

Lending Guidelines of the State Bank of India under Component-A of PM-KUSUM

S.No	Parameter	Particulars
1	Scheme	Component A of Pradhan Mantri Kisan Urja Suraksha Evam Utthan Mahabhiyan - (PM-KUSUM) Component-A.
2	Product Code	New Scheme code / Product code will be created
3	Objective	The Scheme has been launched to achieve the GOI's ambitious target of 100 GW of Solar Power generation by 2022 and also to provide the farmers an opportunity to increase their income by utilising their barren and uncultivable land for solar or other renewable energy based power plants.
4	Target group/Eligibility	Individual farmers/ Group of farmers/ Cooperatives/ Panchayats/ Farmer Producer Organisations (FPO)/ Water User associations (WUA). <i>Hereinafter called Renewable Power Generator (RPG).</i>
5	Purpose	Financing solar or other renewable energy based power plants (REPP) of capacity 500 kW to 2 MW on Barren / uncultivable land backed by PPA (Power Purchase Agreement) with Distribution Companies (DISCOM). Agricultural land is also permitted under the scheme provided that solar plants are installed in stilt fashion (i.e. raised structure for installation of Solar panels) and with adequate spacing between panel rows for ensuring that farming activity is not affected.
6	Activity	Installation of solar power or other Renewable Energy based Power Plants (REPP) on barren/fallow land, pasturelands and Marshlands or in stilt fashion on agriculture land owned by farmer.
7	Facility	Agricultural Term Loan (ATL). BG facility against 100% cash margin.
8	Quantum of finance	Max. 70% of the project cost. Max. Ceiling – Rs.10 Cr.
9	Margin	RPG Contribution: 30% of the Project Cost.
10	Debt Equity Ratio (Max)	Desired Level – 65:35 Acceptable Level - 70:30
11	Equity (Minimum)	At least 50% of the promoter's contribution to be brought in upfront. Disbursement pro-rata between debt and equity. However, RPG should infuse their entire equity before our debt level reaches 75% of total debt component.
12	DSCR	Acceptable level at P90 : 1.25 At P90 level Average Gross DSCR should not go below 1.10 on sensitivity with either of the following: i) Decrease in tariff by 5%. ii) Decrease in Generation by 10%. iii) Increase in O&M cost by 10%. iv) Increase in interest rate by 2%. No deviation should be permitted under sensitivity beyond 1.10. Generation estimates should be at P90 level only.

		<i>*P90 is essentially a statistical level of confidence suggesting that the predicted solar resource/energy yield has 90% probability of achievement. This also means that there is only a 10% chance that predicted production will be lower than the envisaged figure.</i>
13	LTV	70%
14	Fixed Asset Coverage Ratio(FACR) in a year	1.25 (Minimum).
15	Interest Coverage Ratio	Desired Level – 2.00 (Minimum). Acceptable Level - 1.75 (Minimum).
16	Loan Tenor	Door to Door tenor at Maximum 15 Years (comprising construction, moratorium and repayment period).
17	Moratorium Period	Maximum 12 months post COD.
18	Pricing/Interest rate	<ul style="list-style-type: none"> - Interest Rate to be based on CRA of the unit/borrower as per Circular No. CCO/CPD-INT/123/2017-18 (Sl.No.1418/2017–18) dated 01.03.2018 or further revisions thereof. - Interest would be charged at monthly intervals. <p>All term loans are subject to annual review based on the audited financials. Wherever rating has deteriorated, interest rates would be reset and spread shall be charged as per the current rating, with effect from the date of the audited financials.</p> <p><i>The branches may extend concessions to deserving units by obtaining approval from the competent authority in select cases as per the Authority structure mentioned in Circular Sl.No. 454/2018-19 dated 18.07.2018 or further revision thereof.</i></p>
19	Disbursements	The loan proceeds will be released directly to the MNRE approved/BIS specified suppliers of equipment/fixed assets after compliance of all sanction terms and documentation.
20	Repayment	<ul style="list-style-type: none"> • Maximum period of 15 years including moratorium period. • Repayment of instalment and Interest shall be at monthly intervals in line with the projected cash flows.
21	Security	Primary Security: (i) Mortgage of Project Land and Building (except forest land). (ii) Hypothecation of Plant & Machinery

