

## **“Loan against Securitization of Future Cash Flow of Renewable Energy Projects”**

### **Background:**

1. IREDA considers sanction of a loan against securitization of future cash flows of existing renewable energy projects which can be used for future business expansion in renewable energy and energy efficiency sectors.
2. Proposed loan scheme will be extended to both IREDA's existing borrowers as well as applicants other than IREDA's existing borrowers, for their business expansion in renewable energy and energy efficiency sectors.
3. The company should have successfully commissioned existing project and running successfully for at least last three years. However, the above condition may be relaxed to 2 years, provided the project is running successfully for the last 2 years and the average DSCR for the last two years is 1.4.
4. The net present value of the future cash flows will be calculated for a maximum period of 10 years, discounted at the maximum lending rate of the sector.
5. The scheme will be extended for the projects considering a maximum life of 20 years from the date of commissioning.
6. The minimum security coverage (including future cash flow) should be 1.5 times of the loan amount.
7. As loan amount has been decided based on the available future cumulative cash flow surpluses, hence, date of disbursement is critical and hence extension of validity period will not be considered

### **Essential Eligibility Criteria Conditions (EECC):**

- a) Project is commissioned and is running successfully for at least last three years. However, the condition may be relaxed to 2 years; provided the project is running successfully for the last 2 years and the average DSCR for the last two years is 1.4.
- b) The applicant company should be earning cash profit for a minimum of three previous years. However, the condition may be relaxed to 2 years from existing 3 years subject to fulfillment of the relaxation criteria as indicated in (a) above.
- c) Minimum 40% of the existing loan account should have been repaid including loans of co-financers, if any. However, the condition may be relaxed in cases where the Company is regular in repayment of dues for the last 2 years and maximum debt equity ratio (DER) of the Company including the proposed loan should not be more than 3:1 subject to fulfillment of the relaxation criteria as indicated in (a) & (b) above.
- d) The loan account should not have been declared as NPA any time due to any reason, what so ever, in the past.

e Minimum average debt service coverage ratio (DSCR), including the existing debt, should be 1.25 for the loan repayment period. For Hydro Projects, the min. average DSCR Value including existing debt, to be taken as 1.3.

f) The loan account should not have been restructured due to shortfall in generation, any time in the past.

g) Power Purchase Agreement should have entered with SEB / Power Trading Company / power utility company for minimum period equal to or more than the loan repayment period.

Or

Any other power sale arrangement to the satisfaction of IREDA.

h) Maximum debt equity ratio (DER) of the company including proposed loan should not be more than 4:1.

**Essential Conditions before Disbursement:**

a) Additional insurance policies covering Loss of generation due to i) machine breakdown (MBD) ii) natural calamities (fire).

b) For IREDA's borrowers and applicants other IREDA's borrowers, Trust and Retention Account (TRA) will be opened as per IREDA's requirement. In addition, an undertaking from the borrower that they shall note and undertake that they will not withdraw any sums from the TRA in case of default to IREDA, unless a prior written permission is obtained from IREDA.

c) The borrower shall submit a letter regarding deposit of sale proceeds of power to Trust & Retention Account from the SEB / off-taker, if not submitted earlier.

d) Assignment of all project related documents such as PPA, TRA, Allotment letter, Implementation Agreement, MoU contracts, etc. to IREDA, if not assigned earlier.

e) Pledge 51% of the total shares of the company which will include 100% shares of guarantors for IREDA's existing borrowers. For applicants other than IREDA's existing borrowers if the shares are already pledged to their existing term lenders of the project, the pledge of shares will be obtained on first charge pari-passu basis.

f) All existing securities will be extended for the proposed loan for IREDA's existing borrowers. For applicants other than IREDA's existing borrowers, all existing securities will be extended for the proposed loan on first charge pari-passu basis

g) Lender's Auditor and / or Engineer will be appointed, if required, to monitor the account.

**Fees & Validity Period:**

a) Application Fees as per the prevailing guidelines of IREDA.

b) Sanction Letter will be valid for 45 days from the date of issue of sanction letter.

c) Front end fee of 1.0 % of the loan to be paid before execution of loan agreement.

d) To execute loan agreement within 45 days from the date of issue of Sanction Letter.

e) Disbursement within 60 days from the date of signing Loan Agreement.

### **Loan Terms:**

- a) Interest Rate will be based on the Rating of the Project plus additional 1.25% with interest reset as per prevailing IREDA Norms.
- b) Additional interest rate shall be fixed by CRRS committee, however, initially it is proposed to fix at 1.25% as additional interest rate for all grades.
- c) Pre-payment charge as per the prevailing norms of IREDA.
- d) Maximum loan repayment period shall be 15 years from the date of disbursement or 80% of balance life of PPA, whichever is lower, depending on the project cash flows, DSCR of the project etc.
- e) No moratorium
- f) Flexi-repayment schedule of quarterly principal installments may be drawn on the basis of generation and cash flow projections.
- g) The borrower will give an undertaking that the amount funded by IREDA shall be utilized as seed money for future renewable energy and energy efficiency projects and that IREDA will have the first right to finance these projects.

### **Methodology:**

To ensure that the loan sanctioned is utilized for investment in RE / EE projects, the applicant company shall submit the following documents / information:

- a) An undertaking that the fund released by IREDA shall be utilized towards business expansion in the Renewable Energy & Energy Efficiency sectors only.
- b) A detailed business plan, supported with documents indicating the proposed utilization of funds for development of Renewable Energy / Energy Efficiency, if any, along with a detailed time line. Disbursement will be made within 60 days from the date of signing of the Loan Agreement. The utilization of funds shall be completed within 2 years from the date of disbursement.
- c) A Special No Lien account for deposit and utilization of funds released by IREDA shall be opened as per IREDA's requirement and a quarterly No Lien account statement, along with Utilization Certificate from Chartered Accountant, shall be submitted to IREDA.
- d) During the interim period i.e. till the funds are fully utilized towards investment in Renewable Energy / Energy Efficiency projects, the balance / unutilized portion of funds in the No Lien account, may be kept as a fixed deposit in the same account. The funds cannot be invested in any other instruments including shares, mutual funds, etc. Further, any interest accrued from the above fixed deposit may be utilized for repayment of IREDA's dues, if required.
- e) The repayment of installment and interest towards the loan shall be made from the sale proceeds of power of the existing project, through the TRA account.

f) At the end of 2 years from the date of disbursement, a consolidated Utilization Certificate certified by a Chartered Accountant, along with documentary proof, shall be submitted to IREDA. Further, if there is any unutilized fund available in the No Lien account, IREDA shall have a right to decide the further course of action, keeping in view the progress of the proposed new project.