



MERC 8/10		
Inward No: 3877	Date 2.12.2016	
Chairman	Member	Member
Secretary	Dir (EE)	Dir (T)

(A Govt. of Maharashtra Undertaking)
CIN : U40109MH2005SGC153645

PHONE NO. : 26474211
FAX NO. : 26580645
Email : ceppmsedcl@gmail.com
Website : www.mahadiscom.in

PLOT NO. G-9, PRAKASHGAD,
Prof. ANANT KANEKAR MARG,
BANDRA (E), MUMBAI-400 051.

Ref. No.: CE/PP/BaseRate/

Date:

To,
The Secretary,
Maharashtra Electricity Regulatory Commission,
World Trade Centre, Centre No.1,
13th Floor, Cuffe Parade, Mumbai.

OFFICE OF THE
MAHARASHTRA ELECTRICITY
REGULATORY COMMISSION
COLABA, MUMBAI -400 005

Subject: Submission of Petition under section 86 of Electricity Act 2003 read with Article 13 (Change in Law) of PPAs under Case 1 stage 1 and Article 10 (Change in Law) of PPAs under case 1 stage 2.

Sir,


Maharashtra State Electricity Distribution Company Limited (MSEDCL) is hereby submitting Petition under section 86 of Electricity Act 2003 read with Article 13 (Change in Law) of PPAs under Case 1 stage 1 and Article 10 (Change in Law) of PPAs under case 1 stage 2 which is enclosed herewith. The necessary fees as per MERC (Fees & Charges) Regulations 2004, of Rs. 10,000/- (Ten Thousand only) by Demand Draft is also enclosed herewith.

This may please be taken on record & be placed before Hon'ble Commission for its appraisal.

Thanking you.

Encl: As above

Yours faithfully,


Chief Engineer (Power Purchase)
MSEDCL

R. NO: 5242, 05/12/16

Rs. 10,000/-

DD: 217183, dt. 02/12/16.

129/2.12.16

791C

**BEFORE THE HON'BLE MAHARASHTRA ELECTRICITY REGULATORY
COMMISSION, MUMBAI**

Filing No.: _____

Case No.: _____

IN THE MATTER OF

Petition under section 86 of Electricity Act 2003 read with Article 13 (Change in Law) of PPAs under Case 1 stage 1 and Article 10 (Change in Law) of PPAs under case 1 stage 2.

IN THE MATTER OF

Regulation 94 of MERC (Conduct of Business) Regulation, 2004.

AND

IN THE MATTER OF

Maharashtra State Electricity Distribution Company Ltd.....The Petitioner

Vs

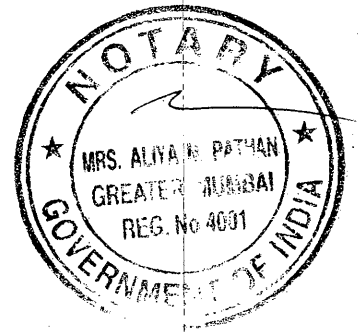
M/s Adani Power Maharashtra Ltd. & others

Affidavit on behalf of Maharashtra State Electricity Distribution Company Limited.

I, Paresh Bhagwat, aged 44 Years, son of Ramchandra Bhagwat, having my office at MSEDCL, Prakashgad, Plot No.G-9, Anant Kanekar Marg, Bandra (E), Mumbai-400051 do solemnly affirm and say as follows:

I am Chief Engineer (Power Purchase) of Maharashtra State Electricity Distribution Co. Ltd., the Petitioner in the above matter and duly authorized by the said Petitioner to make this affidavit.

The statements made in the enclosed Petition under section 86 of Electricity Act 2003 read with Article 13 (Change in Law) of PPAs under Case 1 stage 1 and Article 10 (Change in Law) of PPAs under case 1 stage 2 are based on the information received from the concerned officers of the Company and I believe them to be true.



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I say that there are no proceedings are pending in any court of law/tribunal or arbitrator or any other authority, wherein the Petitioner is a party and where issues arising and /or relief sought are identical or similar to the issues arising in the matter pending before the Commission.

I solemnly affirm at Mumbai on this day of 2nd day of December 2016, that the contents of this affidavit are true to my knowledge, no part of it is false and nothing material has been concealed there from.

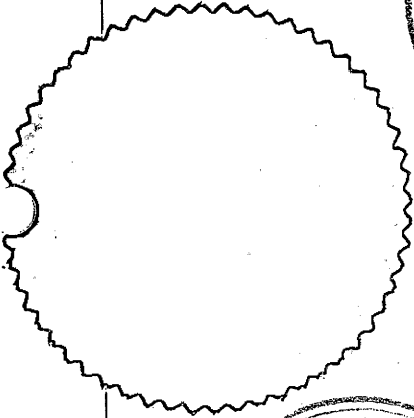
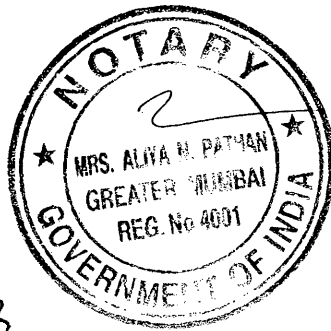
Chief Engineer (Power Purchase)
M. S. E. D. C. L.
Deponent

Identified before me

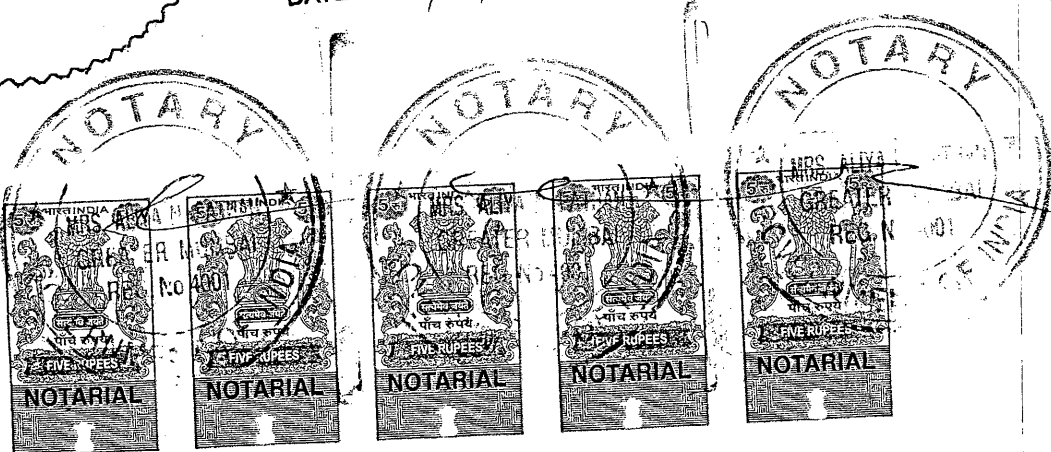
BEFORE ME

A.N. Pathan 02/12/2016

MRS. ALIYA N. PATHAN
NOTARY
GREATER MUMBAI
GOVT. OF INDIA



NOTARY REGISTER Sr. No. 21904
DATED: 02/12/2016



25/C

BEFORE THE HON'BLE MAHARASHTRA ELECTRICITY REGULATORY

COMMISSION, MUMBAI

Filing No.: _____

Case No.: _____

IN THE MATTER OF

Petition under section 86 of Electricity Act 2003 read with Article 13 (Change in Law) of PPAs under Case 1 stage 1 and Article 10 (Change in Law) of PPAs under case 1 stage 2.

IN THE MATTER OF

Regulation 94 of MERC (Conduct o Business) Regulation, 2004.

AND

IN THE MATTER OF

Maharashtra State Electricity Distribution Company Ltd.....The Petitioner

Vs

- 1) M/s Adani Power Maharashtra Ltd.
Achalraj, Opp Mayor Bungalow, Law Garden,
Ahmedabad-380006 Gujarat.
- 2) M/s JSW Energy Ltd.
Village-Nandiwade,
Post-Jaigad, Tal. & Dist. Ratnagiri – 415614
- 3) M/s RattanIndia Ltd.
Plot No D2 & D2 (part)
At Additional Industrial Area,
Nandganpeth,
Amravati-444 901.
- 4) M/s GMR Warora Energy Ltd. (Formerly Known Emco Energy Ltd.)
701/704, 7th Floor,
Naman Centre, A-wing,
BKC, Bandra, Mumbai-400051
- 5) M/s Coastal Gujarat Power Ltd.
Ultra Mega Power Project,
Tunda Vandh Road Tunda Village,
Mundra Kutch-370435

Respondents



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The Petitioner above named most respectfully submits as under;

1. Background

1.1. Maharashtra State Electricity Distribution Co. Ltd. (hereinafter to be referred to as "MSEDCL" or "the Petitioner") has been incorporated under Indian Companies Act, 1956 pursuant to decision of Government of Maharashtra to reorganize erstwhile Maharashtra State Electricity Board (herein after referred to as "MSEB"). The Petitioner submits that the said reorganization of the MSEB has been done by Government of Maharashtra pursuant to "Part XIII – Reorganization of Board" read with section 131 of The Electricity Act 2003. MSEDCL is a Company constituted under the provisions of Government of Maharashtra, General Resolution No. PLA-1003/C.R.8588/Energy-5 dated 25th January 2005 and The Petitioner has been incorporated on 31.5.2005 with the Registrar of Companies, Maharashtra, Mumbai and has obtained Certificate of Commencement of Business on 15th Sep 2005. The Petitioner is a Distribution Licensee under the provisions of the Electricity Act, 2003 (EA, 2003) having license to supply electricity in the State of Maharashtra except some parts of city of Mumbai.

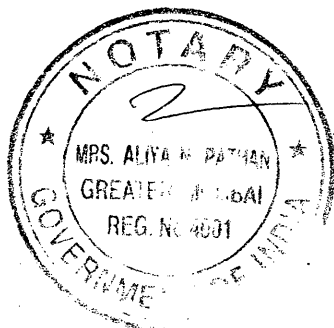
2. Bidding Process (Case 1)

2.1. As per the guidelines issued by Ministry of Power, Government of India for case 1 bidding document, MSEDCL has initiated two bidding process as case 1 stage 1 and case1 stage 2 separately. The approvals of Hon'ble Commission for these bidding documents were obtained. The bidding process and the evaluation of bid were carried out as per the provisions and accordingly MSEDCL has signed the PPAs.