		<p>(iii) Hypothecation of Receivables based on Tripartite Agreement with DISCOM and farmer backed by ESCROW arrangement under firm PPA.</p> <p>Collateral Security:</p> <p>(i) Assignment of PPA (ii) 100% cash margin for BG facility</p> <p>Personal Guarantees: Personal guarantee of the promoters to be obtained.</p> <p>CGTMSE: The borrower can avail the benefit of credit guarantee package (CGTMSE) by registering as MSME. In case, the borrower is availing the facility under CGTMSE, he has to comply with all the relevant guidelines.</p>
22	Pre-sanction survey / Due diligence	<p>Pre-sanction survey is a must to conduct due diligence of loan proposal including viability.</p> <p>To check the encumbrance, the digital land portal/revenue record may be perused besides verifying the extent of land and ownership. TIRs from empanelled advocate to be obtained as per extant instructions.</p> <p>Verification of KYC details of applicant (s). (Aadhar, Voter Identity Card, PAN card, etc.).</p>
23	Vetting by Sector Consultants	<p>The project should be vetted by Sector Consultant. The vetting should, inter- alia, cover (i) Project viability – vetting of project cost; (ii) Suitability of technology proposed to be adopted; (iii) Credentials of technology/ equipment supplier and EPC contractor; (iv) power evacuation arrangement; (v) energy yield assessment – irradiation level at the site. (vi) review of implementation philosophy/ schedule, etc.</p> <p><i>(List of Sector consultants is available on SBI Times – My Workplace – Departments 2 – Project Finance SBU)</i></p>
24	Track Record of EPC Contractor	<p>The credentials of EPC contractor/ equipment supplier should be vetted by the Sector Consultant. The EPC contractor's prior experience in implementation of similar size projects should be one of the criteria in appraisal.</p>
25	No dues certificate and usage of Credit Information Bureau	<p>Credit Information Bureau Reports (CIRs): To know the overall indebtedness of loan applicant, operational functionaries are advised for pulling up CIRs in a seriatim i.e. CRIF HIGH Mark > CIBIL.</p> <p>CIRs to be obtained from two Credit Bureaus since the limit would be greater than Rs.3.00 lakh</p>

