Financing Norms for Renewable Energy (RE) Projects

1. Moratorium Period

   The moratorium period for principle repayment would be six months after Commercial Operation Date (COD) for all type of power generation projects. Moratorium period for all types of projects shall be Commercial Operation Date (COD) + 6 months, subject to maximum of following duration from the date of 1st disbursement:
   - 1.5 years for Solar PV, Wind
   - 2.5 years for Biomass
   - 4 years for Solar Thermal
   - 6 years for Small Hydro Projects

2. Minimum Equity Contribution

   The Debt Equity Ratio proposed for Private Sector borrowers is 70:30. Where Lead FI is funding on the basis of a different Debt Equity ratio, REC would follow the Debt Equity ratio being considered by the Lead FI, subject to maximum of 3:1. In case REC is the Lead FI, the Debt Equity ratio of 70:30 will be considered.

3. Core Promoter's Contribution

   The core promoters share should be a minimum of 10% of the total project cost.

4. Extent of Funding

   REC may follow the prudential norms approved by the Board of REC from time to time.

   For private projects REC may take a maximum exposure of upto Rs. 70 Cr. (for sole lending) for Renewable Energy project. For private projects REC may take exposure upto 100% of debt component for the following projects:

   (i) Biomass or Small Hydro projects of installed capacity upto 10 MW
   (ii) Solar (PV/Thermal) projects of installed capacity upto 10 MW
   (iii) Wind projects of installed capacity upto 15 MW

   The above list may be reviewed and revised on a biennial basis.

   For private projects other than above, the exposure will be limited to 50% of the project cost.

5. Application & Processing Fee

   A non-refundable fee of 0.1% of the loan applied, subject to a ceiling of 10 lakhs shall be charged as "Application & Processing Fee". 50% of this will be taken at the time of receipt of loan application. Remaining 50% of the application fee shall be payable before the issue of the sanction letter. In case REC decides to lend an amount different from the loan applied, the application fee shall be payable in accordance to the loan sanctioned.

6. Upfront Fees & Lead Fees

The upfront fee is to be submitted by the borrower post-sanction but before the loan documentation. The upfront fee will be 0.1% of the sanctioned loan amount, subject to a minimum upfront fee of Rs. 2 lakhs and a maximum of Rs. 10 lakhs.For renewable projects above 100 MW, upfront/ processing fee may be regulated as applicable for conventional private sector power projects.

Acting as a lead FI, REC will charge “Lead Fees” of 0.25% of the total loan amount in addition to the upfront charges as specified above. The lead fees will be subject to a minimum of 5 lakhs and a maximum of Rs. 25 lakhs. The lead fees is payable post-sanction but before the loan documentation.

7. Commitment Charges

For delayed drawdown beyond 6 months, Commitment charges shall be payable on back-to-back basis i.e. If REC is paying commitment charges on the funds, then the borrower to pay the same at the same rate as REC (this is to cover the conditions of bilateral funding). Commitment charges shall be payable before the disbursement of the delayed drawdown.

8. Upfront Equity

The Upfront Equity applicable to a borrower will be as specified by the borrower OR as determined by borrower’s grade (as per borrower appraisal), whichever is higher. Grade-wise norms for Upfront Equity are as follows:

Grade	Upfront Equity - (% of total equity)
1	At least 33%
2	At least 45%
3	At least 50%
4	At least 75%
5	100%

For Renewable Energy projects upto 5 MW, upfront equity of 100% may be considered. This condition can be reviewed and revised on a biennial basis.

9. Rate of Interest in case of Consortium Finance

As per REC's prevailing Loan Policy

10. Security

The extent of security (other than 100% of the project and 51% pledge of shares) to be provided by the borrower will be as specified by the borrower OR as determined by borrower’s grade (as per borrower appraisal), whichever is higher. Grade-wise norms for Security are as follows:

Grade as per REC	Value of Security offered (other than related to the project) / (Total Loan Amount sought from REC) (%)
Grade 1	At least 20%
Grade 2	At least 25%
Grade 3	At least 30%
Grade 4	At least 35%
Grade 5	At least 40%

The Actual extent of the security mix will be decided by REC depending on the credit worthiness of the promoters and financial soundness of the company and techno-economic soundness of the scheme and shall comprise of the following:

- Bank Guarantee from Scheduled Banks as described in RBI Act
- State Government Guarantee
- Unconditional and irrevocable guarantee of All India Public Financial Institutions having “AAA” or equivalent rating
- Mortgage of immovables by way of deposit of title deeds
- Hypothecation of movable assets, both existing and future, subject to prior charge of Banks on specified current assets
- Personal Guarantee by promoters and/or promoter directors backed by assets (along with undertaking of non-disposal of assets and copy of title deeds)
- Corporate Guarantee
- In addition to the above, any other collateral security acceptable to REC

11. Interest Payment

    The Borrower shall pay interest along with any taxes, duties, cess, etc. as per REC's prevailing loan policy circular or as approved by the competent authority.

12. Installments & Frequency

    The loan shall be repaid by the Borrower in quarterly installments.

13. Maximum Repayment Period

    The maximum loan repayment period shall be of 12 years after the moratorium period.

14. Premature Repayment

    As per the prevailing policy of REC.

15. Disbursement

    a. First Disbursement: for any project under consideration, REC would release loan installments only after the promoter has infused the upfront equity as may be applicable.

Decision of REC shall be final and binding in this regard. REC also reserves the right to release the first disbursement maximum up to 30% of the sanctioned amount subject to its satisfaction on the project's fund needs including release of advance to the project suppliers. The first disbursement will be made only after the promoter has met the Pre-disbursement Conditions.

b. Further Disbursements: Further disbursements for generation projects shall be based on the physical execution of work, debt equity, actual expenditure incurred and certified by a chartered accountant and other stipulated terms and conditions. All these disbursements may be made on reimbursement basis or on the basis for payment schedule agreed in the EPC and other contracts. Wherever an agreed draw down schedule is worked out the reimbursement/ disbursement to the borrower/supplier shall be based on the draw down schedule.

The other provisions/clauses of the loan policy circular (s) shall remain unchanged.