2.2. Case 1 Stage 1

2.2.1 The Petitioner has signed PPAs with following bidders under case1 stage 1 bidding process. The details are as under

- i.) PPA dated 14/08/2008 with M/s. Adani Power Maharashtra Ltd. for 1320 MW at the levelised tariff of rupees 2.64 per unit from unit 2 and 3 Tiroda project.



- ii.) PPA dated 25/09/2008 with M/s. Lanco Vidarbha Ltd. (Formerly known as Lanco Mahanadi power Pvt. Ltd.) for 680 MW at the levelised tariff of rupees 2.72 per unit from Wardha project.
- iii.) PPA dated 23/02/2010 with M/s. JSW Energy (Ratnagiri) Ltd. for 300 MW at the levelised tariff of rupees 2.71 per unit from unit 1 Ratnagiri project.

2.2.2 The Petitioner has submitted a petition for approval of aforesaid PPAs under section 63 of Electricity Act. Hon'ble Commission vide order dated 27.11.2009 in case no.39 of 2009 has approved the PPA with M/s. JSW Energy (Ratnagiri) Ltd. for 300 MW and vide order dated 20.02.2013 in case no.68 of 2012 has approved the PPA with M/s. Adani Power Maharashtra Ltd. for 1320 MW and M/s. Lanco Mahanadi Power Pvt. Ltd. for 680 MW and adopted the tariff.

2.2.3 The Petitioner submits that, M/s Adani Power Maharashtra Ltd. and M/s. JSW Energy (Ratnagiri) Ltd. has commenced the supply. However, the project of M/s Lanco Vidarbha Ltd. (Formerly known as Lanco Mahanadi Power Pvt. Ltd.) has not commissioned so far and hence not commenced the supply.

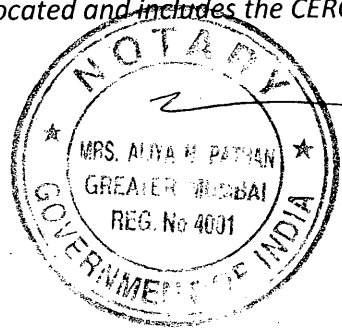
2.2.4 M/s. Lanco Vidarbha Ltd. has filed petition before Hon'ble Commission for termination of the PPA. The Petitioner has also filed the petition before Hon'ble Commission for recovery of liquidated damages from M/s. Lanco Vidarbha Ltd. for non commencement of supply.

2.2.5 The relevant clause of above PPA are as under

Article 1: Definitions and Interpretation

Change in Law - shall have the meaning ascribed thereto in Article 13.1.1 of this agreement

Indian Governmental instrumentality – means the Gol, Government of Maharashtra and any ministry or, department of or, board, agency or other regulatory or quasi-judicial authority controlled by Gol or Government of States where the procurer and project are located and includes the CERC and MERC



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Late Payment Surcharge – shall have the meaning ascribed there to in Article 11.3.4

Law - means, In relation to this Agreement, all laws including Electricity Laws in force in India and any statute, ordinance, regulation, notification or code, rule, or any interpretation of any of them by an Indian Governmental Instrumentality and having force of law and shall further include all applicable rules, regulations, orders, notifications by an Indian Governmental Instrumentality pursuant to or under any of them and shall include all rules, regulations, decisions and orders of the CERC and the MERC

SBAR- means the prime lending Rate per annum applicable for loans with one (1) year maturity as fixed from time to time by the State Bank of India. In the absence of such rate, any other arrangement that substitutes such prime lending rate as mutually agreed to by the parties.

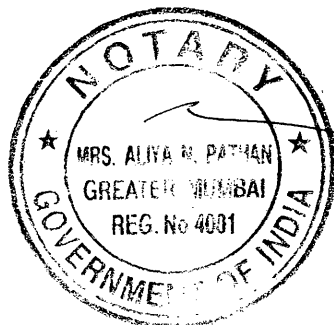
Article 11: Billing and Payment

11.3.4 In the event of delay in payment of a monthly bill by the procurer beyond its due date month billing, a Late Payment Surcharge shall be payable by the procurer to the seller at the rate of two (2) percent in excess of applicable SBAR per annum, on the amount of outstanding payment, calculated on a day to day basis (and compounded with monthly rest) for each date of the delay.

Article 13: Change in Law

13.1 Definitions

In this Article 13, the following terms have the following meanings



13.1.1 "Change in Law" means the occurrence of any of the following events after the date, which is seven (7) days prior, to the Bid Deadline:

- (i) the enactment, bringing into effect, adoption, promulgation, amendment, modification or repeal or any law or
- (ii) a change in interpretation of any law by a competent court of law, tribunal or Indian governmental instrumentality provided such court of law, tribunal or Indian governmental instrumentality is final authority under law for such interpretation

but shall not include (i) any change in any withholding tax on income or dividends distributed to the shareholders of the seller, or (ii) Change in respect of UI charges or frequency intervals by an Appropriate Commission.

13.2 Application and principal for computing impact of change in Law

While determining the consequence of Change in Law under this Article 13, the parties shall have due regard to the principle that the purpose compensating the party affected by such change in law, is to restore through monthly tariff payments to the extent contemplated in this Article 13, the affected party to the same economic position as if such Change in law has not occurred.

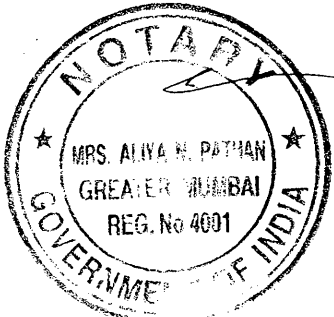
a)-----

b) Operation Period-

As a result of change in Law, the compensation for any increase / decrease in revenue or cost to the seller shall be determined by the Maharashtra State Electricity Regulatory Commission whose decision shall be final and binding on both the parties, subject to right of appeal provided under applicable law and effective from the date specified in 13.4.1

13.3 Notification of change in Law:

13.3.1 If the seller is affected by a Change in Law in accordance with Article 13.2 and the Seller wishes to claim a Change in Law under this Article, it shall give notice to the Procurer of such Change in Law as soon as reasonably practicable after becoming aware of the same or should reasonably have known of the Change in Law.



13.3.2 Notwithstanding Article 13.3.1, the seller shall be obliged to serve notice to the Procurer under this Article 13.3.2 if it is beneficially affected by a Change in Law. Without prejudice to the factor of materiality or other provisions contained in this Agreement, the obligation to inform the procurer contained herein shall be material. Provided that in case the seller has not provided such notice, the Procurer shall have the right to issue such notice to the seller.

13.3.3 Any notice served pursuant to this Article 13.3.2 shall provide, amongst other things, precise details of :

- a) The Change in Law; and
- b) The effects on the Seller of the matters referred to in Article 13.2

13.4 Tariff adjustment payment on account of Change in Law

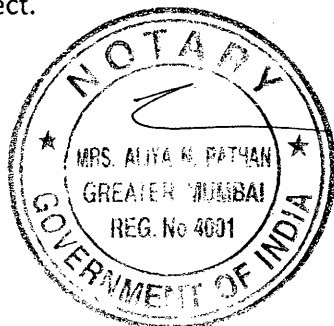
13.4.1 subject to Article 13.2, the adjustment in monthly tariff payment shall be effective from:

- (i) the date of adoption, promulgation, amendment, re-enactment, repeal of the Law or change in law, or
- (ii) the date of order/ judgment of the competent court or tribunal or Indian Governmental Instrumentality, if the change in law is on account of a change in interpretation of law.

2.3. Case 1 Stage 2

2.3.1 The Petitioner has signed PPAs with following bidders under case1 stage 2 bidding process. The details are as under

- i.) PPA dated 17/03/2010 with M/s. EMCO Energy Ltd. for 200 MW at the levelised tariff of Rupees 2.88 per unit from Warora project.
- ii.) PPA dated 22/04/2010 for 450 MW and PPA dated 05/06/2010 for 750 MW signed with M/s Rattan India Power Ltd. (Formerly- Indiabull Power Ltd.) both at the levelised tariff of Rupees 3.26 per unit from Amravati project.
- iii.) PPA dated 31/03/2010 for 1200 MW, PPA dated 09/08/2010 for 125 MW and PPA dated 16/02/2013 for 440 MW signed with M/s Adani Power Maharashtra Ltd. all at the levelised tariff of Rupees 3.28 per unit from Tiroda project.



2.3.2 The Petitioner had submitted a petition for approval of aforesaid PPAs under section 63 of Electricity Act. Hon'ble Commission vide order dated 28/12/2010 (Case No. 22 of 2010) has approved the PPA of M/s. EMCO energy Ltd. for 200 MW, M/s. Rattan India Power Ltd. (Indiabull Power Ltd.) for 1200 Mw and M/s. Adani Power Ltd. for 1200 MW respectively. Further Hon'ble Commission has approved the PPA of M/s. Adani Power Maharashtra Ltd. for 125 MW vide order dated 14/05/2011 (Case No. 56 of 2010) and for 440 MW vide order dated 27/12/2012 (Case No. 53 of 2011).
 The Petitioner submits that, the power supply against the aforesaid PPAs except 440 MW Adani PPA has commenced. The scheduled delivery date of Adani 440 MW PPA is 16/02/2017, however Petitioner and M/s. Adani Power Maharashtra Ltd. has signed the MoU incorporating some terms and conditions for early power supply and jointly submitted the petition before this Hon'ble Commission.

2.3.3 The relevant clause of above PPAs are as under

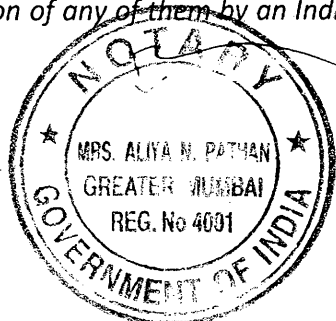
Article 1: Definitions and Interpretation

Change in Law - shall have the meaning ascribed thereto in Article 10.1.1 of this agreement.

Indian Governmental Instrumentality – shall mean the Government of India, Governments of state(s) of Maharashtra, and any ministry, department, board, authority, agency, corporation, commission under the direct or indirect control of Government of India or any of the above state Government(s) or both, any political sub-division of any of them including any court or Appropriate Commission(s) or tribunal or judicial or quasi-judicial body in India but excluding the Seller and the Procurer

Late Payment Surcharge - shall have the meaning Ascribe thereto an Article 8.3.5 of this Agreement

Law - Shall mean in relation to this Agreement, all laws including Electricity Laws in force in India and any statute, ordinance, regulation, notification or code, rule, or any interpretation of any of them by an Indian Governmental Instrumentality and having



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force of law and shall further include without limitation all applicable rules, regulations, orders, notifications by an Indian Governmental Instrumentality pursuant to or under any of them and shall include without limitation all rules, regulations, decisions and orders of the Appropriate commission

SBAR - Shall mean the prime lending Rate per annum applicable for loans with one (1) year maturity as fixed from time to time by the State Bank of India. In the absence of such rate, SBAR shall mean any other arrangement that substitutes such prime lending rate as mutually agreed to by the parties.

