

KARNATAKA STATE FINANCIAL CORPORATION



ಕರ್ನಾಟಕ ರಾಜ್ಯ ಹಣಕಾಸು ಸಂಸ್ಥೆ

Established under the State Financial Corporations Act, 1951
1951ರ ರಾಜ್ಯ ಹಣಕಾಸು ಸಂಸ್ಥೆಗಳ ಕಾಯಿದೆಯನ್ವಯ ಸ್ಥಾಪಿತ



Head Office: No. 1/1, Thimmaiah Road,
Near Cantonment Railway Station, Bangalore – 560 052
Telephone: 080-22208719 E-mail:vasantkumar@ksfc.in

ಸಂಖ್ಯೆ: ಕ.ರಾ.ಹ.ಸಂ/ಪ್ರವೃ (ವೃತ್ತ-1)/ಕಾ.ನಿ.ನಿ./ 2016-17

ದಿನಾಂಕ: 30-11-2016

CIRCULAR No.912 "A"

Sub: Assistance to Ground Mounted Solar Projects.

A detailed note was placed before the Board on the Scheme for assistance to Ground Mounted Solar Power Project in the meeting held on 15th November 2016 in the light of the revised tariff of Rs.6.51 / unit for the project commissioned after 31st December 2016 and also the changes in the project cost on account of various factors.

The matter was deliberated in the Board. The Board approved the revised scheme which is enclosed as Annexure -I. Brief details of the modifications are as noted below:-

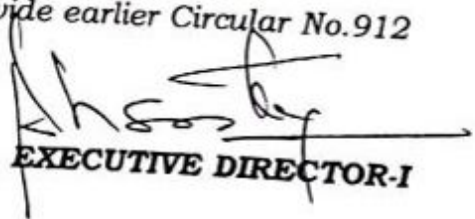
- (a) The maximum term loan is fixed at Rs.400.00 lakhs / MW for projects with tracker and Rs.320.00 lakh /MW for projects without tracker.*
- (b) The collateral security requirements have been increased to minimum 75% of the loan amount.*
- (c) The panels should be procured only from the global tier-I suppliers where output is guaranteed for 25 years with insurance back-up.*

(d) The techno / economic feasibility of the project should be prepared by an EPC contractor (who is channel partner of MNRE / KREDL). In case the EPC contractor is not a channel partner, the background of EPC contractor should be examined based on the projects implemented and the history of the EPC contractor. The EPC contractor should undertake output guarantee backed by a Bank guarantee for minimum 5% of the EPC cost.

(e) The exposure limit applicable to this sector shall be Rs.200.00 crore.

(f) The guidelines are applicable only for ground mounted solar power project. The restrictions imposed for financing roof top solar projects will continue. Applications for roof top solar power projects should be referred to HO for prior clearance.

This circular supersedes the guidelines issued vide earlier Circular No.912 dated 28th May 2015.


EXECUTIVE DIRECTOR-I

To:

All BMs/AGMs/ DGMs of Branches
All IACs
All Department Heads at HO
All GMs
Library
ED - II : For information
EA to MD.

ANNEXURE - I

KARNATAKA STATE FINANCIAL CORPORATION HEAD OFFICE : BENGALURU

SCHEME FOR FINANCING GROUND MOUNTED SOLAR POWER GENERATION PROJECTS

- 1. OBJECTIVE :** To extend financial assistance in the form of term loans to ground mounted solar power generation projects as envisaged in the Solar Policy 2014-2021 of GoK;
- 2. ELIGIBLE BORROWERS :** Proprietary concerns, partnership firms, Limited liability partnership firms, private and public limited companies;
- 3. TECHNICAL KNOWHOW :** The techno-economic feasibility of the project should be established by a project consultant who is a channel partner of MNRE [Ministry of New & Renewable Energy / KREDL [Karnataka Renewable Energy Development Ltd.]. If the project consultant is not a channel partner, the background and capabilities of the consultant should be assessed by the appraising officers by verifying the projects already implemented by the consultant, his experience and technical & financial capabilities;
- 4. PROJECT COST :** The cost of the project as approved by KERC will be the bench mark. The details of break-up of the project cost as approved by KERC is given below:

		[Rs. in lakh]
a	Solar modules	314.38
b	Land / land development	25.00
c	Civil & general works	52.50
d	Mounting Structure	52.50
e	Power conditioning units	47.25
f	Evacuation line equipments	57.75
g	Preliminary & Pre-operative exp. Including IDI	50.93
TOTAL		600.31

