

RURAL ELECTRIFICATION CORPORATION LIMITED

Financing Norms for Renewable Energy (RE) Projects

Sl. No.	Description	Summary						
1.	Moratorium Period	Moratorium Period - Commercial Operation Date (COD) + 6 months, subject to maximum of following duration from the date of 1st disbursement: <ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> ➤ For private sectors - 70:30 ➤ 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	It should be a minimum of 10% of the total project cost.						
4.	Extent of Funding	<ol style="list-style-type: none"> 1. For private projects-maximum exposure of upto Rs. 70 Cr. (for sole lending) for RE projects. 2. For private projects REC may take exposure upto 100% of debt component for the following projects: <ul style="list-style-type: none"> • Biomass or Small Hydro projects of installed capacity upto 10 MW • Solar (PV/Thermal) projects of installed capacity upto 10 MW • Wind projects of installed capacity upto 15 MW 3. For private projects other than above, the exposure will be limited to 50% of the project cost. 						
5.	Application & Processing Fee	<ol style="list-style-type: none"> 1. 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". 2. 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. 3. 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	<p>Upfront Fees (0.1% of the sanctioned loan amount):</p> <ul style="list-style-type: none"> • Minimum-Rs. 2 Lakhs • Maximum-Rs. 10 Lakhs • For >100 MW upfront/ processing fee may be regulated as applicable for conventional private sector power projects. <p>Lead Fees (0.25% of the total loan amount in addition to the upfront charges):</p> <ul style="list-style-type: none"> • Minimum-Rs. 5 Lakhs • Maximum-Rs. 25 Lakhs • The lead fees is payable post-sanction but before the loan documentation. 						
7.	Commitment Charges	<ol style="list-style-type: none"> 1. For delayed drawdown beyond 6 months, Commitment charges shall be payable on back-to back basis. 2. Commitment charges shall be payable before the disbursement of the delayed drawdown. 						
8.	Upfront Equity	<p>Grade-wise norms for Upfront Equity are as follows:</p> <table border="1"> <thead> <tr> <th>Grade</th> <th>Upfront Equity - (% of total equity)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>At least 33%</td> </tr> <tr> <td>2</td> <td>At least 45%</td> </tr> </tbody> </table>	Grade	Upfront Equity - (% of total equity)	1	At least 33%	2	At least 45%
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 RE Projects upto 5 MW, upfront equity of 100% may be considered.	
9.	Return of Equity	Rate of Interest in case of Consortium Finance- As per REC's prevailing Loan Policy.	
10.	Security	1. 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.	
		2. 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%
10.	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.	
11.	Installments & Frequency	The loan shall be repaid by the Borrower in quarterly installments.	
12.	Maximum Repayment Period	The maximum loan repayment period shall be of 12 years after the moratorium period.	
13.	Premature Repayment	As per the prevailing policy of REC.	
14.	Disbursement	First Disbursement:	
		<ul style="list-style-type: none"> For any project under consideration, REC would release loan installments only after the promoter has infused the upfront equity as may be applicable. 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. 	
		Further Disbursements:	
		<ul style="list-style-type: none"> 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. 	