

Proceedings of the 10th Loan Committee Meeting held on 08/08/2016 in the Conference Hall of Housing & Urban Development Department under the Chairmanship of Commissioner cum Secretary H&UD Department

List of Participants is given in the enclosed Annexure.

Commissioner cum Secretary presided over the Meeting.

Leave of absence was granted to the members who could not attend the Meeting.

The Project Proposals to be placed before the 9th Meeting of the Board of Trustees for approval/revalidation were deliberated and the following decisions were taken:

A. General observation:

1. Rate of Interest(ROI): As per the Lending Policy, the ROI is a fixed simple interest rate determined prior to sanction of Loan being only linked to the average yield of six months of the 10 Year G-Sec plus 100 basis points & rebate of 100 basis points for timely repayment.. Since the ROI is only linked to G Sec, the Committee observed that the Interest Rate of 9.5% p.a. as is being made applicable for the Past loan accounts with rebate of 1% may continue so that the effective interest rate would be 8.5% p.a. The surplus, if any, can be utilised for Project Development activities by OUIDF like the PDF Grant. Approval of the same may be obtained from the Board of Trustees of OUIDF in the ensuing meeting.

2. Debt Service Reserve Fund (DSRF) & Escrow Account:

The DSRF practice shall continue to ensure financial discipline among the borrowers with the following modifications:

Original provision relating to DSRF:

Irrespective of the size, the borrowing ULB shall open a Debt Service Reserve Fund Account (DSRF). In the DSRF account, the ULB shall keep two semi-annual instalments of Principal and Interest in the form of Fixed Deposits (FD) jointly in the name of the ULB and OUIDF. In case of failure to repay the dues as per the contractual obligation, OUIDF shall ask the ULB to close the FD and pay the dues. Within 6 months the DSRF shall be recouped by the borrowing ULB. ULB shall contribute to DSRF in addition to its own contribution for the project.

- a. Revised proposal: The modification suggested shall be applicable only for borrowers in the Govt. Sector like the ULBs/Development Authorities/or other Statutory Bodies of Govt including the State Owned Undertakings. The original provision of the Lending Policy shall continue for the Pvt. Sector Borrowers. The modification suggested by the Committee is given below:

“The Borrowing Agencies from the Govt. Sector such as the ULBs/Development Authorities etc. deposit their entire funds including the grants received from Govt. in a Bank Account. Hence, instead of making a Fixed Deposit equivalent to one year’s Principal & Interest towards DSRF, they shall submit an Irrevocable Letter of Authority to the Banker with due approval of their

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Council/Board/Authority to note a "Lien" equivalent to one semi annual instalment of principal and interest for the purpose of DSRF and transfer the same to OUIDF as & when due. The amount transferred to OUIDF should be replenished by the borrower in the account immediately. This may be confirmed by their Banker before execution of Agreement with OUIDF. OUIDF should submit a complete repayment schedule indicating the installment of principal & interest for the entire tenure of the loan to the borrower to advise their Banker accordingly."

Original clause relating to Escrow Account:

- The ULBs shall open an escrow account and the project revenues, property tax, professional tax collection and other revenues of the ULB shall be escrowed favouring OUIDF such that six month instalment of the principal and interest is always maintained in the Escrow Account. This account will be in existence till the time of clearing the loan and other dues of this project to OUIDF. A tripartite agreement is to be executed between the borrowing ULB, Escrow Bank and OUIDF in this regard.

- b. Revised proposal: The proposal (a) above for DSRF can be adopted dispensing with the Escrow requirement.

The above security mechanism shall be applicable for all OUIDF sanctioned projects in the Government sector after obtaining due approval of the Board of Trustees of OUIDF in their next Meeting.

B. New Projects

Energy Efficient Street Lighting at Bhubaneswar Phase II

- The existing system of monitoring/ enforcement of O&M for street lighting of Phase I need to be reviewed considering the following aspects-
 - Automatic detection of non-functional lights
 - Timeline for rectification
 - Reporting of the resolution of complaints
 - Penalty for non-compliance/ delay

Concessionaire to ensure immediate replacement of the defunct lights/proper lighting with the required lux levels for the agreed hours.