Article 8: Billing and Payment

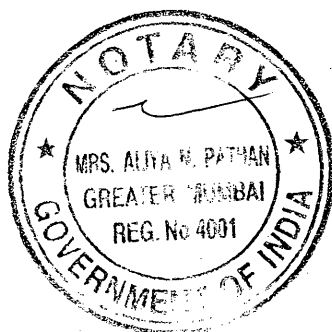
8.3.5 In the event of delay in payment of a monthly bill by the procurer beyond its due date, a Late Payment Surcharge shall be payable by such procurer to the seller at the rate of two (2) percent in excess of applicable SBAR per annum, on the amount of outstanding payment, calculated on a day to day basis (and compounded with monthly rest) for each date of the delay. The Late Payment Surcharge shall be claimed by the Seller through the Supplementary Bill.

Article 10: Change in Law

10.1 Definitions

In this Article 10, the following terms have the following meanings

10.1.1 "Change in Law" means the occurrence of any of the following events after the date, which is seven (7) days prior, to the Bid Deadline resulting into any additional recurring/ non-recurring expenditure by the Seller or any income to the Seller:



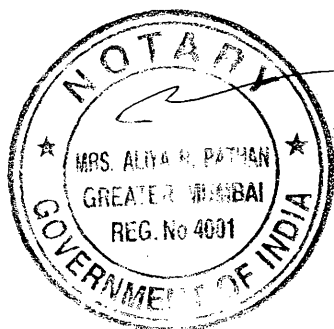
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- the enactment, coming into effect, adoption, promulgation, amendment, modification or repeal (without re-enactment or consolidation) in India, of any Law, including rules and regulations framed pursuant to such Law;
 - a change in interpretation or application of any law by any Indian Governmental Instrumentality having the legal power to interpret or apply such Law, or any Competent Court of Law;
 - the imposition of requirement for obtaining any Consents, Clearances and Permits which was not required earlier;
 - a change in the terms of conditions prescribed for obtaining any Consents, Clearances and Permits or the inclusion of any new terms or conditions for obtaining such Consents, Clearances and Permits; except due to any default of the Seller;
 - any change in tax or introduction of any tax made applicable for supply of power by the Seller as per the terms of this Agreement

but shall not include (i) any change in any withholding tax on income or dividends distributed to the shareholders of the Seller, or (ii) Change in respect of UI Charges or frequency intervals by an Appropriate Commission or (iii) any change on account of regulatory measures by the Appropriate Commission including calculation of Availability.

10.2 Application and Principles for computing impact of Change in Law

10.2.1 While determining the consequence of Change in Law under this Article 10, the parties shall have due regard to the principle that the purpose compensating the party affected by such Change in Law, is to restore through monthly tariff Payment, to the extent contemplated in this Article 10, the affected party to the same economic position as if such Change in Law has not occurred.

10.3 Relief for Change in Law



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10.3.2 During Operating Period

The compensation for any decrease in revenue or increase in expenses to the Seller shall be payable only if the decrease in revenue or increase in expenses of the Seller is in excess of an amount equivalent to 1% of the value of the Letter of Credit in aggregate for the relevant Contract Year.

10.4 Notification of change in Law:

10.4.1 If the seller is affected by a Change in Law in accordance with Article 10.1 and the Seller wishes to claim a Change in Law under this Article 10, it shall give notice to the Procurer of such Change in Law as soon as reasonably practicable after becoming aware of the same or should reasonably have known of the Change in Law.

10.4.2 Notwithstanding Article 10.4.1, the Seller shall be obliged to serve notice to the Procurer under this Article 10.4.2, even if it is beneficially affected by a Change in Law. Without prejudice to the factor of materiality or other provisions contained in this Agreement, the obligation to inform the procurer contained herein shall be material.

Provided that in case the seller has not provided such notice, the Procurer shall have the right to issue such notice to the Seller.

10.4.3 Any notice served pursuant to this Article 10.4.2 shall provide , amongst other things, precise details of :

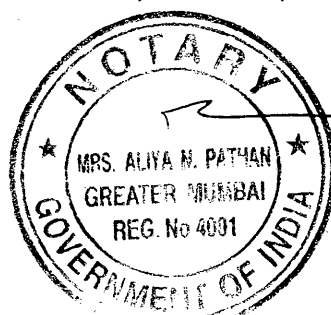
- a) The Change in Law; and
- b) The effects on the Seller.

10.5 Tariff Adjustment Payment on account of Change in Law

10.5.1 Subject to Article 10.2, the adjustment in monthly Tariff Payment shall be effective from:

- (i) the date of adoption, promulgation, amendment, re-enactment, repeal of the Law or Change in Law, or
- (ii) the date of order/ judgment of the Competent Court or tribunal or Indian Governmental Instrumentality, if the Change in Law is on account of a change in interpretation of Law.

10.5.2 The payment for Change in Law shall be through Supplementary Bill as mentioned in Article 8.8. However, in case any change in Tariff by reason of Change



in Law, as determined in accordance with this Agreement, the Monthly Invoice to be raised by the Seller after such change in Tariff shall appropriately reflect the changed tariff.

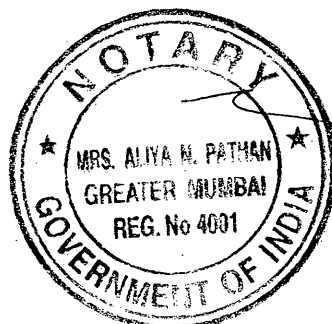
2.4. RBI guidelines/Circulars

The Reserve Bank of India has introduced BPLR system from 2003.

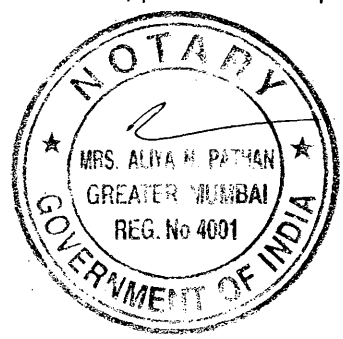
Reserve Bank of India on dated 09/04/2010 vide ref no. RBI/2009-10/390-DBOD, No. DIR.BC88/13.03.00/2009-10 has issued the guidelines on the Base Rate. Subsequently, Reserve bank of India has issued the Master Circular No. RBI/2010-11/72-DBOD, No. DIR.BC.9/13.03.00/2010-11 dated 01/07/2010 for the same. Reserve bank of India has stated that, *the BPLR system introduced in 2003, fall short of its original objective of bringing transparency to lending rates. This was mainly because under the BPLR system, Banks could lend below BPLR. For the same reason, it was also difficult to access the transmission of policy rates of the Reserve bank to lending rates of bank. Accordingly, based on the recommendations of the Working Group on Benchmark Prime Lending Rate which submitted its report in October 2009, Banks have been advised to switch over to the system of Base Rate with effect from July 1, 2010. The Base Rate system is aimed at enhancing transparency in lending rates of banks and enabling better assessments of transmission of monetary policy.*

As per these guideline/ circular, the Base Rate system will replace the BPLR system with effect from July 01, 2010 and all categories of loans should be priced only with reference to the **Base Rate**, however the loans to the categories (a) DRI advances (b) Loan to banks own employee (c) loan to banks depositor against their own deposits could be priced without reference to the **Base Rate**. The copy of the guideline/ circular is marked as Annexure 'A' and Annexure 'B'.

3. Further, the Reserve Bank of India has issued fresh directions which are called as Reserve Bank of India (Interest Rate on Advances) Directions, 2016 vide Master Direction DBR. Dir.No.85/13.03.00/2015-16 dtd.03/03/2016. In the said directions, it has been stated that all rupee loans sanctioned and credit limits renewed with effect from April 01, 2016 shall be priced with reference to the Marginal Cost of Funds Based Lending Rate (MCLR) which will be the internal benchmark for such purposes.



4. It is submitted that, SBI is publishing Base Rate (Historical Data) with effect from 01.07.2010 till date on SBI corporate website which is enclosed herewith as Annexure 'C'. From April 2016 onwards, SBI is also publishing MCLR rates on its corporate website which is enclosed as Annexure 'D'. At present the applicable Base rate is 9.30% p.a. and applicable MCLR rate is 9.10% p.a. SBI has also publishing the Benchmark Prime Lending Rate (Historical Data) on SBI Corporate website which is enclosed as annexure 'E'. At present the BPLR rate is 14.05% per annum.
5. The Petitioner respectfully submits that, as per the above guidelines/ circulars issued by RBI, the Base Rate system / MCLR system is introduced and applicable for all new loans with respective effective dates and for those old loans that come up for renewal. Existing loans based on the BPLR system may run till their maturity. In case existing borrowers want to switch to the new system, before expiry of existing contract, an option may be given to them on mutually agreed terms. It is further submitted that although RBI has introduced Base Rate for all floating rate loan product with effect from 1st July, 2010, yet RBI has allowed to continue old loans until its maturity, according to the same interest rate methodology at which they were approved. Thus SBI is publishing BPLR rate only for the old loans which are not come up for renewal.
6. It is respectfully submitted that under MYT Regulations, 2011 para No. 35.3(b) and 35.4(b) rate of interest on working capital shall be equal to the State Bank Advance Rate (SBAR) of State Bank of India as on the date on which the application for determination of tariff is made. Further as per Regulation 13.9 of MERC MYT (Third Amendment) Regulations, 2011 for computation of FAC component of Z- factor charge, the component 'C' is consider as carrying cost for any under recovery/ over recovery on account of change in fuel cost of own generation and cost of power purchase, computed at the State Bank of India Advance Rate prevailing at the beginning of the month.
7. It is respectfully submitted that as per the MYT regulation 2015 Para No. 31.1 (f), Para No. 31.2 (b) and Para No. 31.3 (b) Rate of interest on working capital shall be on normative basis and shall be equal to the **Base Rate** as on the date on which the petition for determination of tariff is filed, plus 150 basis points.



