



Ref.No.KSFC/HO/CMD/ED(F)/404/2010-11

Date : 07.07.2010

CIRCULAR No.912

Sub: Scheme for financing Wind Mill Power projects.

-:o:0:o:-

Considering the vast potential for harnessing wind energy in the State, it was proposed to design a scheme to meet the specific needs of this sector. Further, setting up of wind mill units in potential areas such as Chitradurga, Gadag, Haveri, Chamarajanagar etc., needs to be encouraged. In this regard, considering the concessions available to the industry including high depreciation allowance, attractive power purchase rate per unit, a scheme was prepared and placed before the Executive Committee in its meeting held on 21.06.2010. The EC has approved the implementation of the scheme. Further, it is proposed to enter into an MoU with suppliers like Enercon, Suzlon etc., who have shown interest in joint venture, which will be intimated in due course. Details of the scheme are enclosed as annexure to this Circular.

All the BMs and concerned HODs at HO are hereby advised to give wide publicity to the scheme and mobilize substantial business under this scheme. The contents of this circular shall be brought to the notice of all the concerned in your office / department.

Sd/-

CHAIRMAN & MANAGING DIRECTOR

To:

All BMs
All ZMs / DGMs of Super 'A' Branches / IA cells
All Principal Officers / Section Heads in HO
All General Managers
Library

Executive Directors - for information



**KARNATAKA STATE FINANCIAL CORPORATION
HEAD OFFICE : BANGALORE.**

Sub: Scheme for financing Wind Mill Power projects.

a. PREAMBLE:

From ages Wind has been used for several applications by Man. Wind energy has both Potential Energy and Kinetic Energy. Harnessing of Wind energy could play a significant role in the energy mix of any nation. According to some estimates, wind power potential is about 10-12 times greater than that of water power.

India has been rated as one of the most promising countries for wind power development, with an estimated potential of 45000 MW. Around 1870 MW have been installed in the country so far with the active participation of private sector investors. An environment for commercial exploitation has been evolved under various commercial initiatives of the Government.

Tamilnadu State is considered as a pioneer in harnessing wind energy. With more than 3500 wind turbines and with an installed capacity of 990 MW already commissioned, it is the forerunner in this sector.

b. Scenario in Karnataka:

Karnataka State has good potential for harnessing Wind Power. As per the study made by KREDL (Karnataka Renewable Energy Development Ltd), the total wind power potential is **7956.89 MW**. However, 7995.865 MW has been allotted to **391** projects, which are at various stage of implementation. The projects totaling to **174.63 MW** (which forms **2.19%** of the total potential) only have been commissioned so far. Thus, large numbers of projects are yet to be implemented/ commissioned. These projects are self financed or assisted by Banks/FI. As seen from the above, there is huge potential for growth in this sector.

While, Chitradurga district tops the list with **75** projects, Belgaum (42) and Gadag (39) come 2nd and 3rd. Besides, Wind Mill projects are also coming at Davanagere, Shimoga, Tumkur, Bellary and other districts.

The scheme details are as here under:

01. Title of the Scheme: "Scheme for assisting Wind Mill projects".

Financial assistance to Wind Mill Projects shall be extended under this scheme, where upto 75% of the cost of the fixed assets is financed, subject to meeting DER/DSCR norms.

This is a special scheme formulated to give thrust assistance to wind mill projects in the State.



-: 2 :-

02. Eligibility:

Proprietary concerns, Partnership firms, Societies/ Co-operative Societies, Private and Public Limited companies, who are already in business and running with net profit for the past 3 consecutive years.

Note: Selection of machinery (Wind Turbine Generators) supplier/manufacturer, location etc will be decided on the basis of guidelines issued by KREDL.

03. Promoters contribution: Minimum 25% of the cost of the project.

04. Rate of Interest:

Applicable rate of interest will be 0.50% p.a lesser than the regular rate of interest, which is at present 13.50% p.a. A rebate of 0.50% will be allowed for prompt payment through ECS. An additional rebate of 0.50% will be allowed only for loans of Rs.300 lakhs and above to existing customers, for prompt payment. No separate interest concession for credit ratings shall be extended.

Penal interest of 2.00% p.a will be charged in case of default in payment of principal/interest.

05. Repayment period:

7 Years from the date of disbursement excluding moratorium period of **1 year**. However, CMD is empowered to extend higher repayment period on case to case basis purely on merits

06. Financial parameters:

DER: 2.00:1.00

DSCR: 1.25:1.00

07. Security:

- (i) Mortgage of freehold (if available)/leasehold rights of the land (with right of entry) where the Wind Mill is installed and Hypothecation of the Block assets.
- (ii) Personal guarantee of the promoters.
- (iii) Collateral security to an extent of **25%** of the loan amount. There shall be no relaxation in collateral security. However, the CMD is empowered to relax the collateral security on case to case basis purely on merits.



-: 3 :-

08. Legal Documentation:

The financed assets along with the freehold/leasehold rights of the land together with the collateral securities shall be secured to the Corporation by way of a registered simple mortgage.

09. Special Conditions:

- (a) The unit should open an **ESCROW** account with its Bank into which all the receivables from concerned **ESCOMs** are remitted and the proceeds of the ESCROW account should be remitted to the Corporation. Money received through the ESCROW account will be adjusted to the installments of interest and principal of the loan account. Any surplus after such adjustment shall be refunded to the borrower.
- (b) Payment to the turn-key suppliers shall be made by way of 25% advance from the promoters contribution; 50% after arrival of equipment at the site and the balance 25% after erection and commissioning of the plant.
- (c) Locational map/ surveyor's sketch issued by the concerned statutory authorities should be collected and recorded.
- (d) The project site should be inspected by the concerned Branch Head or Head of the department at the HO along with a technical officer, before effecting the release of loan amount.
- (e) The Borrower shall execute a Power of Attorney authorizing the Corporation to receive any incentives/grants/subsidies from the Government/Non-Government agencies for the project and adjust the same towards the loan amount.
- (f) The promoter should furnish details of the Power Purchase Agreement (PPA) intended to be entered into and copy of the same shall be made available to KSFC.

10. Limit of Assistance:

The maximum exposure should not exceed **Rs 10.00 Crores** in respect of companies/co-operative societies and **Rs 2.00 Crores** for in respect of others. If the loan requirement is more than this, with the prior approval of SIDBI it can be considered upto Rs 20.00 Crores and Rs 8.00 Crores respectively.

11. Delegation of sanctioning powers:

For all the projects **upto Rs 5.00 Crores** – Chairman & Managing Director;

For all the projects over and **above Rs 5.00 Crores** – Executive Committee.

-:o:0:o:-