Annexure 13.7

REC LIMITED

(Formerly Rural Electrification Corporation Limited)
Core-4, SCOPE Complex, Lodhi Road, New Delhi-110003.
CIN: L40101DL1969GOI005095

COMPANY SECRETARY'S DIVISION

No.SEC-1/8(1)/2019/56 **Dated: March 14, 2019**

LOAN POLICY CIRCULAR – No.005 / 2019

Sub: Revision in lending rates of REC Limited.

The Sub-Committee of the Directors for Review of Lending rates of Term Loans/Short Term Loans, in its 141st Meeting held on March 8, 2019 has *inter-alia* approved the following:

a) Withdrawn the benefit of offering the interest rate of 'A+' category for FRP schemes to eligible Discoms/Transcos for all the future disbursements under existing/fresh schemes and upon reset in case of existing outstanding loan as notified vide C.S. Division Circular No. SEC-1/8(1)/2013/298 dated 20th May, 2013 and any amendment thereof.

b) Withdrawn the general rebate of 75 bps from the applicable circular rate in case of Counterpart Funding of Govt. of India Schemes viz. R-APDRP, IPDS, DDUGJY etc. for all the future disbursements under existing/fresh schemes and upon reset in case of existing outstanding loan *(as mentioned at Note No. 3 to the Loan Policy Circular No. 004/2019 dated February 15, 2019).*

c) Increased the interest rates by 25 bps for all the categories of loans/schemes/borrowers except for STL/MTL.

d) Increased the interest rates by 50 bps in case of STL and MTL.

e) Increased the interest rates by 25 bps in case of Renewable Energy Projects except Biomass Projects (within purview of MNRE) with 1 year reset option.

f) Introduction of a new category "Renewable –RPO" under Term Loans with reset option of "1 year" and "3 years" under Non-Conventional Generation for State Sector borrowers.

g) Inserted a new note to existing notes to Loan Policy Circular stating that "For first disbursement opted for monthly rates (wherever only quarterly rates are notified), the quarterly rate will be converted to equivalent monthly rest rate and rounded off to the nearest 5 bps".

h) Replaced the existing Note No. 4 of the Loan Policy Circular with "Interest rate for Term Loans with Reset after every 10 years shall be 15 bps higher than the rates of Term Loans with Reset after every 3 years".

The revised rates will be applicable with effect from March 8, 2019, till further notification.

Sr. CPM/ CPMs and other officers in Corporate Office issuing sanction letters are requested to ensure that applicable interest rates and other terms & conditions are duly informed to all concerned and correctly incorporated in the sanction letters.

(J.S. Amitabh)
GM & Company Secretary

Encl.: **Annexure-A**

Distribution:

1. O/o CMD & D(F), D(T) and CVO.
2. Sr. Executive Director /All Executive Directors / General Managers at Corporate Office, REC.
3. All Addl. GMs / Dy. GMs at Corporate Office, REC.
4. All Sr. CPM/ CPMs in ROs/POs, Incharge RECIPMT and State Offices, REC.
5. AGM (IT) – for arranging uploading on REC website and intranet.
6. AGM (Rajbhasha), REC - For Translation into Hindi.

REC LIMITED

(Formerly Rural Electrification Corporation Limited)

Lending Rates effective from March 8, 2019, till further notification.

I - A TERM LOANS - (With reset after every 3 years)									(Rates in %)
Sl. No.	Category of Loans /Schemes	State Sector Borrowers (Category "A++") Identified CPSUs and AAA Rated Companies	State Sector Borrowers (Category "A+")	State Sector Borrowers (Category "A" & "B"), Central Sector Borrowers (other than identified CPSUs & AAA Rated Companies)	Private Sector Borrowers				
					With Integrated Rating of IR-1	(a) With Integrated Rating of IR-2 (b) Entity Grade: I & II	(a) With Integrated Rating of IR-3 (b) Entity Grade: III & IV (c) DISCOM Grade- A	With Integrated Rating of IR-4	(a) With Integrated Rating of IR-5 (b) Entity Grade: V (c) DISCOM Grade- B (d) Non Graded
a.	**Term Loan/Schemes**								
1	**Conventional Generation**	11.65	11.90	12.15	11.90	12.40	12.65	12.90	13.15
2	R&M and R&U of Generation Projects	11.40	11.65	11.90	12.15	12.40	12.65	12.90	13.15
3	Non-Conventional Generation – a) Renewable Energy Projects except Biomass Projects (within purview of MNRE)	10.10	10.25	10.50	10.25	10.50	10.75	11.00	11.50
	b) Biomass Projects	11.00	11.25	11.50	11.50	11.75	12.00	12.25	12.50
	c) Renewable-RPO	11.75	11.75	12.00					
4	Transmission Schemes	11.00	11.25	11.50	12.00	12.25	12.50	12.75	13.00
5	Distribution & other Schemes	-	10.75	11.00	11.50	11.75	12.00	12.25	12.50
6	Funding Against Regulatory Assets	11.65	11.90	12.15	12.40	12.65	12.90	13.15	13.40
7	Computerization	12.15	12.15	12.15	-	-	-	-	-
b.	**Loan to Equipment Manufacturers**								
1	Upto 1 year	12.00	12.25	12.50	13.15	13.15	13.25	13.50	13.75
2	More than 1 year and up to 3 years	11.65	11.90	12.15	13.15	13.15	13.15	13.15	13.40
I - B TERM LOANS - (With reset after every 1 year)									
1	Non-Conventional Generation – a) Renewable Energy Projects except Biomass Projects (within purview of MNRE)	10.00	10.00	10.25	10.00	10.25	10.50	10.75	11.25
	b) Renewable-RPO	10.75	11.00	11.25					