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• Provided that for the purpose of Truing-up for any year, interest on working capital shall be allowed at the rate equal to the rated average **Base Rate** prevailing during the concern year, plus 150 basis points.

8. Further as per MERC MYT Regulation 2015, for Computation of FAC component of Z-Factor charge, the component C is considered as caring cost for any under recovery / over Recovery, computed at the **Base Rate** prevailing at the beginning of the month, plus 150 basis points.

9. Thus, it is respectfully submitted that **Hon'ble Commission has also replaced SBAR system with Base Rate system** while framing fresh MYT Regulations, 2015.

10. It is submitted that, as per sub-section (2) of Section 21 of the Banking Regulation Act, 1949, 'Without prejudice to the generality of the power vested in the Reserve Bank under sub-section (1), the Reserve Bank may give directions to banking companies, either generally or to any banking company or group of banking companies in particular, as to -

(a)

.

(e) the rate of interest and other terms and conditions on which advances or other financial accommodation may be made or guarantees may be given.

Further, as per sub-section (3) of the said section, every banking company shall be bound to comply with any directions given to it under this section.

11. The Petitioner humbly submits that, BPLR system is introduced in 2003. Bank should charge interest on loans in accordance with the directives issued by Reserve Bank of India from time to time. *The interest prescribed or delay in payment clause incorporated in PPA was based on the prevailing rate at that time and the system enforced as per the directives of Reserve Bank of India.* Now RBI which is constituted as per the provisions of section 3 of the Reserve Bank of India Act, 1934 for the purpose of carrying on the business of Banking in accordance with the provisions of the Act and it being a Governmental Instrumentality, its orders, notifications, circulars are laws within the meaning of definition in ~~PPA~~ and has issued the new guideline/ circular. As per these



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Guidelines/ circulars the Base Rate system has replaced the BPLR system with effect from 01/7/2010. Further, the Base Rate system is replaced with MCLR w.e.f. April 01, 2016. Thus, the BPLR system incorporated in PPA has to be replaced by Base Rate system / MCLR system for its respective application period. The replacement of BPLR system with Base Rate system and Base Rate System with MCLR system by Reserve Bank of India, it being a Governmental Instrumentality, is covered under the change in law as per PPA's provisions.

12. Notice for Change in Law: As per the provisions of PPA mentioned herein before, it is the obligation of the Seller to serve a notice of Change in Law to the Procurer, either it is affected or benefitted by a change in law. In case the Seller has not provided such notice, the Procurer shall have the right to issue such notice to the Seller.

The Petitioner submits that, it has not received such notice from any of the IPP power supplier for the event of Change in Law mentioned in the present petition. As such Petitioner has served a Notice for the said Change in Law in exercise of it's right under the terms of PPA. The said Notice of Change in Law has been served upon the following IPP power suppliers on 23.09.2016:

1. M/s Adani Power Maharashtra Ltd. for the PPA's of 1320 MW, 1200 MW & 125 MW.
2. M/s RatanIndia Ltd. for 750 MW & 450MW.
3. M/s GMR (Warora) (erstwhile EMCO) Power Ltd.
4. M/s JSW Energy Ltd.
5. M/s Coastal Gujrat Power Ltd.

13. Replies to the notice of Change in Law:

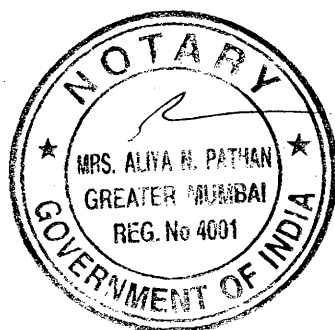
In response to said notice M/s. JSW Energy Ltd., M/s. CGPL and M/s. RattanIndia Power Ltd. have replied as under:

M/s. CGPL :

M/s. CGPL has submitted that issuance of Master Circular / Directions dated 11.07.2010 and 03.03.2016 by RBI does not amounts to Change in Law, in terms of Article 13 of the PPA and requested to withdraw the notice issued by MSEDCL.

M/s. RatttanIndia Power Ltd. :

M/s. RattanIndia Power Ltd. has submitted that though RBI changed BPLR to Base Rate vide its circular dtd 01.07.2010 w.e.f. 01.07.2010, however, it is further notified that



- Banks may continue to notify the BPLR from time to time so as to enable existing loans on BPLR to run till their maturity.

It has further pointed out that in the Circular dtd. 03.03.2016 of RBI it is stated that existing loans and credit limits linked to the Base Rate / BPLR shall continue till repayment or renewal as the case may be provided that the existing borrower shall have the option to move to the MCLR linked loans at mutually acceptable terms. As such it has denied the contention of MSEDCL stating that there is no change in law as SBI PLR exists as on date and it is still being used by banks for existing loans.

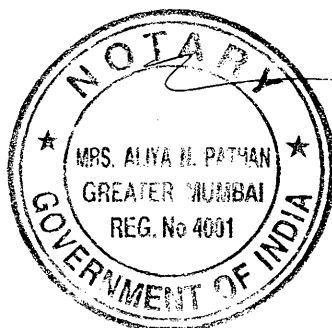
M/s. JSW Energy Ltd.:

M/s. JSW Energy Ltd. has also denied the contention of Petitioner stating that there is a complete and independent mechanism agreed for under the PPA, in case of absence of SBI PLR and no recourse whatsoever can be had to the Change in Law to the provision of the PPA in this respect. Further, since the PLR is being published regularly by SBI, the question of application of any other rate for calculating the interest on delayed payments does not arise in the present case. It has been further pointed out that even in the absence of the SBI PLR it is for the parties to mutually agree on the substitution on the same with any other arrangement. M/s. JSW disagree that the RBI directives have completely abolished PLR and wholly substituted the same with Base Rate system w.e.f. 01.07.2010 and MCLR from 03.03.2016 for all purposes and intent and there are contracts which are saved and are still governed by PLR system. As such it has requested to withdraw the notice served by MSEDCL.

However the replies from M/s. APML and M/s. GMR Warora (Emco) Ltd. have not been received by the Petitioner.

14. The Petitioner would like to submit that, the reasons given by the parties in support of their contentions are not consistent with the true intensions of RBI notifications and also is contrary to the Regulations of this Hon'ble Commission referred to in foregoing paras and hence their contentions are not acceptable to the Petitioner.

15. It is respectfully submitted that, if SBAR system is not replaced by Base Rate system and MCLR system as prescribed by RBI it will cause unjust enrichment of the Generators and injustice to the common consumer and Petitioner.

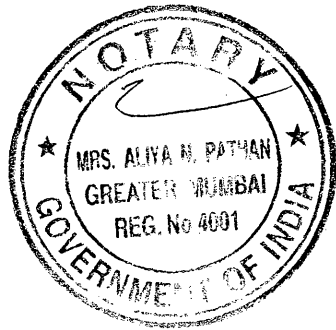



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-16. In the circumstances, the present Petition is filed under section 86 of Electricity Act 2003 read with Article 13 (Change in Law) of PPAs under Case 1 stage 1 and Article 10 (Change in Law) of PPAs under case 1 stage 2.

16. Prayers

- a) To admit the Petition;
- b) To declare and accept the Guidelines/Circulars issued by RBI as Change in Law as provided in respective PPAs.
- c) To allow the Petitioner to make the late payment surcharge in the event of delay in payment at the rate of two (2) percent excess of the applicable Base Rate per annum on the amount of outstanding payment calculated on a day to day basis for each day of the delay against the PPAs mentioned in aforesaid para 2.2 and 2.3 from 1 July 2010 till March 31, 2016 and thereafter at the rate of two (2) percent in excess of the applicable rate under MCLR system.
- d) To grant such relief and pass such order/ orders as Hon'ble Commission may deem fit considering facts and circumstances of the case and in the interest of common consumers.
- e) Condone any error/omission and to give opportunity to rectify the same.




Chief Engineer (Power Purchase)
MSDCL



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Annexure A

भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
www.rbi.org.in

RBI/2010-11/72
DBOD.No.Dir.BC.9 /13.03.00/2010-11

July 1, 2010
Ashadha 10, 1932(Saka)

All Scheduled Commercial Banks
(excluding RRBs)

Dear Sir / Madam

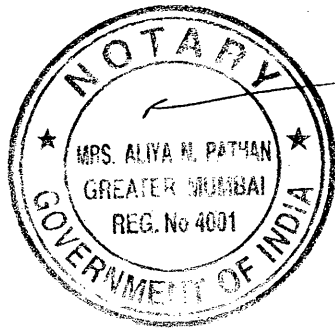
Master Circular - Interest Rates on Advances

Please refer to the Master Circular DBOD.No.Dir.BC.10/13.03.00/2009-10 dated July 1, 2009 consolidating instructions / guidelines issued to banks till June 30, 2009 on matters relating to Interest Rates on Advances. The Master Circular has been suitably updated by incorporating instructions issued up to June 30, 2010 and has also been placed on the RBI website (<http://www.rbi.org.in>). A copy of the Master Circular is enclosed.

Yours faithfully

(A.K.Khound)
Chief General Manager

Encl: as above

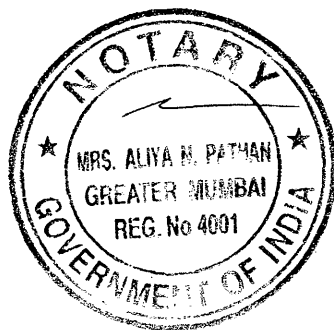


बैंकिंग परिचालन और विकास विभाग, केन्द्रीय कार्यालय, सेक्टर 1, कफ परेड, कुलाबा, मुम्बई 400005
DEPARTMENT OF BANKING OPERATIONS & DEVELOPMENT CENTRE -1, WORLD TRADE CENTRE,
CUFFE PARADE, COLABA, MUMBAI- 400005
FAX NO. 0091-22-22183785 Tel. No.022-22189131-39 (9 Lines)
E-mail address cgmicdbodco@rbi.org.in

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MASTER CIRCULAR ON INTEREST RATES ON ADVANCES

A. Purpose

To consolidate the directives on interest rates on advances issued by Reserve Bank of India from time to time.

B. Classification

A statutory directive issued by the Reserve Bank in exercise of the powers conferred by the Banking Regulation Act, 1949.

C. Previous instructions

This Master Circular consolidates and updates the instructions on the above subject contained in the circulars listed in Annex 5.