		<p>The following order has to be followed for pulling CIRs from CIC (Credit Information Companies).</p> <ol style="list-style-type: none"> CRIF HIGH Mark Credit Information Services Pvt Ltd. Credit Information Bureau Limited (CIBIL). Equifax Credit Information Company of India. Experian Credit Information Company of India. <p><i>(e-Circular Sl.No.: 981/2018-19 dated 17.10.2018)</i></p> <p>Issuance of No Dues Certificate (property mortgaged to Bank): To prevent frauds and to avoid multiple lending from another bank on the same property mortgaged to Bank, a Standard Operating Procedure (SOP) has been prepared for issuance of 'No Dues Certificate'. <i>(e-circular Sl.No 683/2018-19 dated 29.08.2018).</i></p>						
26	Assessment of the credit limits	<p>The need based assessment for the requirement of credit limits has to be done as per the Bank's Policy on Financing Renewable Energy (RE) Projects (Refer Circular Sl. No. 761/2019-20 dated 03.09.2019). Branches should also refer the updated Renewable Energy Manual containing financing models and operating guidelines and benchmark parameters for financing Renewable Energy Power projects available on CPPD website <i>(SBITIMES> MY WORKPLACE> DEPARTMENTS 1> CPPD > GREEN BANKING >RENEWABLE ENERGY>)</i>.</p> <p>The loan proposals may be processed by the designated RACCs/SMECCs/RASMECs by CMC of the Circle including pre-sanction.</p> <p>CMC of the Circle shall consider identifying suitable officials on the lines of RM-ME/RM-SE to handle such proposals.</p> <ol style="list-style-type: none"> For Term loan up to Rs. 50 lakh: Not envisaged as plant size would be upward of 500 KW. For Term Loan above Rs.50 lakhs: Internal Credit Rating-Credit Risk Assessment (CRA) for assessing the credit risk of borrower for term loan facility is to be done as per extant instructions. <p>Hurdle Rate: Hurdle rate SB-10 as Loan Policy. However, latest CRMD Exposure setting for the Power Sector (Renewable Energy) to be checked for the Hurdle rate for considering new connections.</p>						
27	Documents	<p>The following set of documents may be obtained. The list is indicative and additional documents / undertakings if necessary, may be obtained as per legal advice / sanctioning authority stipulation: -</p> <table border="1"> <tr> <td></td> <td>Arrangement Letter</td> </tr> <tr> <td>AB-1</td> <td>Hypothecation Agreement</td> </tr> <tr> <td>AB-2</td> <td>Deed of Guarantee, if applicable</td> </tr> </table>		Arrangement Letter	AB-1	Hypothecation Agreement	AB-2	Deed of Guarantee, if applicable
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		AB-3	Mortgage Deed for Agri Land
		SME-5	Memorandum of recording creation of mortgage by deposit of title deeds in case of equitable mortgage.
		SME-6	Letter of confirmation for creating of mortgage by deposit of title deeds.
		SME-7	Memorandum for recording extension of mortgage by deposit of title deeds.
		SME-8	Letter of confirmation for extension of mortgage by deposit of title deeds.
		SM-9	Deed of Mortgage
		Tri-partite Agreement	Tri-partite agreement among DISCOM, RPG and the Bank for maintaining ESCROW Account for direct receipt of tariff
		<i>Documents from SME-5 to SME-9 would be obtained in case of equitable mortgage when AB-3 is not applicable</i>	
28	Land	The entire parcel of land required for the project should be in the possession of the farmer/applicant.	
29	Cost Over- run support	Entire cost overrun should be funded by the borrower/promoters	
30	Statutory Clearances	<p>The required clearances/ approvals should be in place, before disbursement of 1st tranche of the sanctioned credit facilities. The clearance may vary from state to state. However, the indicative list may include the following approvals/ clearances:-</p> <ul style="list-style-type: none"> • Change of land use: • Environmental /Forest Deptt. Clearances: • Project approval from State Agency for setting up the plant: • Aviation Clearance from Airport Authority of India (in case of wind power project) • NOC from Pollution Control Board: • Grid Connectivity Agreement with the Discom/ authority Concerned: 	
31	Power Purchase Agreement (PPA)	<p>PPA with Long term off take arrangement of 25 years with a DISCOM should be in place before disbursal of 1st tranche of the loan. PPA should be executed on the basis of model PPA agreement provided by MNRE (copy attached) and should be legally vetted by our law department/empanelled advocate to safeguard the Bank's interest.</p> <p>No deviation is to be permitted.</p>	
32	Evacuation Facility	<p>It is to be ensured by operating unit that adequate evacuation infrastructure is in place/will be put in place with the advancement of the project implementation. The power evacuation facilities should be in place before Scheduled COD (SCD) of the project so as to facilitate grid synchronization of the plant as per the envisaged commissioning schedule.</p> <p>The evacuation arrangement should be assessed critically, as any delay in this would render delay in project COD, thereby affecting project viability. It may be stipulated that the entire evacuation arrangement should be in place before say 75-80% disbursement is made.</p>	

