

IDCOL's Lending Terms 2010

A. Foreign Currency Loans

- (a) Interest rate - the Investment Enterprise may choose between:
- (i) For senior loans, a variable rate equal to the prevailing six month United States dollar LIBOR plus 400 basis points;
 - (ii) For subordinated loans, a variable rate equal to the prevailing six month United States dollar LIBOR plus 450 basis points;
 - (iii) A fixed rate based on the maturity of the Sub-loan and the market swap rate between variable and fixed interest rates for United States dollar debt at the time the Sub-loan is fully drawn, plus (a) a spread of 400 basis points for senior loans; or (b) a spread of 450 basis points for subordinated loans;
 - (iv) For the purposes of subparagraph
 - a. "LIBOR" means the London Inter Bank Offered Rate for three-month or six-month deposits, as may be applicable, in United States dollars.
 - b. "Basis Point" means one hundredths of one percent; and
 - c. "Market Swap Rate" means at the time of last loan draw, the fixed rate quoted in the relevant swap market as the equivalent of the United States dollar six-month LIBOR considering the repayment schedule, notional amounts outstanding on each repayment date and the forward rates applicable to six-month LIBOR at such dates.
 - d. Senior loans are defined as those enjoying rights of payment and/or enforcement that are *pari passu* with other senior lenders;
 - e. Subordinated loans are defined as those where rights of enforcement and/or payment are subordinated under some, or all, circumstances to senior lenders
- (b) Final maturity in the case of a senior loan will be a maximum of fifteen (15) years including up to four (4) years grace. For subordinated loans, final maturity will be a maximum of twenty-three (23) years, including up to eight (8) years grace;
- (c) The principal amount of the loan repayable by the Investment Enterprise shall be the equivalent of the value of the currency or currencies withdrawn from the Credit Account expressed in terms of US dollars at the time of withdrawal;
- (d) Principal and interest payable by the Investment Enterprise shall be determined in United States dollars and the payments thereof shall be determined in United States dollars or the equivalent in Taka of the US dollar-Taka exchange rate on the date payments are made; and
- (e) In case of syndicated lending, IDCOL's spread plus fees will not be higher or lower than that of other lenders offering similar loans.

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B. Local Currency Loans

(a) While lending to investment projects that earn revenue in local currency and cannot absorb foreign exchange rate risk without unduly endangering their operating gross margin or debt service coverage ratios or while the source of IDCOL loan is in local currency, IDCOL loan will be denominated in local currency.

The lending terms on such loans shall be determined as follows:

- (i) For medium and large infrastructure projects:
 - a. Interest rate - a fixed rate equivalent to the weighted average yield on the Treasury bills and bonds of GOB of all maturity for the past six months plus a spread of 400 basis points, provided however, that the interest rate shall not be less than the Bangladesh Bank Rate plus a margin of 250 basis points. For the purposes of this clause, the term "Bangladesh Bank Rate" means the Rate published by Bangladesh Bank in accordance with Article 21 of the Bangladesh Bank Order, 1972; and
 - b. Final maturity will be a maximum of twelve (12) years including maximum three (3) years grace; and
 - c. In case of syndicated lending, IDCOL's interest rate plus fees will not be higher or lower than that of other lenders offering similar loans.
- (ii) For projects implemented in rural areas or renewable energy projects that receive grants or subsidies from multilateral agencies and/or GOB, or projects that are not feasible with commercial loans:
 - a. Interest rate – up to 9% per annum; and
 - b. Final maturity will be a maximum of ten (10) years including a grace period of maximum two (2) years.
- (iii) Shonchalok Facility: For short-term/ working capital/ long-term loans for eligible software or IT companies/ firms):
 - a. Facility amount: Initially, IDCOL will establish a facility up to Tk.50,00,00,000 (Taka fifty crore) under the Shonchalok Facility, with the amount being subject to periodic revision;
 - b. The facility shall be channelled through selected Banks/Financial Institutions (FIs); and
 - c. Interest rate – a fixed rate of 7% per annum for all Shonchalok facilities drawn shall apply to the participating Banks/FIs and the on-lending margin shall not exceed 4.5%, including all fees and charges, over IDCOL's rates to the Banks/FIs. The interest rates shall be subject to revision by IDCOL; and
 - d. Final maturity for each advance amount shall be up to 5 years from the disbursement date with up to 6 months moratorium period, matching the loan terms between the Bank/FI and the borrower; and

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- e. To extend loan from Shonchalok Facility by IDCOL, the loan terms should not be softer than the Partner Banks/Financial Institutions. However, if the Partner Banks/Financial Institutions fail to implement Shonchalok Facility, IDCOL may terminate the agreement with them and implement the project on its own at concessionary terms.