D. Application

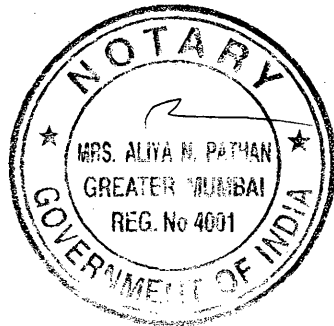
To all scheduled commercial banks, excluding Regional Rural Banks.

Structure

1. Introduction

2. Guidelines

- 2.1 General
- 2.2 Base Rate
- 2.3 Applicability of Base Rate
- 2.4 Floating rate of interest on loans
- 2.5 Levying of penal rates of interest
- 2.6 Enabling clause in loan agreement
- 2.7 Withdrawals against uncleared effects
- 2.8 Loans under consortium arrangement
- 2.9 Charging of interest at monthly rests
- 2.10 Zero percent interest finance schemes for consumer durables
- 2.11 Excessive interest charged by banks



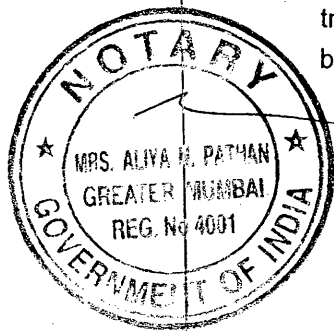
1. Introduction

1.1. Reserve Bank of India began prescribing the minimum rate of interest on advances granted by Scheduled Commercial Banks with effect from October 1, 1960. Effective March 2, 1968, in place of minimum lending rate, the maximum lending rate to be charged by banks was introduced, which was rescinded with effect from January 21, 1970, when the prescription of minimum lending rate was reintroduced. The ceiling rate on advances to be charged by banks was again introduced effective March 15, 1976, and banks were also advised, for the first time, to charge interest on advances at periodic intervals, that is, at quarterly rests. In the following period, various sector-specific, programme-specific and purpose-specific interest rates were introduced.

1.2. Given the prevailing structure of lending rates of Scheduled Commercial Banks, as it had evolved over time, characterised by an excessive proliferation of rates, in September, 1990, a new structure of lending rates linking interest rates to the size of loan was prescribed which significantly reduced the multiplicity and complexity of interest rates. In the case of the Differential Rate of Interest Scheme under which credit was provided at a rate of 4.0 per cent per annum, and Export Credit, which was subject to an entirely different regime of lending rates supplemented by interest rate subsidies, the existing lending rate structure was continued.

1.3. An objective of financial sector reform has been to ensure that the financial repression inherent in administered interest rates is removed. Accordingly, in the context of granting greater functional autonomy to banks, effective October 18, 1994, it was decided to free the lending rates of scheduled commercial banks for credit limits of over Rs. 2 lakh; for loans up to Rs. 2 lakh, it was decided that it was necessary to continue to protect these borrowers by prescribing the lending rates and accordingly it was prescribed that for loans up to and inclusive of Rs.2 lakh, the lending rates of banks should not exceed the BPLR of the respective banks. For credit limits of over Rs.2 lakh, the prescription of minimum lending rate was abolished and banks were given the freedom to fix the lending rates for such credit limits subject to BPLR and spread guidelines. Banks were required to obtain the approval of their respective Boards for the Benchmark Prime Lending Rate (BPLR), which would be the reference rate for credit limits of over Rs.2 lakh. Each bank's BPLR has to be declared and be made uniformly applicable at all branches.

1.4 The BPLR system, introduced in 2003, fell short of its original objective of bringing transparency to lending rates. This was mainly because under the BPLR system, banks could lend below BPLR. For the same reason, it was also difficult to assess



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the transmission of policy rates of the Reserve Bank to lending rates of banks. Accordingly, based on the recommendations of the Working Group on Benchmark Prime Lending Rate which submitted its report in October 2009, banks have been advised to switch over to the system of Base Rate with effect from July 1, 2010. The Base Rate system is aimed at enhancing transparency in lending rates of banks and enabling better assessment of transmission of monetary policy.

2. Guidelines

2.1. General

- 2.1.1. Banks should charge interest on loans / advances / cash credits / overdrafts or any other financial accommodation granted / provided / renewed by them or discount usance bills in accordance with the directives on interest rates on advances issued by Reserve Bank of India from time to time.
- 2.1.2. The interest at the specified rates should be charged at monthly rests (subject to the conditions laid down in paragraph 2.9) and rounded off to the nearest rupee.
- 2.1.3. The schedule of rates of interest as per the current directive in force is given in Annex 1.

2.2 Base Rate

- 2.2.1 The Base Rate system, as detailed below and in Annex 1 will replace the BPLR system with effect from July 1, 2010. For loans sanctioned up to June 30, 2010, BPLR will be applicable, as given in Annex 3 and 4. However, for those loans sanctioned up to June 30, 2010 which come up for renewal from July 1, 2010 onwards, Base Rate would be applicable. Base Rate shall include all those elements of the lending rates that are common across all categories of borrowers. Banks may choose any benchmark to arrive at the Base Rate for a specific tenor that may be disclosed transparently. An illustration for computing the Base Rate is set out in Annex 2. Banks are free to use any other methodology, as considered appropriate, provided it is consistent and is made available for supervisory review/scrutiny, as and when required.
- 2.2.2 Banks may determine their actual lending rates on loans and advances with reference to the Base Rate and by including such other customer specific charges as considered appropriate.
- 2.2.3 In order to give banks some time to stabilize the system of Base Rate calculation, banks are permitted to change the benchmark and methodology any time during the initial six month period, i.e. end-December 2010. The actual lending rates charged should be transparent and consistent and be made available for supervisory review/scrutiny, as and when required.



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- 2.2.5 There can be only one Base Rate for each bank. Banks have the freedom to choose any benchmark to arrive at a single Base Rate which should be disclosed transparently.
- 2.2.6 Even after introduction of the Base Rate system, banks would have the freedom to offer all categories of loans on fixed or floating rates. Where loans are offered on fixed rate basis, notwithstanding the quarterly review of the Base Rate, the rate of interest on fixed rate loans will continue to remain the same subject to the condition that such fixed rate should not be below the Base Rate.

2.3 Applicability of Base Rate

2.3.1 With effect from July 1, 2010, all categories of loans should be priced only with reference to the Base Rate.

2.3.1.1 However, the following categories of loans could be priced **without** reference to the Base Rate: (a) DRI advances (b) loans to banks' own employees (c) loans to banks' depositors against their own deposits.

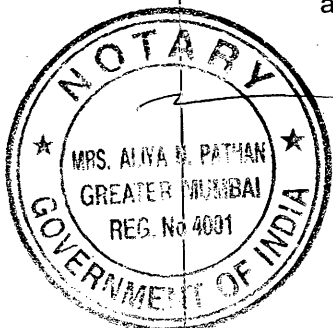
2.3.1.2 In those cases where subvention is available to borrowers, it is clarified as under:

(i) Interest Rate Subvention on Crop Loans

- a) In case of crop loans up to Rupees three lakh, for which subvention is available, banks should charge farmers the interest rates as stipulated by the Government. If the yield to the bank (after including subvention) is lower than the Base Rate, such lending will not be construed to be violative of the Base Rate guidelines.
- b) As regards the rebate provided for prompt repayment, since it does not change the yield to the banks [mentioned at (a) above] on such loans, it would not be a factor in reckoning compliance with the Base Rate guidelines.

(ii) Interest Rate Subvention on Export Credit

It has already been clarified, vide our circular DBOD.Dir.(Exp).BC.No.102/04.02.001/2009-10 dated May 6, 2010 that interest rates applicable for all tenors of rupee export credit advances will be at or above the Base Rate. In cases where subvention is available in terms of our Circular DBOD.Dir.(Exp.).BC.No.94/04.02.001/2009-10 dated April 23, 2010, banks will have to reduce the interest rate chargeable to exporters as per Base Rate system by the amount of subvention available. If, as a consequence, the interest rate charged to



exporters goes below the Base Rate, such lending will not be construed to be violative of the Base Rate guidelines.

2.3.1.3 Restructured Loans

In case of Restructured loans if some of the WCTL, FITL, etc. need to be granted below the Base Rate for the purposes of viability and there are recompense etc. clauses, such lending will not be construed to be violative of the Base Rate guidelines.

2.3.2 The Base Rate could also serve as the reference benchmark rate for floating rate loan products, apart from external market benchmark rates. The floating interest rate based on external benchmarks should, however, be equal to or above the Base Rate at the time of sanction or renewal.

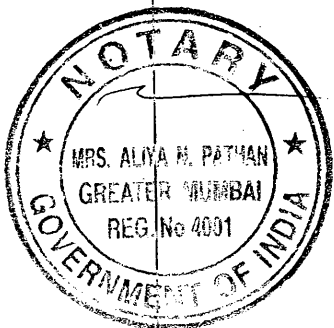
2.3.3 Changes in the Base Rate shall be applicable in respect of all existing loans linked to the Base Rate, in a transparent and non-discriminatory manner.

2.3.4 Since the Base Rate will be the minimum rate for all loans, banks are not permitted to resort to any lending below the Base Rate. Accordingly, the current stipulation of BPLR as the ceiling rate for loans up to Rs. 2 lakh stands withdrawn. It is expected that the above deregulation of lending rate will increase the credit flow to small borrowers at reasonable rate and direct bank finance will provide effective competition to other forms of high cost credit.

2.3.5 Banks are required to review the Base Rate at least once in a quarter with the approval of the Board or the Asset Liability Management Committees (ALCOs) as per the bank's practice. Since transparency in the pricing of lending products has been a key objective, banks are required to exhibit the information on their Base Rate at all branches and also on their websites. Changes in the Base Rate should also be conveyed to the general public from time to time through appropriate channels. Banks are required to provide information on the actual minimum and maximum lending rates to the Reserve Bank on a quarterly basis, as hitherto.

2.3.6 The Base Rate system would be applicable for all new loans and for those old loans that come up for renewal. Existing loans based on the BPLR system may run till their maturity. In case existing borrowers want to switch to the new system, before expiry of the existing contracts, an option may be given to them, on mutually agreed terms. Banks, however, should not charge any fee for such switch-over.

2.3.7 Interest rates under the BPLR system are applicable to all existing loans sanctioned up to June 30, 2010. However, wherever loans sanctioned up to June 30, 2010 come up for renewal from July 1, 2010, the Base Rate system would be applicable. The guidelines on Benchmark Prime Lending Rate (BPLR) and Spreads and its determination for existing loans sanctioned up to June 30, 2010 are given in Annex 3 and Annex 4.