I - C TERM LOANS - (With reset after every 1 year, on monthly rest)									
Sl. No.	Category of Loans /Schemes	State Sector Borrowers (Category "A++") Identified CPSUs and AAA Rated Companies	State Sector Borrowers (Category "A+")	State Sector Borrowers (Category "A" & "B"), Central Sector Borrowers (other than identified CPSUs & AAA Rated Companies)	Private Sector Borrowers				
					Integrated Rating of IR-1 or Entity Grade I	Integrated Rating of IR-2 or Entity Grade II	Integrated Rating of IR-3 or Entity Grade III	Integrated Rating of IR-4 or Entity Grade IV	Integrated Rating of IR-5 or Entity Grade V
1	Transmission Schemes (only for Inter State Transmission Schemes/ projects awarded through TBCB route)	-	-	-	10.65	10.90	11.15	11.40	11.64

II - SHORT TERM LOANS (STL) / MEDIUM TERM LOANS (MTL)					(Rates in %)
Sl. No.	Category of Borrower	STL		MTL (only for State Sector Borrowers)	
		Interest Rates for STL for more than 3 months and upto 6 months, with monthly rests	Interest Rates for STL for more than 6 months and upto 1 year, with monthly rests	Interest Rates for MTL for more than 1 year and upto 3 years, with monthly rests	Interest Rates for MTL for more than 1 year and upto 3 years, on quarterly rests
1	Identified CPSUs/ State Sector Borrowers Category "A++"	11.00	11.25	12.25	12.38
2	Central Sector Borrowers/ State Sector Borrowers Category "A+"	11.25	11.50	12.25	12.38
3	State Sector Borrowers Category "A" and other CPSUs	11.50	11.75	12.50	12.63
4	State Sector Borrowers Category "B"	11.75	12.00	13.00	13.14
5	State Sector Borrowers Category "C"	12.00	12.25	-	
6	Private Sector Borrowers ("AAA")	11.50	11.75		
7	Private Sector Borrowers other than "AAA"	13.00	13.25		

III - TRANSITIONAL FINANCING LOANS - (With reset after every 3 years)						(Rates in %)
Sl. No.	Particulars	Category A++	Category A+	Category A	Category B	Category C
1	To State Sector DISCOMs (If interest is paid Quarterly)	-	11.90	12.15	12.40	12.65
2	To State Sector DISCOMs (If interest is paid Monthly)	-	11.78	12.03	12.27	12.52
3	In case of Newly incorporated GENCOs/TRANSCOs/ DISCOMs formed out of Bifurcation/Re-organization of state (On Monthly rests)	12.15	12.40	12.65	12.90	13.15

Notes:

1. The above rates are effective rates on quarterly rest basis except for STL/Transitional Financing Loans/MTL (*if interest is paid monthly*) where rates are with monthly rest.

2. (a) 25 bps discount shall be allowed for Financial Assistance under schemes of (i) Short Term Loans (ii) Medium Term Loans (iii)Transitional Financing to DISCOMs; and (iv) Funding Against Regulatory Assets, where such Financial Assistance is secured by the State Government Guarantee;

   (b) 25 bps discount shall be allowed for post COD private sector renewable energy (solar/wind only) projects having Integrated Rating of IR-1, IR-2 & IR-3, subject to the terms and conditions as approved by the Board of Directors in its Meeting held on 11th July, 2017.

3. **Interest rate for Term Loans with "Reset after every 10 Years" shall be 15 bps higher than the rates of Term Loans with "Reset after every 3 years".**

4. Identified CPSUs are NTPC, NLC, DVC, NHPC, NPCIL, PGCIL, SJVNL, THDC, RITES, BHEL, IFCI, EESL or any other entity as identified by the Corporation from time to time.

5. The rates mentioned as above for Computerization are not applicable for AAA private sector borrowers.

6. **The revised interest rates as above will be applicable in respect of all disbursements made on or after March 8, 2019, till further notification.**

7. In respect of Private Sector Borrowers, Grades-I, II, III, IV & V and Borrowers with Integrated Rating of IR-1 to IR-5 as stated above are based on REC's internal categorization methodology.

