

“Credit Enhancement Guarantee Scheme” for raising Bonds towards Renewable Energy Projects (Solar / Wind)

1. Title

“IREDA - Credit Enhancement Guarantee Scheme” for raising Bonds by project developers / promoters against commissioned and operationally viable Renewable Energy Projects. It is a non-fund partial credit guarantee instrument.

2. Objective

- i. To enhance the credit rating of the bonds, thereby improving the marketability and liquidity.
- ii. To attract investment of low cost and long tenure of funds in RE through credit enhancement of project bonds issued by project sponsors.
- iii. It will help the project developers to raise funds at a cheaper stable rate from the bond market and in turn help in development of bond market for RE projects in India.

3. Eligibility Criteria

- i. The RE project should have atleast 1 year operational history after COD, as on the date of request for extension of Guarantee for Credit Enhancement.
- ii. Commercially viable Grid connected Renewable Energy projects (Solar/ Wind), the projects should have minimum average DSCR of 1.2.
- iii. The minimum issue size of the proposed bonds should not be less than Rs. 100 Cr. to be eligible under the scheme.
- iv. The minimum stand-alone credit rating (external) of the RE project / proposed Bond structure to be credit enhanced should be at least “BBB”, such rating should currently be valid.
- v. The promoters of the project should not be on the defaulters list of Reserve Bank of India (RBI) or Credit Information Bureau (India) Limited (CIBIL) and no criminal proceeding should be pending against the promoters.

- vi. The borrower i.e. SPV/holding Company and its subsidiary should not be in default list of IREDA/Banks/FIs as on date of application.
- vii. The amount raised by way of credit enhancement of bonds shall be used only to repay the existing debt partially or fully.
- viii. All other eligibility conditions as per financing norms of IREDA.

4. Technologies: Grid connected Renewable Energy Projects (Solar/ Wind).

5. Extent of Credit Enhancement

- i. IREDA can extend guarantee upto 25% of the proposed issue size of the bonds and in any case it should not be more than 20% of total capitalized Project Cost, as per latest audited balance sheet.
- ii. The project for which the bond proceeds are proposed to be utilized should not have D/E ratio of more than 3:1.
- iii. The above limits shall be subjected to IREDA's exposure norms.

6. Nature of Credit Enhancement

IREDA will provide credit enhancement by way of unconditional and irrevocable partial credit guarantee to enhance the credit rating of the proposed bonds.

7. Security conditions

- i. Investors to the project bond will have pari-passu charge, on the assets of the project bond issuer, with other senior lenders in the project, if any. IREDA will have a charge, which may be subordinated to the project bond Investors and other senior debt lenders.
- ii. However, IREDA will have pari-passu charge to the extent of invoked guarantee on either acceleration of the Project Bonds and/or termination of the concession agreement and/or enforcement of security after paying its obligations under the Guarantee.
- iii. In addition to above, IREDA to explore securing corporate guarantee/undertaking/personal guarantee from the sponsor/holding company/promoters, Collateral security, shares, or any other form of security to secure its exposure.
- iv. TRA agreement with trustee bank.

The terms of Bonds being issued, for which IREDA is issuing the Guarantee, should have first pari-passu charge on project's TRA (in case of holding company, the TRA of respective subsidiary company) at par with Senior Lenders.

8. Tenure

The period of Guarantee would be linked with the period for which bond are issued, the maximum tenure of the project bonds may be upto **15 years**.

9. Fee Charged by IREDA

- i. The Guarantee / Credit enhancement fee to be charged by IREDA shall be based on the external rating of the project, bond yields, market conditions, Risk analysis, bond tenure, etc. The guarantee fee to be charged by IREDA shall be in the range of 1.80% - 2.90% p.a. of its exposure.
- ii. Apart from above Guarantee fee, applicant shall be liable to pay **processing fee of 0.10%** of the IREDA's exposure of Guarantee and the same shall be payable to IREDA at the time of documentation for issue of the guarantee. No front end fee shall be charged.
- iii. Payment of Guarantee Fee- Annually in advance as per the applicable procedure.
- iv. In addition to the mentioned Guarantee Fee, Borrower shall reimburse all other expenses incurred, including expenses towards Independent consultant, Concurrent Auditor/ CA, Legal Counsel, IREDA's Financial Advisor, meetings, travel lodging, boarding, Service Tax etc.