Guidelines on Benchmark Prime Lending Rate (BPLR) applicable to loans sanctioned upto June 30, 2010 (Paragraph 2.2.1)

With effect from October 18, 1994, RBI has deregulated the interest rates on advances above Rs.2 lakh and the rates of interest on such advances are determined by the banks themselves subject to BPLR and Spread guidelines. For credit limits up to Rs.2 lakh, banks should charge interest not exceeding their BPLR. Keeping in view the international practice and to provide operational flexibility to commercial banks in deciding their lending rates, banks can offer loans at below BPLR to exporters or other creditworthy borrowers, including public enterprises, on the basis of a transparent and objective policy approved by their respective Boards. Banks will continue to declare the maximum spread of interest rates over BPLR.

Given the prevailing credit market in India and the need to continue with concessionality for small borrowers, the practice of treating BPLR as the ceiling for loans up to Rs. 2 lakh will continue.

Banks are free to determine the rates of interest without reference to BPLR and regardless of the size in respect of loans for purchase of consumer durables, loans to individuals against shares and debentures / bonds, other non-priority sector personal loans, etc. as per details given below.

BPLR will be made uniformly applicable at all branches of a bank.

Determination of Benchmark Prime Lending Rate (BPLR)

In order to enhance transparency in banks' pricing of their loan products as also to ensure that the BPLR truly reflects the actual costs, banks should be guided by the following considerations while determining their Benchmark PLR:

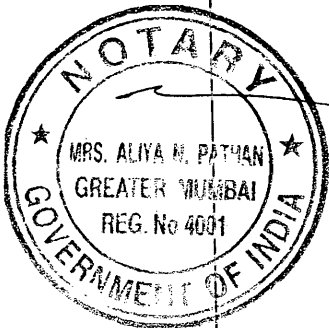
Banks should take into account their (i) actual cost of funds, (ii) operating expenses and (iii) a minimum margin to cover regulatory requirement of provisioning / capital charge and profit margin, while arriving at the benchmark PLR. Banks should announce a Benchmark PLR with the approval of their Boards.

The Benchmark PLR will be the ceiling rate for credit limit up to Rs.2 lakh.

All other lending rates can be determined with reference to the Benchmark PLR arrived at as above by taking into account term premia and / or risk premia.

Detailed guidelines on operational aspects of Benchmark PLR have been issued by IBA on November 25, 2003.

In the interest of customer protection and to have greater degree of transparency in regard to actual interest rates charged to borrowers, banks should continue to provide information on maximum and minimum interest rates charged together with the Benchmark PLR.



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Freedom to fix Lending Rates

Banks are free to determine the rates of interest without reference to BPLR and regardless of the size in respect of the following loans:

- i. Loans for purchase of consumer durables;
- ii. Loans to individuals against shares and debentures / bonds;
- iii. Other non-priority sector personal loans including credit card dues;
- iv. Advances / overdrafts against domestic / NRE / FCNR (B) deposits with the bank, provided that the deposit/s stands / stand either in the name(s) of the borrower himself / borrowers themselves, or in the names of the borrower jointly with another person;
- v. Finance granted to intermediary agencies including housing finance intermediary agencies (list as given below) for on-lending to ultimate beneficiaries and agencies providing input support.;
- vi. Discounting of Bills;
- vii. Loans / Advances / Cash Credit / Overdrafts against commodities subject to Selective Credit Control;
- viii. To a co-operative bank or to any other banking institution;
- ix. To its own employees;
- x. Loans covered by refinance schemes of term lending institutions.

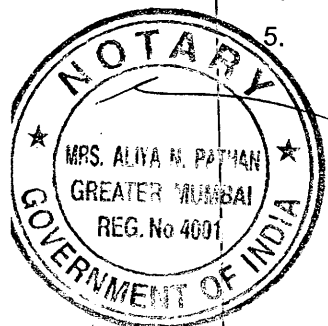
An Illustrative list of Intermediary Agencies

- 1. State sponsored organisations for on-lending to weaker sections. Weaker sections include –
 - i) Small and marginal farmers with landholdings of 5 acres and less, and landless labourers, tenant farmers and share-croppers;
 - ii) Artisans, village and cottage industries where individual credit requirements do not exceed Rs. 50,000/-;
 - iii) Beneficiaries of Swarnjayanti Gram Swarozgar Yojana (SGSY);
 - iv) Scheduled Castes and Scheduled Tribes;
 - v) Beneficiaries of Differential Rate of Interest (DRI) scheme;
 - vi) Beneficiaries under Swarna Jayanti Shahari Rozgar Yojana (SJSRY);
 - vii) Beneficiaries under scheme of Liberation and Rehabilitation of Scavengers (SLRS);
 - viii) Advances to Self-Help Groups (SHGs);
 - ix) Loans to distressed poor to repay their debt to informal sector, against appropriate collateral or group security;

Loans granted under (i) to (viii) above to persons from minority communities as may be notified by Government of India from time to time.

In states, where one of the minority communities notified is, in fact, in majority, item (ix) will cover only the other notified minorities. These States/Union Territories are Jammu and Kashmir, Punjab, Sikkim, Mizoram, Nagaland and Lakshadweep.

- 2. Distributors of agricultural inputs / implements.
- 3. State Financial Corporations (SFCs) / State Industrial Development Corporations (SIDCs) to the extent they provide credit to weaker sections.
- 4. National Small Industries Corporation (NSIC).
- 5. Khadi and Village Industries Commission (KVIC).





भारतीय रिजर्व बैंक

RESERVE BANK OF INDIA

www.rbi.org.in

RBI/DBR/2015-16/20

Master Direction DBR.Dir.No.85/13.03.00/2015-16

March 03, 2016

(Updated as on March 29, 2016)

**Master Direction - Reserve Bank of India (Interest Rate on Advances)
Directions, 2016**

In exercise of the powers conferred by conferred by Sections 21 and 35 A of the Banking Regulation Act, 1949, the Reserve Bank of India being satisfied that it is necessary and expedient in the public interest so to do, hereby, issues the Directions hereinafter specified.

**CHAPTER – I
PRELIMINARY**

1. Short Title and Commencement.

- (a) These Directions shall be called the Reserve Bank of India (Interest Rate on Advances) Directions, 2016.
- (b) These directions shall come into effect on the day it is placed on the official website of the Reserve Bank of India.

2. Applicability

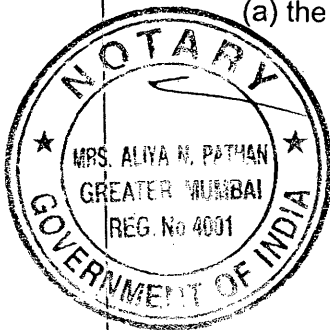
The provisions of these Directions shall apply to every Scheduled commercial bank (excluding RRBs), licensed to operate in India by Reserve Bank of India. These directions shall not be applicable to operations of foreign branches of Indian banks.

3. Definitions

- (a) In these Directions, unless the context otherwise requires, the terms herein shall bear the meanings assigned to them below —

(i) Advance against own deposit means advance granted against Rupee/FCNR(B) term deposit and deposit stands in the name of:

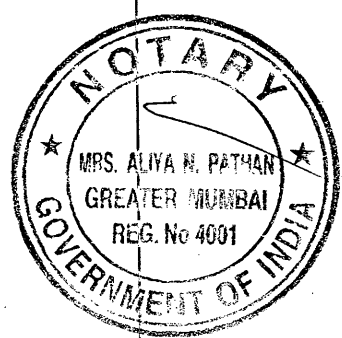
(a) the borrower, either singly or jointly



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- (b) one of the partners of a partnership firm and advance is made to the said firm.
 - (c) the proprietor of a proprietary concern and advance is made to such concern.
 - (d) a ward whose guardian is competent to borrow on behalf of the ward and where the advance is made to the guardian of the ward in such capacity.
- (ii) Benchmark Prime Lending Rate (BPLR) means internal benchmark rate used to determine the interest rates on advances/loans sanctioned upto June 30, 2010.
 - (iii) Benchmark rate means the reference rate used to determine the interest rates on loans.
 - (iv) External benchmark rate means the reference rate published by an independent benchmark administrator.
 - (v) Fixed rate loan means a loan on which the interest rate is fixed for the entire tenor of the loan.
 - (vi) Floating rate loans means a loan on which interest rate does not remain fixed during the tenor of the loan.
 - (vii) Internal benchmark rate means a reference rate determined internally by the bank.
 - (viii) Rests refers to periodicity of charging interest to borrowers.
 - (ix) Term loan means a loan which is repayable after a specified term period.
- (b) All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Banking Regulation Act or the Reserve Bank of India Act, or any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.



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**CHAPTER – II
GENERAL GUIDELINES**

4. Interest Rate framework

(a) Scheduled commercial banks shall charge interest on advances on the terms and conditions specified in these directions.

(i) There shall be a comprehensive policy on interest rates on advances duly approved by the Board of Directors or any committee of the Board to which powers have been delegated.

(ii) All categories of advances, except those mentioned in section 13, shall be priced with reference to the benchmark indicated in chapter III.

(iii) Banks shall have the freedom to offer all categories of advances on fixed or floating interest rates.

(iv) Banks shall determine their actual lending rates on floating rate advances in all cases by adding the components of spread to the internal benchmark rate. Accordingly, there shall be no lending below the Base Rate or MCLR of a particular maturity, as the case may be, for all loans linked to that benchmark.

(v) The reference benchmark rate used for pricing the loans shall form part of the terms of the loan contract.

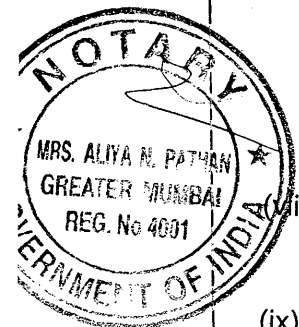
(vi) Interest rates on fixed rate loans shall be as per directions contained in Section 13(d)(v).

(vii) Interest shall be charged on all advances at monthly rests.

– **Provided** that interest on agricultural advances and advance to farmers shall be charged as per the instructions contained in circulars RPCD. No. CPFS. BC. 60 /PS. 165-85 dated June 06, 1985 and RPCD. No. PLFS. BC. 129 /05.02.27/97-98 dated June 29, 1998.

(viii) Interest chargeable on rupee advances shall be rounded off to the nearest rupee.

