

Fair Practices Code

Background:

IREDA has been awarded “Mini Ratna” (Category -I) status in 2015 by Ministry of New and Renewable Energy (MNRE). The Indian Renewable Energy Development Agency Ltd. (IREDA) was incorporated as a Public Limited Government Company in 1987 under the administrative control of the Ministry of New and Renewable Energy, Government of India to give financial support for the development of renewable energy and energy efficiency projects. IREDA is also registered with Reserve Bank of India as NBFC and is classified as a loan Company.

Reserve Bank of India (RBI) vide **Master Circular DNBR.PD.008/03.10.119/2016-17 Dated September 01, 2016 as Master Circular- NBFC-SI- non deposit taking company and Deposit taking company (Reserve Bank) Directions, 2016 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:

- i. Loan Application to IREDA is to be submitted in the prescribed Online Form available on IREDA’s website <https://www.ireda.in>. Details on the Financing Norms and Schemes, Applicable Fees, Guidelines for loan assistance for different Sectors, Standard Forms, Checklists etc., are available on the website.
- ii. The Borrower is also required to submit documents like DPR, MoA, Annual Reports, IT Returns, Undertakings etc., as specified on the website, through digital modes, for the loan assistance.
- iii. Guidelines for loan assistance for different types of projects viz. Small Hydro Power, Wind Power, Bioenergy, Solar Energy (Solar Thermal System, Solar Photovoltaic Cells, Modules and Systems), Energy Efficiency and Energy Conservation, Biofuel/Alternate fuel etc. are available free of cost. Details of interest rates, maximum repayment period, moratorium, minimum promoter’s contribution, eligibility criteria for financing, 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:

- i. Application Registration acknowledgement alongwith Application Registration No. (ARN) shall be given for loan application within 7 days from the date of receipt. ARN Intimation Letter Format is enclosed as Annexure – I.
- ii. Initial scrutiny of the loan application is completed normally within 14 days from the date of receipt of application and Information Gap a Letter is issued to the borrower giving details of further documents/information required for appraisal.
- iii. In case, Loan Application does not meet eligibility criteria, or the Applicant is unable to furnish desired documents/clearances, the loan application is closed/dropped under intimation to the Applicant. The Registration Fee paid at the time of submission of Application is non-refundable.
- iv. 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.
- v. On-line status of loan applications is provided to the applicants.
- vi. 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:

- i. 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
- ii. Due to Covid- 19 Pandemic, the validity of the Loan Applications received during the period 01.01.2020 to 30.09.2020 would be 12 months (instead of 6 months as mentioned above.
- iii. From 1st April 2023, Application is valid for 6 months from date of registration. On expiry of application, fresh application to be filled with applicable fee.

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.
- iii. All communications to the borrower shall be in the language as understood by the borrower/vernacular language.

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 etc. as per the contact details available on IREDA's Website.
- vi. **Annualised rate of interest and method of application thereof**, 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:

- i. The validity of Loan Sanction shall be 6 months from the date of issuance of sanction letter and the borrowers have to sign Loan Agreement with IREDA within this period. However, 50% of the applicable front-end fee shall be paid within 3 months from the date of issue of sanction letter otherwise sanction letter will be cancelled.
- ii. The borrower has to pay the remaining 50% of the front-end fee within the validity period of 6 months from the date of issue of sanction letter and sign the loan agreement. In case if the Borrower is not in a position to sign the loan agreement before the expiry of 6 months validity, then Borrower may be given the option of extension of validity period by further 6 months (i.e., upto total 12 months from the date of issue of sanction letter), subject to payment of balance 50% of the front-end fee. “
- iii. Beyond 12 months, extension may be allowed for another 6 months subject to payment of additional 25% of the front-end fee as calculated & as applicable as per Front end Fee slab mentioned at clause No: 10(II) of Financing Norms.
- iv. Any extension beyond 18 months may not be allowed.
- v. Validity of loan sanction letter issued during the period Jan 1, 2020 and Sept. 30,2020 - Due to Covid- 19 Pandemic, the payment of first instalment of 50% of the applicable front-end fee as above, shall be paid within 6 months (instead of 3 months as mentioned above) and balance 50% when signing of the Loan Agreement within 9 months (instead of 6 months as mentioned above), this relaxation will only be applicable to the cases, wherein the Loan Sanction letter has been issued during the period 01.01.2020 to 30.09.2020.
- vi. IREDA **shall mention all type of penal interest** on account of delay either in repayment or in completion of procedures by the borrower including mortgages, non-creation of security etc., **in bold letters in the sanction letter and in the loan agreement.**

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 <https://www.ireda.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 are 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/ Accelerating payments 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/charge holders.

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 reschedulement 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).

- iv. IREDA under the Ombudsman Scheme for Non-Banking Financial Companies, 2018 has appointed Grievance Redressal Officer (GRO), which can be contacted as per the contact details available on IREDA's Website.

12. General:

- i. IREDA maintains highest level of transparency in the business processes, as per the Fair Practice Code.
- ii. 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.
- iii. Borrowers are not discriminated on the grounds of sex, castes, region, and religion etc.
- iv. Clarifications required by the borrowers are given on e-mail.
- v. Details of the outstanding loan is given to the borrowers on yearly basis to facilitate confirmation of the outstanding.
- vi. Joint meetings are arranged with the borrowers to discuss reschedulement of loans or to sort out any other issue (s) raised by them.
- vii. Demand notices are sent to the borrowers in advance and twice before the end of the quarter.
- viii. **In case of receipt of request from the borrower for transfer of borrowal account, the consent or otherwise i.e., objection of IREDA, if any to be conveyed within 21 days from the date of receipt of request.** Such transfer shall be as per transparent contractual terms in consonance with Law.
- ix. 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.
- x. 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.

Annexure – I

Ref. No. _____

Dated:

M/s. _____

Sub: **Loan Assistance of Rs. _____ Lakhs towards MW (Sector) Project**

Ref.: **Your Letter Ref. No. _____ Nil dated _____**

Sir/ Madam,

With reference to the above, we acknowledge the receipt of your loan application and register the same for further processing. System generated Application Registration No. is ARN - ____.

2. You may view the status of your application on our website (www.ireda.in) by clicking on 'Customer Portal'. For accessing the status of your application, kindly use the same User ID and Password that you have created while submitting the online loan application.

3. During the course of appraisal, IREDA may require more information or clarifications on your project proposal and need to discuss the project with you. If you wish to provide further information or clarifications, please do not hesitate to contact us.

4. Your application has been forwarded to __ Group for further processing. In all your future correspondence with us during the appraisal stage, you may please quote the Registration No. (ARN) as mentioned above.

Thanking you,

Yours faithfully,
