



RBI/2014-15/167
DBOD.BP.BC.No.31 /21.04.132 /2014-15

August 7, 2014

All Scheduled Commercial Banks
(excluding RRBs)

Dear Sir,

Refinancing of Project loans

Please refer to our [circular DBOD.BP.BC.No.24/21.04.132/2014-15 dated July 15, 2014](#) on 'Flexible Structuring of Long Term Project Loans to Infrastructure and Core Industries', which enables banks to flexibly structure new long term project loans to infrastructure and core industries.

2. However, with regard to existing infrastructure and other project loans, banks were allowed, vide paragraph 2 of our [circular DBOD.BP.BC.No.98/21.04.132/2013-14 dated February 26, 2014](#) on 'Framework for Revitalising Distressed Assets in the Economy - Refinancing of Project Loans, Sale of NPA and Other Regulatory Measures', to refinance by way of take-out financing, even without a pre-determined agreement with other banks / FIs, and fix a longer repayment period without treating the same as restructuring if the following conditions are satisfied:

- i. Such loans should be 'standard' in the books of the existing banks, and should have not been restructured in the past;
- ii. Such loans should be substantially taken over (more than 50% of the outstanding loan by value) from the existing financing banks / financial institutions; and
- iii. The repayment period should be fixed by taking into account the life cycle of the project and cash flows from the project.

3. The feedback received from banks shows that the above stipulation of substantial take-over of loans i.e., more than 50% of the outstanding loan by value from the existing financing banks / financial institutions is generally difficult to achieve, since a significant number of banks are already part of the consortium/multiple banking arrangement of such project loans.

4. Therefore, in respect of existing project loans, it has been decided that banks may refinance such loans by way of full or partial take-out financing, even without a pre-determined agreement with other banks / FIs, and fix a longer repayment period, and the same would not be considered as restructuring in the books of the existing as well as taking over lenders, if the following conditions are satisfied:

- i. The aggregate exposure of all institutional lenders to such project should be minimum Rs.1,000 crore;
- ii. The project should have started commercial operation after achieving Date of Commencement of Commercial Operation (DCCO);
- iii. The repayment period should be fixed by taking into account the life cycle of and cash flows from the project, and, Boards of the existing and new banks should be satisfied with the viability of the project. Further, the total repayment period should not exceed 85% of the initial economic life of the project / concession period in the case of PPP projects;
- iv. Such loans should be 'standard' in the books of the existing banks at the time of the refinancing;
- v. In case of partial take-out, a significant amount of the loan (a minimum 25% of the outstanding loan by value) should be taken over by a new set of lenders from the existing financing banks/Financial Institutions; and
- vi. The promoters should bring in additional equity, if required, so as to reduce the debt to make the current debt-equity ratio and Debt Service Coverage Ratio (DSCR) of the project loan acceptable to the banks.

5. The above facility will be available only once during the life of the existing project loans. The refinancing of existing project loans not meeting the conditions mentioned at paragraph 4 above will continue to be governed by the instructions contained in paragraph 2 of our circular dated February 26, 2014 referred to above.

Yours faithfully,

(Sudarshan Sen)
Chief General Manager-in-Charge