(ix) Interest charged on small value loans, particularly, personal loans and such other loans of similar nature shall be justifiable having regard to the total cost



incurred by the bank in extending the loan and the extent of return that could be reasonably expected from the transaction.

- (x) In case of takeover of bank branches in rural and semi urban centres from one commercial bank to another commercial bank, transfer of borrowal accounts of the existing branch to the branch of acquiring bank shall be on mutually agreed terms of contract.

Provided that the existing borrowers shall not be put into any disadvantage and the option of continuing with the existing bank or the acquiring bank.

- (b) The directions contained in section 4(a) above shall also be applicable to Rupee advances granted against FCNR(B) deposits to a third party or out of resources mobilized under the FCNR(B) scheme.

5. Penal Interest

Banks shall formulate a Board approved policy for charging penal interest on advances which shall be fair and transparent. The rate of penal interest shall be decided after taking into account incentive to service the debt and due regard to genuine difficulties of customers.

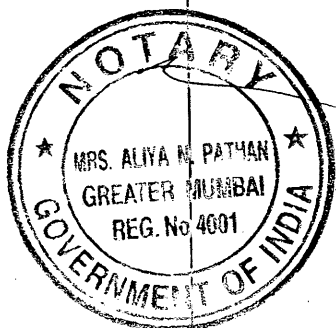
Provided that no penal interest shall be charged on advances mentioned in the circular RPCD.Plan.BC.15/04.09.01/2001-02 dated August 17, 2001, as amended from time to time.

CHAPTER – III BENCHMARK

6. Internal Benchmark

(a) Base Rate

- (i) All rupee loans sanctioned and credit limits renewed after July 1, 2010 shall be priced with reference to the Base Rate which will be the internal benchmark for such purposes
- (ii) Base Rate shall include all those elements of the lending rates that are common across all categories of borrowers.
- (iii) There can be only one Base Rate for each bank.
- (iv) Banks shall have the freedom to calculate cost of funds either on the basis of average cost of funds or on marginal cost of funds or any other methodology in vogue, which is reasonable and transparent, subject to it being consistent



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and made available for supervisory review/scrutiny as and when required. **Provided** that where the card rate for deposits of one or more tenor is the basis, the deposits in the chosen tenor/s shall have the largest share in the deposit base of the bank.

(v) Banks shall review the Base Rate at least once in a quarter with the approval of the Board or the Asset Liability Management Committees (ALCOs) as per the bank's practice.

(vi) Banks shall not review the Base Rate methodology for atleast a period of three years from date of its finalization.

Provided that this shall not apply to banks that have commenced their banking operations in India after September 2, 2013. Such banks shall be permitted to revise their Base Rate methodology once within a year from the date of commencement of their business operations in India.

(b) Marginal Cost of Funds based Lending Rate (MCLR)

(i) All rupee loans sanctioned and credit limits renewed w.e.f. April 1, 2016 shall be priced with reference to the Marginal Cost of Funds based Lending Rate (MCLR) which will be the internal benchmark for such purposes.

(ii) The MCLR shall comprise of:

- a. Marginal cost of funds;
- b. Negative carry on account of CRR;
- c. Operating costs;
- d. Tenor premium.

(iii) Marginal Cost of funds

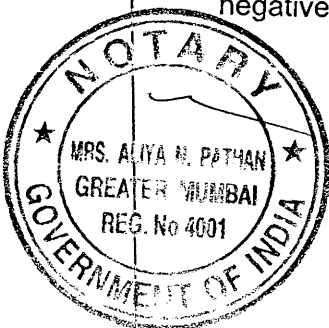
The marginal cost of funds shall comprise of Marginal cost of borrowings and return on network. The detailed methodology for computing marginal cost of funds is given in the **Annex**.

(iv) Negative Carry on CRR

Negative carry on the mandatory CRR which arises due to return on CRR balances being nil, will be calculated as under:

$$\text{Required CRR} \times (\text{marginal cost}) / (1 - \text{CRR})$$

The marginal cost of funds arrived at (iii) above shall be used for arriving at negative carry on CRR.



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(v) Operating Costs

All operating costs associated with providing the loan product including cost of raising funds shall be included under this head. It shall be ensured that the costs of providing those services which are separately recovered by way of service charges do not form part of this component.

(vi) Tenor premium

These costs arise from loan commitments with longer tenor. The change in tenor premium should not be borrower specific or loan class specific. In other words, the tenor premium will be uniform for all types of loans for a given residual tenor.

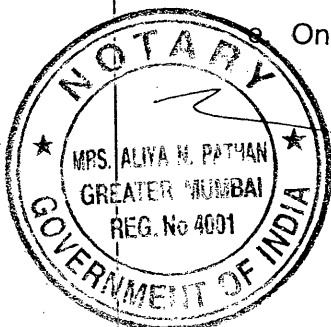
(vii) The tenor of the MCLR calculated as per the **Annex** shall correspond to the following:

- a. the tenor of the funds in the single largest maturity bucket, provided it is more than 30 percent of the entire funds (other than equity) reckoned for determining the MCLR , or
- b. the weighted average tenor of two or more maturity buckets that together account for more than 30 percent, if no single maturity bucket accounts for more than 30 percent of the funds. The maturity bucket shall be arrived at by calculating the cumulative weightage based on the descending order of the maturity time buckets.

(viii) Since MCLR will be a tenor linked benchmark, banks shall arrive at the MCLR of various maturities by incorporating the corresponding tenor premium/ discount to the sum of Marginal cost of funds, Negative carry on account of CRR and Operating costs.

Accordingly, banks shall publish the internal benchmark for the following maturities:

- a. overnight MCLR,
- b. one-month MCLR,
- c. three-month MCLR,
- d. six month MCLR,
- e. One year MCLR.



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In addition to the above, banks shall have the option of publishing MCLR of any other longer maturity.

(ix) Review of MCLR

(a) Banks shall review and publish their Marginal Cost of Funds based Lending Rate (MCLR) of different maturities every month on a pre-announced date with the approval of the Board or any other committee to which powers have been delegated.

(b) Banks which do not have adequate systems to carry out the review of MCLR on a monthly basis, shall review their rates once a quarter on a pre-announced date for the first one year i.e. upto March 31, 2017.

Provided that, such banks shall adopt the monthly review of MCLR as mentioned in section 6(b)(ix)(a) above.

7. External Benchmark

Banks shall have the freedom to determine the interest rates on the advances linked to market determined external benchmarks.

**CHAPTER – IV
INTEREST RATES ON ADVANCES**

8. Spread

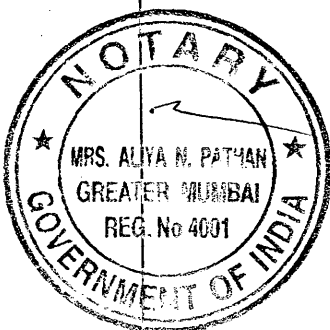
(a) Banks shall have a Board approved policy delineating the components of spread charged to a customer. The policy shall include principles:

- (i) To determine the quantum of each component of spread.
- (ii) To determine the range of spread for a given category of borrower / type of loan.
- (iii) To delegate powers in respect of loan pricing.

(b) Spread under Base rate system

In addition to the conditions laid down in section 8(a) of these Directions, banks shall adhere to the following conditions:

- (i) The credit risk premium charged to an existing borrower shall not be increased except on account of deterioration in the credit risk profile of the customer or change in tenor premium.



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Provided that the stipulation contained in sub-section 8(b)(i) above shall not be applicable to loans under consortium / multiple banking arrangements.

- (ii) The change in tenor premium on loans sanctioned under Base rate system shall not be borrower specific or loan class specific. In other words, the change in tenor premium shall be uniform for all types of loans for a given residual tenor.

Provided that the spread guidelines mentioned above shall not apply to loans granted under BPLR system, which continue till date. Such loans shall be covered under the terms of the loan agreements.

(c) Spread under MCLR system

In addition to the conditions laid down in section 8(a) of these Directions, banks shall adopt the following broad components of spread:

(i) *Business strategy*

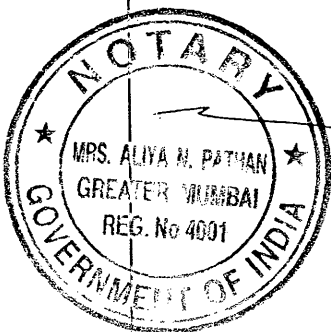
The component shall be arrived at taking into consideration the business strategy, market competition, embedded options in the loan product, market liquidity of the loan etc.

(ii) *Credit risk premium*

The credit risk premium charged to the customer representing the default risk arising from loan sanctioned shall be arrived at based on an appropriate credit risk rating/scoring model and after taking into consideration customer relationship, expected losses, collaterals, etc.

- (d) The spread charged to an existing borrower shall not be increased except on account of deterioration in the credit risk profile of the customer. Any such decision regarding change in spread on account of change in credit risk profile shall be supported by a full-fledged risk profile review of the customer.

Provided that the stipulation contained in sub-section 8(d) above shall not be applicable to loans under consortium / multiple banking arrangements.



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9. Reset of interest rates under MCLR system

- (a) Banks shall, at their option specify interest reset dates on their floating rate loans. Banks shall have the option to offer loans with reset dates linked either to the date of first disbursement of the loan/credit limits or to the date of review of MCLR.
- (b) The Marginal Cost of Funds based Lending Rate (MCLR) prevailing on the date of first disbursement, whether partial or full, shall be applicable till the next reset date, irrespective of the changes in the benchmark during the interim. Future reset dates shall be determined accordingly.
- (c) The periodicity of reset shall be one year or lower. The exact periodicity of reset shall form part of the terms of the loan contract.

10. Transition to Base Rate from BPLR

Existing loans based on the BPLR system shall run till their maturity.

Provided that existing borrowers desirous of switching to the new Base Rate system, before expiry of the existing contracts shall be given an option on mutually agreed terms.

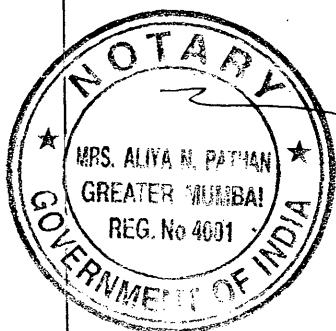
Provided further that no fee is charged for such switch-over.

