

RURAL ELECTRIFICATION CORPORATION LIMITED
Core-4, SCOPE Complex, No. 7, Lodi Road, New Delhi – 110 003

No. SEC-1/8(1)/2004/

September 21, 2004

The Chairmen
All State Electricity Boards

The Secretaries, Incharge of Power
All State Governments

The Chairmen/Managing Director
All State Power Utilities

The Chairmen/Managing Directors
All RE Coop. Societies.

Sub: Revision of Interest Rates applicable to REC's Loans/Schemes.

The Corporation has revised its interest rates on disbursement of various categories of loans/schemes as detailed below:

Sl.No	Category of Loan	Interest Rates p.a.
1.	Dalit Basti Electrification (P:VE)	6.5%
2.	Village Electrification (P:VE)	7%
3.	Hamlet Electrification (P: HE)	8%
4.	Intensive Electrification (P:IE)	8%
5.	Pumpset Energisation SPA (PE)	8%
6.	Systems Improvement (P:SI)	8%
7.	Comprehensive Systems Improvement	8%
8.	Systems Improvement (SI) Meters/Transformers/Conductors/Capacitors-SI (M/Trans/Cond./Cap.)	8%

	B-3 Mega Generation Projects:	8.75%
	a) State Sector Grade-I and Central Sector including PSUs like NTPC, NLC, DVC, NHPC, PGCIL, THDC, SJVNL and all AAA rated companies in State/ Central Sector.	7.25%
	b) Private sector borrowers	
	i) AAA rated	7.25%
	ii) Other companies	8.00%
11.	R&M Projects: R&M/R&U	8.00%

Notes:

1. In view of reduction in the interest rates, the earlier rebates shall not be applicable. However, an additional interest of 0.5% p.a. shall be charged on all the above categories of loans, except the ones under Sl.No. 10-B above, till escrow cover or any other payment security mechanism acceptable to REC is available. In respect of loans under Sl.No. 10-B, the terms and conditions specified in the sanction letter and as may be amended from time to time, shall apply.
2. In case of the schemes sponsored by North Eastern States/SEBs in the categories of schemes at Sl.No. 3 to 8, the interest rate applicable will be 6.75% p.a. for loans of period upto 5 years, and 7% p.a. for loans of period of more than 5 years with effect from 1.9.2004.
3. In respect of Short Term Loan at Sl. No. 9 above, interest amount is payable monthly, with option to borrower to pay principal in lumpsum (bullet) or in equal monthly/quarterly instalments.
4. In respect of Generation Projects at Sl. No. 10-B, a reduction in interest rate by 0.25% p.a. shall be allowed on all disbursements made/to be made from the date of commissioning of all units in case the same takes place on or before scheduled date of commissioning.
5. **Large & Mega Projects**

5-A For State Sector

Large generation projects are projects where the sanction amount is Rs.700 crore to Rs. 1000 crore (both figures inclusive).

Mega generation projects are projects where the sanction amount is above Rs. 1000 crore.

5-B For Private Sector

Large generation projects are projects where the sanction amount is Rs.300 crore to Rs. 500 crore (both figures inclusive).

Mega generation projects are the projects where the sanction amount is above Rs.500 crore.

5-C *State Grading*

The state sector borrowers who fulfil following criteria shall be covered under State Sector Grade-I category:

- i) No current default i.e. not a declared defaulter;
- ii) Satisfactory escrow arrangement; and
- iii) Reforming entity status as per REC/MOP guidelines.

The state power utilities satisfying the first two criteria but not having reforming state will be placed in Grade-II category. For borrowers under Grade-II category, the interest rate shall be higher by 0.5% p.a. as compared to State sector Grade-I category borrower.

6. Floating rate

Suitable floating rate may also be adopted, depending upon the market conditions, as may be notified by REC from time to time.

- 7. For disbursements made at the above rates with reset clause, in case the interest rate is enhanced by the Corporation by exercising the interest reset condition, the borrower shall have option to prepay the entire loan outstanding amount without payment of premium. Interest reset, if exercised by the Corporation, shall apply from the standard due date immediately following the end of 3rd year period.
- 8. In respect of R& M Projects at Sl.No. 11 above, the total period of loan including moratorium shall not exceed 10 years.
- 9. In case of consortium financing/co-financing of projects, REC shall have the liberty to charge the higher rates of other consortium members.
- 10. In respect of debt-refinancing cases, the rates for appropriate category of projects shall be applicable unless decided otherwise by REC.
- 11. A non- refundable processing fee @ 0.1% of the loan applied, subject to a ceiling of Rs.20.00 lakh, shall be charged from the private sector borrowers. 50% of this will be taken at the time of receipt of loan application, and balance 50% of processing fee will be taken after sanction but before documentation. In case the sanctioned amount is less than the applied amount, the amount shall be suitably adjusted in the balance 50%

amount. This processing fee shall be applicable for all the applications received in REC's format w.e.f. 1.9.2004.

12. The rate of interest in respect of the programme for Accelerated Electrification of One lakh villages & One crore households, has been fixed at 5% per annum with quarterly rests (without any further rebate) effective from 24.8.2004 as per detailed terms and conditions notified vide REC's Loan Policy Circular No. SEC-1/8(1)/2004/214 dated 6th September, 2004.
13. **Interest free scheme for electrification of hitherto unelectrified villages, hamlets and dalit bastis introduced vide REC's Loan Policy Circular No. SEC-1/8(1)/2003 dated 20.2.2003 has been withdrawn effective from the beginning of the financial year 2004-05. However, where the documentation has already been completed and part of the loan has been disbursed, the balance commitment will be honoured by REC by providing the loan assistance as envisaged and notified earlier in respect of the said scheme(s).**
14. **The revised rates of interest and other terms as above will be applicable on all disbursements made on or after 1st September 2004 irrespective of the date of sanction of loans (unless otherwise stated above).**
15. **All other terms and conditions of the loans/schemes as notified earlier remain unchanged.**

The Hindi version of the Circular will follow.

Yours faithfully,

sd/-

(B. R. Raghunandan)
Company Secretatry

Copy to:

1. Member (Technical)_____State Electricity Board.
2. Member (Finance)_____State Electricity Board.
3. Chief Engineer (RE) _____State Electricity Board

Internal Distribution in REC:-

1. ADs to CMD/Director (Finance)/Director(Tech.)/CVO.
2. All EDs and GMs.
3. All Chiefs/Jt. Chiefs/Dy. Chiefs, REC, New Delhi.
4. All CPMs, REC POs/Addl. Director CIRE, Hyderabad/Incharge, Sub-Offices.
5. All Sections/Divisions in REC, New Delhi.
6. File No. SEC-4/1(287)/2004