An appropriate system for O&M monitoring for proposed energy efficiency street lighting in all the 5 municipal corporations need to be formulated. It should be ensured that unnecessary payment is not made by the ULBs to the Concessionaire if he has not rendered the service as per the agreement. ULBs may be communicated accordingly.

- The Loan Committee recommended a Loan and Grant of Rs. 193.40 Lakhs each in favour of Bhubaneswar Municipal Corporation to be repaid over a period of 7 years including a moratorium of one year and carrying an interest rate of 9.5% p.a. with a rebate of 1% p.a. for timely payment of instalments.

Energy Efficient Street Lighting at Cuttack

- The Loan Committee recommended a loan and Grant of Rs. 435.04 Lakhs each in favour of Cuttack Municipal Corporation to be repaid over a period of 7 years including a moratorium of one year and carrying an interest rate of 9.5% p.a. with a rebate of 1% p.a. for timely payment of instalments.

Energy Efficient Street Lighting at Berhampur

- The Loan Committee recommended a loan and Grant of Rs. 229.58 Lakhs each in favour of Berhampur Municipal Corporation to be repaid over a period of 7 years including a moratorium of one year and carrying an interest rate of 9.5% p.a. with a rebate of 1% p.a. for timely payment of instalments.

Energy Efficient Street Lighting at Rourkela

- The Holding Tax Collection Efficiency of Rourkela is only 73.5% as against the minimum requirement of 75% as per the Lending Policy. The Committee observed that relaxation may be granted for one year to achieve the minimum threshold.
- The Loan Committee recommended a loan and Grant of Rs. 205.46 Lakhs each in favour of Rourkela Municipal Corporation to be repaid over a period of 7 years including a moratorium of one year and carrying an interest rate of 9.5% p.a. with a rebate of 1% p.a. for timely payment of instalments.

Energy Efficient Street Lighting at Sambalpur

- The Holding Tax Collection Efficiency of Sambalpur is only 60% as against the minimum requirement of 75% as per the Lending Policy. The Committee observed that relaxation may be granted for one year to achieve the minimum threshold.
- The Loan Committee recommended a loan and Grant of Rs. 144.74 Lakhs each in favour of Sambalpur Municipal Corporation to be repaid over a period of 7 years including a moratorium of one year and carrying an interest rate of 9.5% p.a. with a rebate of 1% p.a. for timely payment of instalments.

Additional Loan and Grant for Modern Abattoir at Gadakana

- The original project cost sanctioned by OUIDF was Rs. 640 Lakhs. The construction cost as tendered by NBCC was Rs. 684 Lakhs and hence the total project cost increased to Rs. 733 Lakhs including contingency and Interest During Construction. Further, NBCC shall be paid PMC charges of Rs. 69 Lakhs.
- The Loan Committee recommended additional Loan and Grant of Rs. 47 Lakhs each in favour of Bhubaneswar Municipal Corporation as per the original terms of sanction.
- The Loan Committee also recommended payment of Rs.69.00 Lakhs to BMC from out of PDF for payment of PMC Charges of NBCC as approved by KfW.

Revalidation of sanction of Reclamation of 14 Water Bodies at Bhubaneswar


- The Sanction Order was issued to BMC on 13th October 2015. The sanction has lapsed on 12th April 2016. However, approval has been obtained from Chief Secretary, GoO & Chairperson OUIDF and Loan Agreement was executed on 23rd June 2016.

- The Loan Committee recommended revalidation of the sanction of Loan and Grant of Rs. 923.10 Lakhs each in favour of Bhubaneswar Municipal Corporation as per the original conditions of sanction.

Revalidation of sanction of Reclamation of 5 Water Bodies at Sambalpur

- The Sanction Order was issued to SMC on 14th October 2015. The project was delayed due to change in concept design and tendering. The sanction has lapsed on 13th April 2016. However, approval has been obtained from Chief Secretary, GoO & Chairperson OUIDF and Loan Agreement was executed on 16th July 2016.
- The Loan Committee recommended revalidation of the sanction of loan of Rs. 150 Lakhs and grant of Rs.300 Lakhs each in favour of Sambalpur Municipal Corporation as per the original conditions of sanction.

The Meeting ended with thanks to the Chair & other Participants.


Commissioner cum Secretary, H& UDD