

## Loan Scheme to promote the Concentrating Solar Thermal (CST) Projects in India for Industrial Process Heat Applications

SOFT LOAN (PART A)  
BRIDGE LOAN (PART B)

### Financial & Operational Guidelines

September 2016

#### GEF–UNIDO–MNRE PROJECT

The UNIDO's Solar project is designed to complement MNRE's support programme by helping to **remove barriers associated with Concentrating Solar (CS) technology, its awareness, capacity building, market and financial barriers** through innovative technical and financial support. It aims to create the necessary enabling environment for increasing penetration and Scaling up of CST Technology in India through an innovative financing mechanism; and to provide technology application information packages and standardization of CS performance measurement.

Different concentrating solar technologies have been developed or are currently employed for various commercial and industrial applications for heating, cooling and tri-generation. Concentrating solar collectors such as parabolic trough or dish collectors, non-imaging concentrators or a Linear Fresnel system can be used to supply heat in the temperature range of 80 – 250 Deg. C. Applications of solar heat at such medium and high temperatures would be considered in the selected industrial sectors.

The loan scheme developed under the framework of this project focuses on promotion of concentrating solar thermal system for process heating and cooling applications in selected industrial sectors to reduce greenhouse gas (CHG) emissions. CST equipment manufacturing and other CST ancillary activities may also be supported under this scheme.

## **Table of Contents**

1. Objective of the Scheme	3
2. Benefits of the scheme	3
3. Important Information	3
4. Loan Scheme	3
5. Process Flow	5
6. Eligibility	6
7. Minimum Loan amount	7
8. Disbursement Schedule	8
9. Security and Guarantee requirements	8
10. Fees and Charges	9
11. Other Guidelines	9

## **Abbreviations:**

1. CST – Concentrated Solar Technology
2. MNRE – Ministry of New & Renewable Energy
3. UNIDO – United Nations Industrial Development Organization
4. IREDA - Indian Renewable Energy Development Agency
5. CFA – Central Financial Assistance (Central Subsidy)
6. DPR – Detailed Project Report
7. GEF – Global Environment Facility
8. GHG – Green House Gas

---

## 1. OBJECTIVE

The Ministry of New & Renewable Energy (MNRE) in partnership with United Nation Industrial Development Organisation (UNIDO) and IREDA (Indian Renewable Energy Development Agency) under the GEF-UNIDO-MNRE project launches an innovative financing scheme to promote adoption and of Concentrated Solar Thermal (CST) Technologies for thermal applications in the specified industrial sectors.

It aims to create the necessary enabling environment for increasing penetration and Scaling up of CST Technology in India through an innovative financing mechanism.

---

## 2. BENEFITS OF THE LOAN SCHEME

- **Soft Loan**  
Soft loan available at a low rate of interest for 7 years inclusive of 1 year moratorium.
- **Single Window for multiple funding**  
Single application to IREDA for MNRE subsidy, IREDA Soft Loan and Bridge Loan.
- **Simpler processing and documentation**  
Composite loan application form for Soft Loan and Bridge Loan

---

## 3. IMPORTANT INFORMATION

This document will serve as the guide for the beneficiaries seeking loan for the installation of CST systems, and will also highlight the salient features of the scheme.

The application for loans (Part A & Part B) are required to be submitted on-line at [www.ireda.gov.in/cst](http://www.ireda.gov.in/cst)<sup>1</sup> along with a copy of the DPR. Hard copies of the same along with all required documents and applicable fee should reach IREDA within 7 days of submission of the on-line application. Application formats for the loans along with the checklist of documents required to be submitted along with the application are available at the IREDA website [www.ireda.gov.in/cst](http://www.ireda.gov.in/cst).

It is recommended that the user downloads the application forms to get familiarised with the process of submitting the forms and the required documents including Detailed Project Report (DPR) for a CST project.

Application form for MNRE Subsidy (CFA) only can be downloaded from the Ministry's website: [www.mnre.gov.in](http://www.mnre.gov.in)

---

## 4. THE LOAN SCHEME

The Loan scheme aims to provide upfront financial assistance to beneficiaries to overcome the financial constraints faced in the adoption and penetration of CST technologies.

Under this scheme, financial assistance is available for up to 75 % of the CST project costs.

