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BANKS AGREE TO EXTEND LOANS

Stuck power units to resume generation soon

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- Sector-specific lenders PFC and REC have initiated discussions with units **either shut or operating** at very low plant load factor
- Lenders' moves follow the **directions from the Union power ministry to help stuck power plants** with working capital support
- SBI, PFC will extend new credit lines to **Meenakshi Power plant** unit in AP
- Bank of Baroda will lend to **SKS Energy** (600 MW) in Chhattisgarh

LENDERS, INCLUDING THE State Bank of India, Punjab National Bank and Bank of Baroda, have agreed to extend fresh working capital loans to six power projects lying idle for the past many years, including four imported coal-based units. Also, sector-specific lenders Power Finance Corporation (PFC) and Rural Electrification Corporation (REC) have initiated discussions with several units that are either shut or are operating at very low plant load factor.

The lenders' moves follow the directions given by the Union power ministry to them to help the stuck power plants resume generation with working capital support. The government reckons that the electricity shortage in the country may not show any let-up over the next few weeks due to the high demand in the scorching summer.

As per sources, as the majority lenders, SBI and PFC will extend new credit lines to the 300 MW Meenakshi Power plant unit in Andhra Pradesh, while Bank of Baroda will lend to SKS Energy (600 MW) in Chhattisgarh. Besides, resolution professionals for these two projects have also agreed to allow NTPC to take over the operations and maintenance (O&M) of the plants. The state-run power producer will also arrange for coal requirements of the two plants. SKS Energy unit is said to have only 10 days of coal stocks. Technical experts from NTPC have already visited the SKS site and the timeline for restarting the plant would be finalised soon.

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promoters will bring in ₹25 crore equity. It was also decided as part of a tripartite agreement, including lenders that the balance working capital will come via letter of credit issued by the lenders against margin of ₹100 crore.

The ministry of power on May 5 notified that all imported coal-based plants must run on full capacity under Section 11 of the Electricity Act to meet rising electricity demand. Many power producers had expressed their inability to start the operations due to outstanding dues from discoms or lack of working capital for the plants. Similarly, for IL&FS, Punjab National Bank, the lead lender, has agreed to start the operation at the Cuddalore plant in Tamil Nadu. State discom TANGEDCO agreed under the restructuring plan to make weekly payments of ₹75 crore to the lenders for the next five months to pay the outstanding dues of over ₹2,000 crore coming up in next two quarters, apart from the payment of current dues.

"PFC has also provided ₹369 crore under the liquidity infusion scheme to IL&FS plant. The company was instructed that this payment should be utilised for operation of the plant and all the income be deposited in an escrow account," sources said. Plans for other domestic coal-based plants such as Rattan India's Sinnar plant in Nashik and Reliance Power's Vidarbha power plant are also being worked out and operations may start soon. "We need to look at each project based on their requirements and if the existing lenders are not willing to fund. Some project lenders have already agreed to provide working capital to restart the projects. We will have to look at all these issues before crystalising the plan," the sources said. The power ministry on May 11 directed PFC and REC to take necessary action to arrange short term loans for a period of six months with adequate safeguards, for imported coal-based plants which are under stress or in NCLT, at the earliest.

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The sources added that the 1200 MW Essar Power's Salaya project is awaiting payment of ₹150 crore outstanding dues from the Gujarat discom GUVNL and letter of credit from the lenders to restart the project. GUVNL also agreed to provide ₹150 crore while the