per Prudential Norms of PFC. The total underwritten debt shall be bifurcated into "debt to be retained by PFC" and "debt earmarked for down selling".

5.0 Security

PFC shall stipulate the security conditions in line with the applicable provisions of the policy guidelines.

6.0 Debt Equity Ratio of Project:

PFC shall consider the projects with Debt: Equity ratio of 70:30. However, PFC may consider higher D/E ratio in deserving cases as per extant policy of corporation applicable from time to time.

7.0 Interest Rates:

The lending rates shall be as notified by PFC from time to time, as per the rating of the borrowing entity / promoter.

PFC shall charge the different interest rates for "debt to be retained by PFC" and "debt earmarked for down selling".

8.0 Reset:

As per the existing policy, for long term Rupee Term Loans (RTLs), the borrower has an option of interest rates with 3 years or 10 years reset. PFC shall follow its policy of reset as notified from time to time for its portion of debt.

For the portion of “debt earmarked for down selling”, other lenders may offer different interest rates, reset periods/methodology etc. Accordingly, on transfer of loan to other lenders, interest rates and interest reset shall be governed as mutually agreed among the other lenders and the borrower.

9.0 Underwriting Fee:

PFC shall charge underwriting fee as notified from time to time.

10.0 Financial Charges and other fees:

The financial charges/fees shall be payable by the borrowers, as per policies applicable from time to time.

11.0 Disbursement Procedure:

The disbursement shall be made as per extant disbursement procedure of PFC. Further, PFC will make the proportionate disbursement(s) against PFC’s earmarked portion and “debt earmarked for down selling”.

12.0 Right to Sell:

During the subsistence of loan, PFC shall have the right to sell either part or total loan including earmarked syndicated portion to any other lender whosoever is interested in taking over without recourse on PFC i.e. without any obligation to PFC.

13.0 Other terms and conditions shall be as per the applicable policies of PFC.