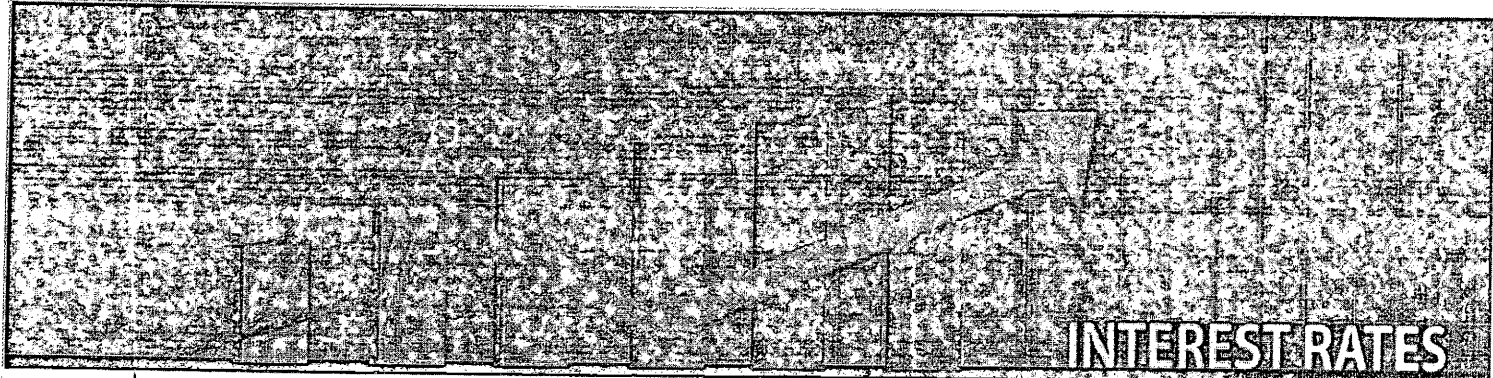
11. Transition to MCLR from Base Rate/BPLR

- (a) Banks shall continue to review and publish Base Rate as hitherto.
- (b) Existing loans and credit limits linked to the Base Rate/BPLR shall continue till repayment or renewal, as the case may be.

Provided that existing borrowers shall have the option to move to the Marginal Cost of Funds based Lending Rate (MCLR) linked loan at mutually acceptable terms.

Provided that the switch-over shall not be treated as a foreclosure of existing facility.





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- International Banking
- SME
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- Services

SBI Corporate Website Interest Rates Base Rate (Historical Data)

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 - Agricultural Segment

BASE RATE (HISTORICAL DATA)

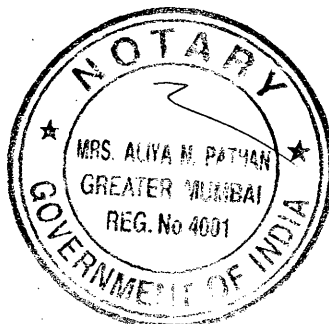
Effective Date	Interest Rate (%)
05.10.2015	9.30
08.06.2015	9.70
10.04.2015	9.85
07.11.2013	10.00
19.09.2013	9.80
04.02.2013	9.70
20.09.2012	9.75
13.08.2011	10.00
11.07.2011	9.50
12.05.2011	9.25
25.04.2011	8.50
14.02.2011	8.25
03.01.2011	8.00
21.10.2010	7.60
01.07.2010	7.50

Internet Banking



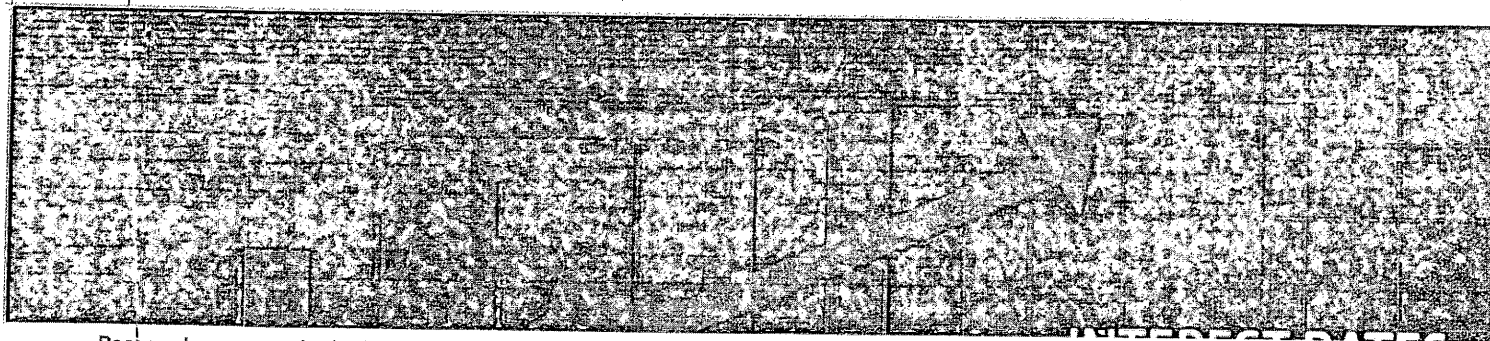
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SME Segment

Agricultural Segment

MARGINAL COST OF FUNDS BASED LENDING RATE (MCLR) WITH EFFECT FROM-01.12.2016

Tenor-wise MCLR effective from 1st December 2016 will be as under:

Tenor	MCLR (In %)
Over night	8.65
One Month	8.75
Three Month	8.80
Six Month	8.85
One Year	8.90
Two Years	9.00
Three Years	9.05

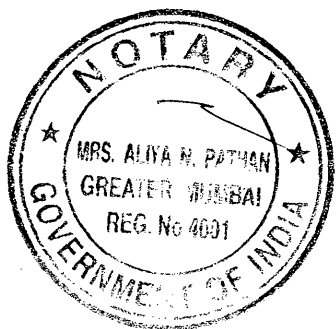
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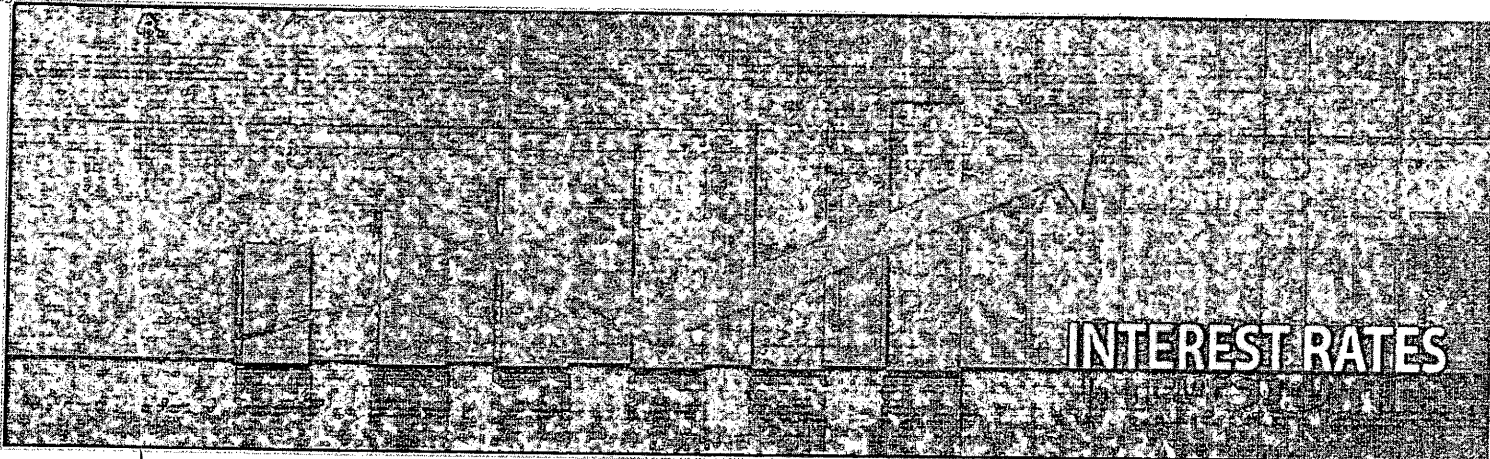


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Agricultural / Rural

NRI Services

International Banking

SME

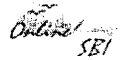
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Services

BENCHMARK PRIME LENDING RATE (HISTORICAL DATA)

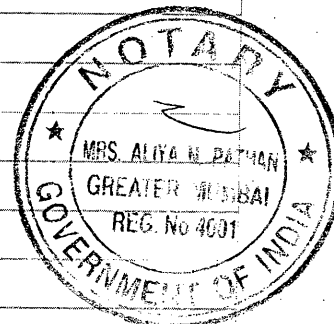
Effective Date	Interest Rate (%)
5.10.2015	14.05
8.06.2015	14.45
10.04.2015	14.60
07.11.2013	14.75
19.09.2013	14.55
04.02.2013	14.45
27.09.2012	14.50
13.08.2011	14.75
11.07.2011	14.25
12.05.2011	14.00
25.04.2011	13.25
14.02.2011	13.00
03.01.2011	12.75
21.10.2010	12.50
17.08.2010	12.25
29.06.2009	11.75
01.01.2009	12.25
10.11.2008	13.00
12.08.2008	13.75
27.06.2008	12.75
27.02.2008	12.25
16.02.2008	12.50
20.02.2007	12.25
27.12.2006	11.50

Internet Banking



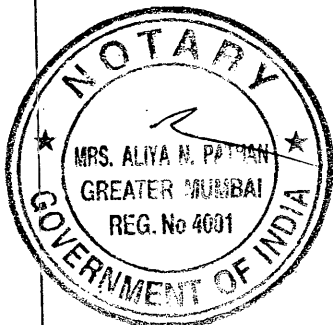
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Interest Rates



Benchmark Prime Lending Rate (Historical Data) - SBI Corporate Website

02.08.2006	11.00
01.05.2006	10.75
01.01.2004	10.25
05.05.2003	10.50
01.11.2002	10.75
01.04.2002	11.00
05.03.2001	11.50
12.08.2000	12.00
01.04.2000	11.25
01.03.1999	12.00
01.05.1998	13.00
02.04.1998	13.50
22.01.1998	14.00
01.11.1997	13.00
01.07.1997	13.50
16.04.1997	14.00
01.11.1996	14.50
06.09.1996	15.50
15.07.1996	16.00
10.11.1995	16.50
24.04.1995	15.50
15.02.1995	15.00
18.10.1994	14.00
02.09.1993	15.00
24.06.1993	16.00
01.03.1993	17.00
09.10.1992	18.00
02.03.1992	19.00
09.10.1991	20.00
04.07.1991	18.50
01.04.1991	17.00



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