

INDIAN RENEWABLE ENERGY DEVELOPMENT AGENCY LTD.

Fair Practices Code Guidelines for Loan Assistance for Different Types of RE Projects - Dated 15th June 2015

BACKGROUND

IREDA registered with Reserve Bank of India as NBFC and is classified as a loan Company.

Reserve Bank of India (RBI) vide dated September 28, 2006 Circular Letter No. RBI/2006-07/138- DNBS(PD) CC No. : 80/03.10.042/2005-06 (including Residuary Non-Banking Financial Companies) has issued guidelines on Fair Practices Code for Non-Banking Financial Companies, prescribing broad guidelines on fair practices that are to be framed and approved by the Board of Directors should be finalized and disseminated on the website of the Company for information of the public. In accordance with the broad guidelines prescribed by RBI, IREDA has framed its Fair Practices Code as under :

1. APPLICATION FOR LOANS

Loan Application to IREDA is to be submitted in the prescribed form. The details of clearances/documents required for consideration of loan sanction are specified in the application form. The application form is available free of cost and may also be down loaded from IREDA's website at <http://www.ireda.gov.in>

- (i) Guidelines for loan assistance for different types of projects viz. Small Hydro Power, Wind Power, Bio-Energy, Solar Energy (Solar Thermal System, Solar Photovoltaic Cells, Modules and Systems), Energy Efficiency and Energy Conservation, Bio-Fuel/Alternate fuel etc. are available free of cost. Details of interest rates, maximum repayment period, moratorium, minimum promoter's contribution, eligibility criteria for financing, fiscal and financial incentives offered by Govt., eligibility criteria for applicants, eligible projects, registration fee, front end fee, security for loan, disbursement of loan, repayment of loan, concessions, if any and other terms and conditions affecting the interest of the borrowers are given in the guidelines for loan assistance.

2. ACKNOWLEDGEMENT AND VERIFICATION OF LOAN APPLICATION

1. Acknowledgement indicating Application Receipt No. (ARN) shall be given for loan application within 7 days from the date of receipt.
2. Initial scrutiny of the loan application form is completed normally within 14 days from the date of receipt of application and a letter is issued to the borrower intimating Application Registration No. (Registration No.). This letter also gives details of further documents/information required to process the loan application form.
3. In case, Loan Application does not meet eligibility criteria, the loan application is not registered and returned to the applicant alongwith the application fee.
4. Normally, IREDA sanctions a project within 90 days of registration, if complete details/documents are submitted by the applicant and the project is found eligible from technical, financial and legal point of view.
5. On-line status of loan applications is provided to the applicants. Mere delivery of loan application by an applicant does not entitle it and/or bind IREDA to sanction loan assistance.

3. VALIDITY OF LOAN APPLICATION

The validity of loan application submitted to IREDA shall be for a period of 6 months. Applications pending beyond 6 months from the date of registration shall automatically stand withdrawn/lapsed and fresh application would need to be submitted alongwith requisite registration fee. However, CMD/MD

is empowered to extend the validity of loan application for a further period of 6 months over and above the existing period of six months, subject to payment of requisite fee and submission of documents/information as necessary. Loan Application for additional loan should also be accompanied by registration fees based on additional loan.

4. PROCESSING OF LOAN APPLICATION

- (i) Loan applications are first examined according to criteria laid down for applicants and eligibility criteria for projects.
- (ii) Loan applications meeting the eligibility criteria for entity and projects are taken-up for detailed appraisal. Site visits are generally made for all power projects and in case of other projects/equipment financing site visits are made depending on the size of the project/scheme and the quantum of loan required. After site visits and examination of loan application with reference to eligibility criteria and guidelines for financing the loan applications which are meeting eligibility criteria and found technically feasible and financially viable are placed before the sanctioning authority.

5. LOAN APPRAISAL AND TERMS/CONDITIONS

- (i) The applications for loan assistance are examined according to the appraisal procedure of IREDA financing guidelines and other terms and conditions.
- (ii) The amount of loan assistance to be sanctioned, terms and conditions are discussed with the representatives of the borrower and then finalized after due examination of the documents.
- (iii) Appraisal report is submitted to the Competent Authority within 90 days for approval when all essential documents are submitted by the borrower.
- (iv) The amount of loan assistance is conveyed through the sanction letter. The terms and conditions relevant to the project/scheme/equipment for which the assistance is sanctioned are given alongwith sanction letter by way of separate annexures. Special conditions, if any, are also given alongwith sanction letter. Formalities to be completed by the borrower for execution of loan documents and for furnishing securities are given to the borrower alongwith sanction letter as a separate annexure.
- (v) Borrowers are free to contact dealing officers in Project Technical Services Department/Financial Services Department and Legal Group. The telephone Nos. of these Departments are 011-24682206 - 19.
- (vi) Interest rate, additional interest, front end fee, liquidated damages and other details about signing of loan documents, withdrawal of loan, repayment period of the loan, grace period, mode of repayment and the types of securities to be furnished by the borrowers are stated in the sanction letter. Sanction letter also gives details of other terms and conditions.
- (vii) Borrowers are required to communicate acceptance of the terms and conditions set-out in the loan sanction letter within 30 days from the date of receipt of loan sanction letter.
- (viii) Acceptance of terms and conditions from the Borrower shall be kept on record.