### 4.1 Scheme Highlights

#### **PART A: SOFT LOAN FROM IREDA**

<b>Rate of Interest</b>	<b>7 %</b>	After considering UNIDO interest subvention
<b>Repayment Period</b>	<b>7 years</b>	1 year moratorium + 6 years repayment

#### **PART B: BRIDGE LOAN AGAINST MNRE SUBSIDY**

<b>Rate of Interest</b>	<b>12 %</b>	The rate is applicable till the project is commissioned. On commissioning, the MNRE subsidy will be passed to the project and the bridge loan will be closed
-------------------------	-------------	---

**Note:** The Project would be eligible for interest rebate of 1 % in the event of Borrower furnishing security of Bank Guarantee/ Pledge of FDRs as the primary security, equivalent to the amount sanctioned by IREDA for both soft loan and bridge loan.

#### **Indicative Project Cost Structure:**

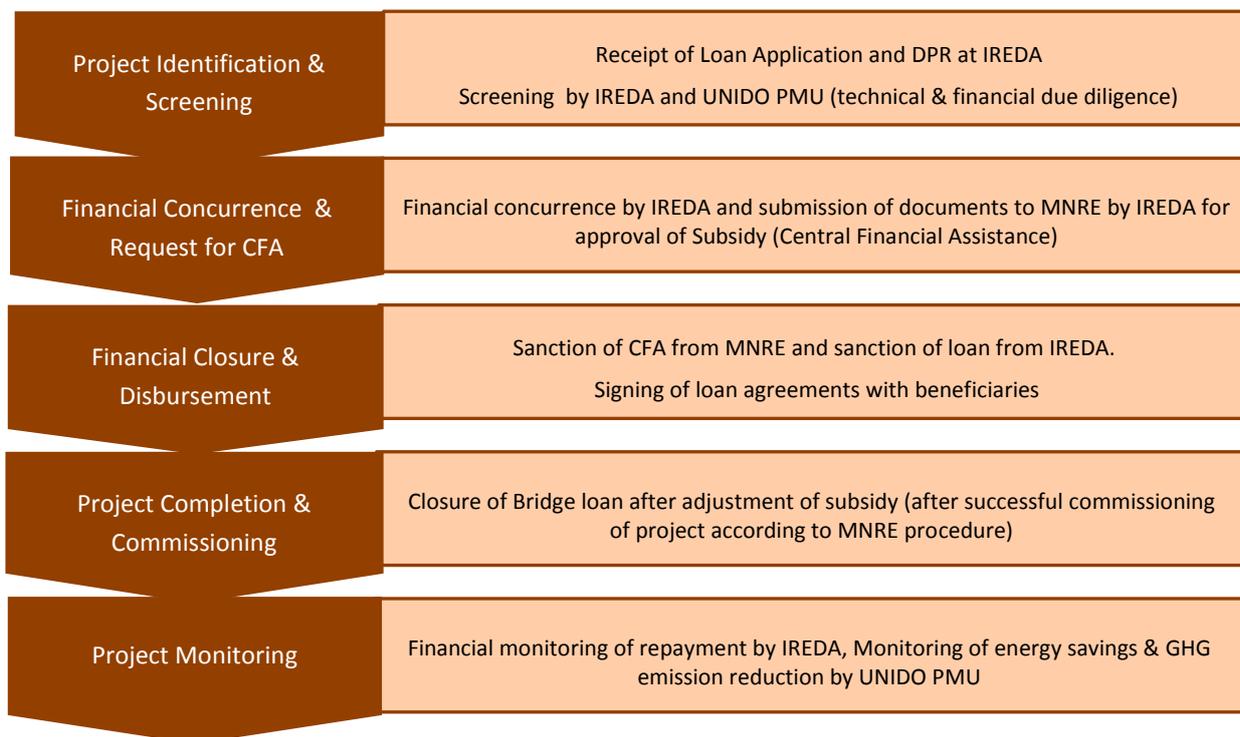
Minimum Promoters Contribution -	25 %
Soft Loan -	45 %
MNRE Subsidy -	30 %
	-----
Total -	100 %
	-----

