

**GOVERNMENT OF INDIA
POWER
LOK SABHA**

UNSTARRED QUESTION NO:1547
ANSWERED ON:11.12.2003
REDUCTION IN INTEREST RATE OF LOAN
SHRINWAS DADASAHEB PATIL

Will the Minister of POWER be pleased to state:

- (a) whether there is any proposal from the State Government to reduce the interest rate on loan given by Power Finance Corporation;
(b) if so, whether the Government is planning to reduce the interest rate; and
(c) if so, the details thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRIMATI JAYAWANTI MEHTA)

(a) to (c) : No proposal from the State Governments have been received by the PowerFinance Corporation Limited (PFC) for reducing interest rate on loan sanctioned by it to the State Governments/Power Utilities.However, Karnataka Power Corporation Limited has requested PFC to provide additional rebate of 0.5% on successful completion of power projects.

PFC constantly reviews its lending rates vis-À-vis market trends and its own cost of funds and suitably revise its lending rates. The current lending rates of PFC effective 24th September, 2003 is given in Annexure.

ANNEXURE

ANNEXURE REFERRED TO IN REPLY TO PARTS (a) & (c) OF UNSTARRED QUESTION NO. 1547 TO BE ANSWERED IN T LOK SABHA ON 11.12.2003.

Lending Rates of Power Finance Corporation effective from 24.09.2003

1.0 For Project rupee term loans:

1.1 Applicable to State sector/Central sector borrowers:

(All rates in %)

Sl. No. Type of borrower Type of project Effective interest rates (after rebate)

1	State sector Grade-I and Central sector other than special category PSUs indicated below	Thermal Generation	9.75
	Hydro Generation		9.50
	T&D (other than APDRP Loans) and other schemes		8.50
	APDRP schemes		8.50
	R&M/ R&U		9.00
	T&D (ADB-II)		8.25
	R&M (ADB-II)		8.75

2 NTPC, NLC,
DVC, NHPC, T&D

8.50

NPCIL, PGCIL
and all `AAA`
rated
companies Other schemes 9.00
(Special
Category)

1.2 Applicable to Private sector borrowers: (All rates in %)

Sl. Type of borrower Type of project Interest rates
No. (rebate not applicable)

1. Private Sector All Schemes 11.25

2.0 Buyer's line of credit (BLC) : (All rates in %)

Sl. Type of Tenor of loan Effective interest rates
No. borrower (after rebate)

1 State sector Upto 1 year 9.00
Grade-I and
Central sector
other than
special
category PSUs
indicated
below
Above 1 year but 9.75
upto 5 years
Above 5 years 10.00

2 NTPC, NLC, Upto 5 year 9.00
DVC, NHPC,
NPCIL, PGCIL
and all `AAA`
rated
companies
(Special
Category) Above 5 years 9.25

3 # Private Upto 1 year 10.00
sector
borrowers
(other than `
AAA` rated
companies Above 1 year but 11.25
upto 5 years
Above 5 years 11.75

In the private sector, BLC facility is currently available only for private DISCOMs formed out of reform.

3.0 Direct Discounting of Bills : (All rates in %)

Sl. Type of Tenor of loan Interest rates
No. borrower (No rebate allowed)
(Seller)

1 State sector Upto 5 year 10.50
Grade-I and
Central sector
other than

special
category PSUs
indicated
below Above 5 years 11.00

2 NTPC, NLC, Upto 5 year 9.00
DVC, NHPC,
NPCIL, PGCIL
and all `AAA`
rated
companies
(Special
Category) Above 5 years 9.25

3 Private sector Upto 5 year 11.25
borrowers
(other than `
AAA` rated
companies) Above 5 years 11.75

4.0 Short term loans : (All rates in %)

Sl. No.	Type of borrower rates (after rebate)	Effective interest
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1	State sector Grade-I and Central sector borrowers including special category PSUs (i.e NTPC, NLC, DVC, NHPC, NPCIL, PGCIL) and also `AAA` rated companies.	9.00
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2	Private sector borrowers (other than ` `AAA` rated companies)	10.50
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5.0 Interest rates on disbursement made under `Lease Finance scheme` during pre-commissioning period:

(All rates in %)		
Sl. No.	Type of borrower (no rebate for timely payment of dues is applicable)	Interest rates

1	State sector Grade-I and Central sector other than special category PSUs indicated below	10.25
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2	NTPC, NLC, DVC, NHPC, NPCIL, PGCIL and all `AAA` rated companies (Special Category)	9.50
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3	Private sector borrowers (other than ` `AAA` rated companies)	11.75
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6.0 Interest rates on loans to equipment manufactures: (All rates in %)

Sl. No.	Type of borrower (after rebate)	Tenor of loan	Effective interest rates
1	All rated companies	`AAA` Upto 1 year	9.00
	Above 1 year but upto 5 years		9.25
2	Other Companies	Upto 1 year Above 1 year but upto 5 years	10.50 11.25

Note:

1. The state sector borrowers who fulfill 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 PFC policy

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

The state power utilities/borrowers not covered under above grades will be placed in Grade-III category which will normally not be funded by the Corporation. However, where the Corporation has given its commitment for disbursements to third party under any agreement, the Corporation shall continue its support. In such cases the interest rates for Grade-III category borrowers shall be equivalent to Grade-II borrowers.

2. The RTL under Debt Refinancing Scheme shall be provided at the rates indicated in tables given under 1.0.

3. The above rates (except the interest rates indicated for RTL to private sector borrowers, Direct Discounting of bills and interest rates on disbursement made under `Lease Finance scheme` during pre-commissioning period) are effective interest rates after rebate/incentive of 0.5% for timely payment of dues, unless indicated otherwise. The Corporation shall recover interest from the borrowers considering the rates without rebate. However, the rebate shall be refunded to the borrowers immediately in the cases where the remittances have reached PFC by the due date.

4. In the case of RTL to private sector borrowers, financing under Direct Discounting of Bills scheme, and interest rates on disbursement made under `Lease Finance scheme` during pre-commissioning period the rates indicated above shall be the interest rate and no further rebate/ incentive for timely payment of dues shall be allowed.

5. In the case of Direct Discounting of Bills, the existing policy of the Corporation to charge 0.5% interest over and above the normal rates indicated above is continued if the Bills are not co-accepted/guaranteed by banks in case of purchase of equipment by SEBs/SGCs/Central Generating and Transmission company and govt. undertaking upto face value of Rs. 50 crores excluding interest component on security of irrevocable Escrow Account. The rebate policy is not applicable to loans sanctioned under Direct Discounting of Bills. The interest rates indicated in above table shall be applicable for financial assistance extended under Direct Discounting of Bills. Since the line of credit is available to the seller, the applicable rate of interest shall be determined on the basis of category of seller of equipment/materials.

6. In the case of project term loans the period of loan shall be reckoned from the date of first repayment of loan. For other schemes, the period of loan shall be reckoned from the date of disbursement (from first disbursement in case of loan to equipment manufacture).

7. All the above interest rates indicated above are on quarterly basis. In the case of EMI, the interest rates indicated above shall be applicable for the purpose of calculation of interest under EMI installment.

8. In the case of bullet repayment of STL/WCL, the interest shall be recovered at above rate for the contracted period.

9. In case of Transitional loan, sanctioned on case to case basis, the project rupee term loans interest rates applicable to state sector hydro projects shall apply for GENCOs (Thermal/Hydro entities) and T&D interest rates (other than ADB loan) shall apply for

TRANSCO entities.

10. In case of medium/long term WCL against pledge of Bonds, sanctioned on case to case basis, the interest rates applicable to state sector hydro projects shall apply for GENCOs (Thermal/ Hydro) and SEBs, and the interest rate for T&D (other than ADB loan shall apply for TRANSCOs. The applicable interest rates shall be net of rebate and no separate rebate for timely payment shall be allowed over these rates.