33	Debt Service Reserve Account (DSRA)	Equivalent to 3 months principal and interest (Minimum) in the form of FDR/TDR. No deviation is to be permitted.
34	Sanctioning Authority	As per the Scheme of Delegation of Financial Powers
35	Review of Term Loan	As per the extant instructions, all term loan accounts should be reviewed once in a year to ensure inter alia that (a) progress of implementation of the projects is as per schedule, (b) the instalments due have been remitted (if not, the reasons for non-payment should be analysed), where the unit has gone into production and payment of instalments of the loan has commenced, and (c) re-phasing of instalments, where necessary, has been arranged for.
36	Penal interest rate in case of overdue instalment or interest	Penal interest of 0.40 percent per month or part thereof on the overdue principal and interest to be recovered till the overdues are adjusted.
37	End use of credit	The branch has to ensure that the funds disbursed are utilised as per sanction terms through periodical inspections/other means. The branch should obtain end use certificate duly signed by a chartered accountant for ascertaining that the (i) Total project cost is as per sanction terms; and (ii) Requisite promoters' margin is infused.
38	Inspection	Inspection would be carried out monthly during the implementation period and quarterly during operation period or more frequently if required, at the cost of the borrower.
39	Insurance	The Project Assets charged to the Bank shall be insured comprehensively against appropriate risks, including force majeure events both during and after the construction period, till the term loan is outstanding with the appropriate bank clause incorporated.
40	Valuation frequency of security	To be done every three years till the liquidation of the credit facilities.
41	Compliance of Environment, Social and Governance Policy	Ensure that the statutory clearances in respect of Environment are in place. Social concerns if any are duly addressed.
42	Technical Parameters	In order to ensure only quality systems are installed, prevailing MNRE/BIS specifications and quality control orders applicable for solar modules, inverters, Balance of System (BoS) and other equipment shall be followed.
43	Prepayment Penalty	2% on the pre-payment of entire outstanding if fully drawn or on the sanctioned limit, in case not fully disbursed. Applicable only in case of takeover of loan.
44	Upfront- fee	As per Extant instructions (<i>Refer Circular SI.No. 1599/2018-19 dated 27.02.2019 for current charges</i>).
45	Subsidy	No Government subsidy is proposed under the Scheme.
46	Subvention	No interest subvention is proposed under the Scheme.
47	CERSAI Registration	Primary/Collateral Security should be registered under CERSAI.

48	IRAC norms	IRAC norms applicable to term loans will be applicable.
49	Operations & Maintenance (O&M)	Long term O&M agreement for maintenance of plant is to be in place. Provision for /O&M Reserve for replacement of inverter after 7-8 years should be made before allowing withdrawal of funds from ESCROW account.
50	ESCROW Arrangement	As a payment security measure, a Tri-partite agreement/ESCROW arrangement may be entered among DISCOM, RPG and the Bank, wherein the DISCOM shall deposit/remit the tariff payable to RPG directly to the Account maintained with the Bank for the purpose. The Bank shall appropriate funds from this account towards payment of interest and instalments/other Bank charges for the TL given and for maintenance of DSRA and O&M Reserve. The funds from this account will also be used to meet operating expenses, statutory liabilities, taxes etc. related to the project. No deviation is to be permitted.
51	Bank Guarantees	The RPG is required to provide the following Bank Guarantees to DISCOM: <ul style="list-style-type: none"> • Earnest Money Deposit (EMD) of Rs. 1 Lakh/MW in the form of Bank Guarantee along with EoI. • Performance Bank Guarantee (PBG) of Rs. 5 Lakh/MW within 30 days from date of issue of Letter of Award. <p>The Bank Guarantees against EMD shall be returned to the selected RPG on submission of valid PBGs.</p> <p>Suitable NFB limits for BG facility against 100% cash margin, therefore, may be put in place at the time of sanction of TL.</p>
52	Commissioning	The selected RPG shall commission the solar power plant within twelve months (<i>Increased from nine months vide MNRE memorandum dated 13.11.2020</i>) from date of issuance of Letter of Award (LoA) by DISCOM or any agency authorized by the DISCOM. The RPG may commission the REPP during this period of twelve months and the DISCOM is obliged to purchase power from that commissioned REPP any time after the issuance of LoA. A duly constituted Committee of DISCOM officials (Commissioning Committee) will physically inspect the Plant in not more than 3 days from the date of receiving a call from the RPG and certify successful commissioning of the plant. In case any RPG fails to achieve this milestone, DISCOM shall encash the Performance Bank Guarantee (PBG).
53	“Scheduled Commissioning Date” or “SCD” of the Project	Shall mean 12 Months from the Date of issuance of LoA by the DISCOM to the RPG. SCD shall be mentioned in the proposal at the time of sanction of credit facilities.