6. SIGNING OF LOAN AGREEMENT

Loan Agreements have to be signed within the validity period of the sanction letter i.e. 6 months. Extensions can, however, be granted for another 9 months (i.e. total 15 months) may be allowed subject to payment of additional front end fee as prescribed in the financing guidelines.

7. DISBURSEMENT OF LOANS INCLUDING CHANGES IN TERMS AND CONDITIONS

- (i) Upon completion of documentation and execution of securities, IREDA disburses loan in one or more instalments proportionate to the promoters' contribution and depending upon the physical progress of the project, satisfactory utilization of instalment/s already advanced.

- (ii) Sample format pertaining to various stages of disbursement can be downloaded from IREDA's website at <http://www.ireda.gov.in>
- (iii) Changes in the terms and conditions including disbursement schedule, interest rate, and prepayment charges are conveyed in writing to the borrower and the same are required to be accepted by the authorized signatory of Borrower Companies.
- (iv) Changes in the interest rate are effected prospectively only

8. MONITORING AND EVALUATION

- (i) Monitoring and evaluation of the progress of the project is done through examination of progress reports, fund utilization certificate(s) to be submitted by the borrowers. Such certificates are to be issued by the Statutory Auditors or by a Practicing Chartered Accountant's Firm.
- (ii) Monitoring and evaluation is also carried out through the mechanism of appointing Nominee Directors/ Concurrent Auditors/Engineers.

9. NOTICE BEFORE TAKING DECISION TO RECALL / ACCELERATION OF PAYMENT

Proper prior notice is given before withholding any disbursement of balance loan or recalling the loan already advanced.

10. RELEASE OF SECURITIES ON REPAYMENT OF LOAN AND INTEREST

- (i) Securities are generally released within 3 working days after receipt of repayment of loan and interest and other dues from the borrower provided there is no legitimate claim against promoters and group companies, but in exceptional cases it may take some more time depending upon the nature of the problem.
- (ii) Release of securities in case of joint mortgage, is done after obtaining NOC from other lenders/ chargeholders.

11. GRIEVANCE REDRESSAL MECHANISM

- (i) A customer Facilitation Centre is operating for quick disposal. Timely assistance and response to queries of borrowers, promoters and entrepreneurs are provided.
- (ii) Complaint/Suggestion Box is available with the Customer Facilitation Centre and borrower can give their complaints/suggestions, if any. Complaints pertaining to corruption can be made to Head of the Deptt. or Chief Vigilance Officer and the Central Vigilance Commission (CVC).
- (iii) Internal Review Committee (IRC) is in place to deal with the requests of the borrowers for rescheduling of loans, review of status of legal cases filed before Debts Recovery Tribunal/Winding-up proceedings etc. in the Courts. iv. IREDA has put in place separate detailed Grievance Redressal Mechanism (GRM).

12. GENERAL

- (i) IREDA does not interfere in the affairs of the borrower. However, IREDA shall be free to ask for information/data necessary for processing loan application and to protect the interests of IREDA/other stake holders.
- (ii) Borrowers are not discriminated on the grounds of sex, castes, region and religion etc.
- (iii) Clarifications required by the borrowers are given on e-mail.
- (iv) Details of the outstanding loan is given to the borrowers on yearly basis to facilitate confirmation of the outstanding.

- (v) Joint meetings are arranged with the borrowers to discuss rescheduling of loans or to sort out any other issue (s) raised by them.
- (vi) Demand notices are sent to the borrowers in advance and twice before the end of the quarter.
- (vii) IREDA does not resort to harassment of borrower in the matter of recovery which is pursued through ordinary course of business following due process of law.
- (viii) Compliance of Fair Practices Code Guidelines will have to be reported to the Board of Directors of IREDA on half yearly basis.

Note : Normally IREDA sanctions a project within 90 days of registration, if complete details/documents are submitted by applicant and the project is found eligible from technical, financial and legal point of view.