10. Credit Rating of the Bonds

- i. The borrower shall ensure that the credit rating of the bonds for which IREDA has issued Guarantee, shall be renewed/re-affirmed yearly and informed to IREDA.
- ii. In case the bonds issued are downgraded by any one of the credit rating agency then IREDA may charge additional guarantee fee as may be notified from time to time. Borrower to submit information in this regard on quarterly basis.

11. Appraisal

IREDA or its authorised agency shall conduct an independent appraisal of the credit risks of the project solely or jointly with an institution providing back stop guarantee/ Co - guarantee etc., if applicable.

12. General Conditions

1. IREDA may consider providing Guarantee assistance to developers/promoters in the field of RE who has an established track record of successful implementation of RE projects and possess satisfactory technical and financial background to implement the project.
2. Guarantee extended by IREDA will be reduced proportionately along with the reduction in the total outstanding bonds i.e. on the repayment/redemption of bonds and payment of interest.
3. Details of project loans with lenders that are proposed to be refinanced through issue of bonds should be furnished alongwith application of Guarantee for Credit Enhancement.
4. NOC from the existing lenders shall be obtained stating their acceptance of pre-mature repayment of loan and ceding of charge in favour of IREDA, such NOC shall be obtained from -
 - a) Lead Lender (s) alongwith application of Guarantee
 - b) All lenders before issue of Guarantee
5. At the time of default/devolvement of Guarantee, IREDA will be liable to pay dues proportionately of the total defaulted amount (principal and interest only and will not include any other charges) i.e. in the ratio of its Guarantee to bonds subscribed.
6. The amount (i.e. Principal and interest only and will not include any other charges) for which Guarantee is to be given for enhancing the credit rating has to be informed by credit rating agencies appointed by the borrower to rate the issue.
7. The documentation with the borrower shall include the following terms:

- i. The borrower shall provide its consent that IREDA shall have an option to down sell its Guarantee or get a counter guarantee/ co- guarantee from any other agency.
 - ii. Prior approval from IREDA should be taken for further expansion of existing project(s) or any other capital investment.
 - iii. After allotment of bonds, the terms of bonds cannot be amended or modified without the written approval of IREDA.
 - iv. IREDA shall have the right to attend the meetings of bondholders as an observer.
 - v. The trustee will share with IREDA the proceedings of the meetings of bondholders and information it has sent to the bondholders.
8. The borrower shall share all the information on the project and its financials with IREDA.
9. The end use of bonds proceeds shall be monitored by the Bond/Debenture Trustee, who should be appointed in accordance with the requirements of SEBI.
10. The borrower shall establish separate earmarked bank account i.e. bond collection account for receiving the bonds proceed and its utilization for repayment of debt of lenders.
11. The bonds, for which IREDA is giving the guarantee, shall be issued in accordance of the applicable directions of SEBI and other statutory requirements. A certificate of compliance shall be obtained from lead arranger/arranger. In case lead arranger/arranger is not available, such compliance shall be obtained from a legal counsel, appointed by IREDA at borrower cost.
12. For the purpose of above policy, bonds should be in the nature of Non - Convertible Debentures (NCD).
13. In case of Co - guaranting the bonds with other Bank / FI, IREDA's terms and conditions including security and fee structure can be aligned with that of co - guarantor.
14. In case of invoking guarantee (partially/ fully), the interest on the extent of shortfall amount paid by IREDA, shall be at highest interest rate (Grade - IV) prevailing for that sector (Solar, Wind) as per IREDA's norms.

15. Any other terms/ conditions may be deemed appropriate by IREDA.

13. Other conditions

In case, IREDA notices any of the following before the guarantee becoming effective, it may terminate the guarantee even if executed. However, once the Guarantee is effective it would not terminate (as the nature of Guarantee is unconditional & irrevocable):

- i. Any fraud or forgery committed by the Borrower or promoters of the project.
- ii. Any criminal proceeding has been instituted against the borrower or the promoters of the project.