54	Commercial Operation Date (COD)	<p>The Commercial Operation Date (COD) shall be considered as the actual date of commissioning of the solar power plant as declared by the Commissioning Committee.</p> <p>COD shall be mentioned in the proposal at the time of sanction of credit facilities.</p>
55	Compliance of terms & conditions of sanction pre-disbursement stage.	<p>The Loan should be disbursed only after:</p> <ol style="list-style-type: none"> 1. All necessary approvals from various authorities are in place excepting those approvals which are given post commissioning of the projects. 2. PPA duly vetted by Bank's Legal Cell has been received. 3. Creation of valid equitable mortgage, noting of charge wherever applicable and registration under CERSAI. 4. Documentation/creation of charge is complete in all respects and duly vetted as per extant instructions. 5. Environmental/Forest Deptt. clearances are received from appropriate authorities. 6. Grid Connectivity Agreement is in place. <p>No deviation is to be permitted.</p>
56	Classification under PSL	<p>Farm Credit – Agriculture</p> <p>The disbursements under the scheme are eligible to be categorized under PSL up to aggregate sanctioned limit of Rs.100 Cr per borrower (<i>RBI notification dated 04.09.2020 on Master Directions – Priority Sector Lending- Targets and Classifications, Chapter -III, Page No. 7, Point No. 8.1 (ix) under Agriculture</i>).</p>
57	Setting up of REPP By Developer	<p>In case the farmers/ group of farmers/ cooperatives/ panchayats/ Farmer Producer Organisations (FPO)/ Water User associations (WUA) etc. are not able to arrange equity required for setting up the REPP, they can opt for developing the REPP through developer(s) or even through local DISCOM, which will be considered as RPG in this case. In such a case, the landowner will get lease rent as mutually agreed between the parties. The lease rent may be in terms of Rs per year per acre of land or in terms of Rs per unit energy generated per acre of land area. The farmer(s) may opt for payment of lease rent directly in their bank account by the DISCOM, from the payment due to the developer. A model Land Lease Agreement to facilitate the beneficiaries has been prepared by MNRE. However, the terms of Land Lease Agreement may be finalised on mutual consent of concerned parties.</p> <p>In the above said scenario the borrower (developer) would be a third party other than the farmer. In case the developer is a private entity or DISCOM, it shall not fall under the definition of Farm credit as mentioned in <i>RBI notification dated 04.09.2020 on Master Directions – Priority Sector Lending-</i></p>

		<p><i>Targets and Classifications, Chapter -III, Page No. 7, Point No. 8.1 (ix) under Agriculture).</i></p> <p>Therefore, in such case separate activity wise product codes as mentioned in Circular SI.No. 188/2017-18 dated 16.05.2017 as applicable to the Developer can be used. The operating functionaries would be advised to take appropriate documents as applicable to the segment of the borrower besides taking additional precautions/ completing additional formalities in view of the lease agreement between the farmer and the Developer as per extant instructions of the Bank.</p>
58	Other Conditions	<p>i. The REPP will be preferably installed within five km radius of the sub-stations in order to avoid high cost of sub-transmission lines and to reduce transmission losses.</p> <p>ii. States/DISCOMs may allow setting-up of solar or other renewable energy-based power plants of capacity less than 500 kW in specific cases based on techno-commercial feasibility.</p> <p>iii. There shall be no penalty to RPG for shortfall in solar power generation from minimum prescribed Capacity Utilisation Factor (CUF) (<i>Changed from minimum 15% CUF on annual basis vide MNRE memorandum dated 13.11.2020</i>).</p> <p>iv. Availability of Water: Water is mainly required for cleaning Solar PV Modules and maintaining optimum efficiency of modules in case of solar power projects.</p> <p>v. Finance to individual farmers to be done with approval by CGM (ABU & GSS) considering merits on case-to-case basis.</p> <p>vi. Please referred latest RMD advisories about the sector/ industry.</p>