C. Money market loans:

- (a) IDCOL will participate in the money market transactions with the amount approved by the Board.
- (b) While investing in the call money market, yield should not be less than the actual cost or opportunity cost of funds.

D. Lending through secured overdraft (SOD) facilities against US Dollar FDR, or currency swap contract:

- (a) While making local currency loans from the US Dollar fund, IDCOL will consider:
- (i) availing of secured overdraft (SOD) facilities against US Dollar FDR; or
 - (ii) entering into a currency swap contract.
- (b) Specific approval of the Board will be required in each such transaction.

E. Loan Ceiling:

- (i) Investment by IDCOL shall not be more than 40% of the total project cost;
- (ii) In case of syndicated loan, investment by IDCOL shall not exceed the amount that is invested by the arranger.
- (iii) For projects financed under Section B (ii) of this policy, IDCOL may finance the entire portion of the loan to such projects.

F. Fees and charges for off-balance sheet loans:

- (i) Only for USD loans, fees at the following applicable rates will be payable:

	Loan amount sought		
	Up to USD 10 M	Between USD 11 - 30 M	Above USD 30 M
a) Non-refundable Application Fee	USD 500 equivalent BDT	USD 1,000 equivalent BDT	USD 5,000 equivalent BDT
b) Non-refundable Project Appraisal Fee (% of the loan amount)	0.1%	0.15%	0.25%

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sought)			
i) First part: payable on completion of preliminary review and prior to issue of Preliminary letter of support	USD 2,000 equivalent BDT	USD 10,000 equivalent BDT	USD 25,000 equivalent BDT
ii) Second part at the commencement of appraisal by IDCOL	0.1% - USD 2,000 equivalent BDT	0.15% - USD 10,000 equivalent BDT	0.25% - USD 25,000 equivalent BDT

- (ii) Interest costs during construction for Investment Projects may be capitalized and would be eligible for financing out of the credit
- (iii) Commitment charges at the rate of 0.75% per annum payable quarterly, and calculated on unutilized loan amount effective 60 days from the date of Facility Agreement.
- (iv) Monitoring fee of 0.25% per annum payable quarterly, on the loan amount, disbursed and outstanding.
- (v) All costs/fees and reasonable level of expenses for the Investment Advisor and Consultants appointed by IDCOL for appraisal, due diligence etc.
- (vi) Cost incurred in connection with IDCOL officials' visits in relation to negotiations, meetings, monitoring etc.
- (vii) All co-financiers' fees and charges as may be applicable (export credit agencies insurance premium, co-financiers fee etc.)

G. Fees and charges for loans made under IDCOL balance sheet:

- (i) Non-refundable application fee, as prescribed for off-balance sheet loans, will be payable. However, in case of syndicated loans, existing market practice will be followed.
- (ii) Commitment fees at the rate of 0.75% per annum payable quarterly, and calculated on unutilized loan amount effective 60 days from the date of Facility Agreement. In case of syndicated loan, the commitment fee will be similar to that agreed between the lenders and the borrowers of the syndicate.
- (iii) The Borrower will bear all the costs and expenses reasonably incurred by IDCOL for project appraisal and conducting due diligence including the costs of engaging Technical advisors or Independent Consultants etc.

H. Arranger's fee and Facility Agent's fee:

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- (i) IDCOL's arranger's fees will be up to 1% of the total financing arranged depending on the amount raised and the complexity of the transaction.
- (ii) IDCOL's Facility Agent's fees will be up to 0.30% of the outstanding facility depending on the amount of the facility and the complexity of services.

I. Revision of IDCOL's Lending Policy: The Lending Policy of IDCOL shall be reviewed by IDCOL Board every year and management will take necessary steps in this regard.