8. In respect of State Sector Borrowers, the rating "A++","A+","A","B","C" are based on the REC's internal grading methodology.

9. For State Sector Category "C" borrowers, the applicable rates would be 0.50% higher than the applicable rates for State Sector Category "A" Borrowers.

10. A volume discount of 25 bps on applicable interest rates can be offered in case of loans for distribution & transmission schemes on future sanctions, if disbursements under these schemes reach target amount within specified period. The minimum disbursement amount to be considered for offering this discount is Rs.700 crore in case of DISCOMs & TRANSCOs and Rs.1000 crore for an integrated SEB for the combined disbursement for its Distribution and Transmission schemes. For this purpose, borrowers shall be required to sign a MoU with REC, committing to draw the required amount within a period of two and half years from the date of signing of MoU. The Transmission and Distribution loans sanctioned after signing of MoU with REC would be eligible for the benefit under this policy. The discount under the policy shall be passed on to the borrowers only on the interest due on or after drawl of Rs.700 crore/Rs.1000 crore as applicable. The total disbursement made during the specified period shall be eligible for a discount of 25 bps from the applicable rate, till it is repaid.

11. A general rebate of 25 bps on the prevailing interest rates for T&D projects / schemes and additional rebate of 25 bps for compliance with reform conditionalities as stipulated by Ministry of Power from time to time, is applicable to North Eastern States only in line with our existing Loan Policy Circulars No.SEC-1/8(1)/2006/342 dated November 27, 2006 and No.SEC-1/8(1)/2008/1165 dated June 9, 2008.

12. In case of Joint Venture (JV) being formed by Identified CPSUs / State Sector Borrowers / Central Sector Borrowers among themselves, the applicable rate of interest for such JV entity shall be same as applicable to the entity holding 49% or more equity in the said JV.

13. In case of Transmission Schemes (only for Inter State Transmission Schemes/projects awarded through TBCB route) if a borrower wishes to have the interest reset at 3/10 year intervals, the interest rate may be increased by 25/50 basis points.

14. In case of Generation projects, if there is a Government Sector entity (Other than identified CPSUs /rated State entities and AAA rated companies) which has presently not been rated, interest rates as applicable to the GENCO of the respective State would apply to such entities, till it is rated.

15. **For first disbursement opted for monthly rest rates (wherever only quarterly rest rates are notified), the quarterly rest rate will be converted to equivalent monthly rest rate and rounded off to the nearest 5 bps.**

16. For corresponding effective annualized interest rates <u>**Annexure-B**</u> attached to this Loan Policy Circular, may please be referred to.

x—x—x—x

ANNEXURE – B

Effective Interest Rates

Interest Rate			Interest Rate		
On Quarterly Rest (%)	Effective Rate on Monthly Rest (%)	Effective Annualize Rate (%)	On Monthly Rest (%)	Effective Rate on Quarterly Rest (%)	Effective Annualize Rate (%)
9.50	9.43	9.84	9.50	9.58	9.92
9.60	9.52	9.95	9.60	9.68	10.03
9.75	9.67	10.11	9.75	9.83	10.20
10.00	9.92	10.38	10.00	10.08	10.47
10.10	10.02	10.49	10.10	10.19	10.58
10.25	10.16	10.65	10.25	10.34	10.75
10.50	10.41	10.92	10.50	10.59	11.02
10.75	10.66	11.19	10.75	10.85	11.30
10.90	10.80	11.35	10.90	11.00	11.46
11.00	10.90	11.46	11.00	11.10	11.57
11.15	11.05	11.62	11.15	11.25	11.74
11.25	11.15	11.73	11.25	11.36	11.85
11.40	11.29	11.9	11.40	11.51	12.01
11.50	11.39	12.01	11.50	11.61	12.13
11.65	11.54	12.17	11.65	11.76	12.29
11.75	11.64	12.28	11.75	11.87	12.40
11.90	11.78	12.44	11.90	12.02	12.57
12.00	11.88	12.55	12.00	12.12	12.68
12.15	12.03	12.71	12.15	12.27	12.85
12.25	12.13	12.82	12.25	12.38	12.96
12.40	12.27	12.99	12.40	12.53	13.13
12.50	12.37	13.10	12.50	12.63	13.24
12.65	12.52	13.26	12.65	12.78	13.41
12.75	12.62	13.37	12.75	12.89	13.52
12.90	12.76	13.54	12.90	13.04	13.69
13.00	12.86	13.65	13.00	13.14	13.80
13.15	13.01	13.81	13.15	13.29	13.97
13.25	13.11	13.92	13.25	13.40	14.09
13.40	13.25	14.09	13.40	13.55	14.25
13.50	13.35	14.20	13.50	13.65	14.37

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