The land cost is taken as indicative and based on the individual projects, the project cost can be assessed as supported by quotations, estimations and other documents. However, for the purpose of financing the project, ceiling would be Rs.600.00 lakh and in case of projects where single axis trackers are installed, an additional capital expenditure up to Rs.50.00 lakh may be provided;

5. **LOAN AMOUNT** : The loan eligibility has been assessed based on the project cost and also the servicing capacity based on approved tariff of Rs.6.51 per unit. The cap on the term loan is Rs.400.00 lakh per MW for the projects with single axis trackers and Rs.320.00 lakh per MW for the projects without tracking system. However, if the techno-economic feasibility report prepared by the EPC contractor indicates the generation capacity of less than 16.67 lakh units without trackers, or 21.90 lakh units with single axis trackers, in such cases, the maximum loan eligibility should be decided based on the maximum repayment period of nine years including one year moratorium and minimum DSCR of 1.33 : 1.00;

The percentage of loan shall not exceed 75% of the cost of the fixed assets in any case;

The maximum loan shall not exceed Rs.20.00 crore in respect of limited companies and Rs.8.00 crore in respect of proprietary, partnership and limited liability partnership firms. If the loan amount exceeds Rs.10.00 crore in respect of companies and Rs.4.00 crore in respect of proprietary/partnership/limited liability partnership, clearance from SIDBI for exceeding the limit of accommodation should be obtained for the individual cases;

6. **RATE OF INTEREST** : The rate of interest will be 13% p.a. In case of entrepreneurs who are eligible for interest subsidy under interest subsidy scheme of GoK for SC/ST entrepreneurs, the interest subsidy will be available for loans up to Rs.10.00 crore and the effective rate would be 4%. The borrower should pay the interest at contract rate and the subsidy should be on reimbursement basis from GoK. Penal interest at 2% p.a., will be charged in case of default in the payment of principal/interest on the amount in default and for the period of default;
7. **REPAYMENT PERIOD** : The maximum repayment period shall not exceed nine years including moratorium up to one year;

8. **FINANCIAL PARAMETERS** : DER - 2.00:1.00; DSCR - 1.33:1.00;

9. SECURITY :

- a) Mortgage of freehold rights or leasehold rights of the land where the project is proposed to be located. There should be a proper approach road to the site. The land should be converted for non-agricultural purpose;
- b) Apart from the land & building, hypothecation of the plant & other equipments shall also be taken;

- c) Personal guarantees of all the promoter directors;
- d) Collateral security to the extent of 75% of the loan amount should be offered. The policy of the Corporation regarding acceptability and valuation of the collateral security should be followed. The land cost can be considered as additional security if the land is not financed;
- e) The financed assets along with freehold/leasehold rights of the land together with collateral security shall be secured to the Corporation by way of registered simple mortgage and other legal requirements like CERSAI, registration charges with RoC etc., should be complied with;

10. SPECIAL CONDITIONS :

- a) The promoters should furnish a copy of the Power Purchase Agreement [PPA] which should in currency at the time of acceptance of application. The project viability should be assessed based on the power tariff applicable [Rs.6.50 per unit at present];
- b) The appraising officers should ensure that the panels proposed are of reputed make supplied by tier-I global suppliers with 25% output warranty backed by insurance and it should also be supported by bank guarantee by the EPC contractor to the extent of 5% of the project cost. Performance guarantee should also be insisted upon in respect of other equipments;
- c) 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. For this purpose, a tripartite agreement will have to be signed;
- d) In case, the project is on turnkey basis and the EPC contractor insists Letter of Credit, the promoters' contribution towards the project should be brought in and paid to the EPC contractor by way of DD/Cheque/RTGS and this contribution should be by way of capital as envisaged in the appraisal;

- e) Locational map/surveyor's sketch issued by the concerned statutory authorities should be collected and recorded;
- f) The project site should be inspected by the concerned branch head or head of the department at the HO along with technical offer before effecting the release of loan amount;
- g) 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.

11. DELEGATION OF SANCTIONING POWERS:

Loan amount up to Rs.5.00 crore	Managing Director
Loan amount between Rs.5.00 crore and Rs.10.00 crore	Executive Committee
Loan amount above Rs.10.00 crore	Board