**Note:** Quantum of Soft Loan will depend on the MNRE subsidy and approval by UNIDO-PMU.

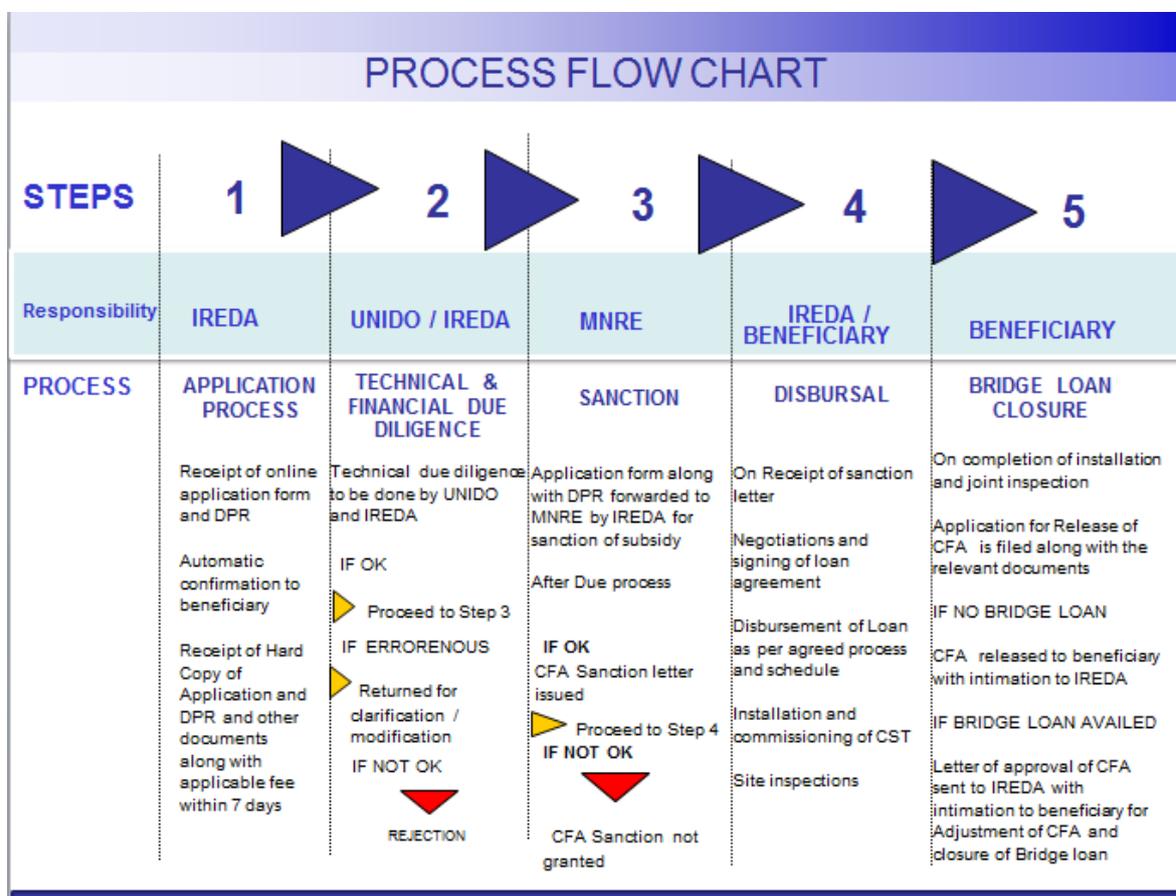
**Note:** The Project would be eligible for interest rebate of 1 % in the event of Borrower furnishing security of Bank Guarantee/ Pledge of FDRs as the primary security, equivalent to the amount sanctioned by IREDA from Scheduled Commercial Banks as described in RBI Act or Unconditional or Irrevocable guarantee from All India Public Financial Institutions with "AAA" or equivalent rating.

## 5. PROCESS FLOW

### 5.1 Loan Process Flow



### 5.2 Loan Process Diagram



#### A. Submission of the loan application

On completion and submission of Loan Application online, a confirmation will be generated and forwarded to the applicant via email. Hard copy of the application along with other required documents signed by the authorised person (all in duplicate) along with applicable fee are required to be submitted to the following address within 7 days of electronic submission.

Chairman & Managing Director  
Indian Renewable Energy Development Agency (IREDA)  
Core 4-A, India Habitat Centre  
Lodhi Road, New Delhi 110003  
Tel.: +91. 11. 2468 2201; Fax: +91. 11. 2468 2202; Email: cmd@ireda.gov.in

#### B. Technical Evaluation

Screening of the proposal and DPR to be conducted by the Project Appraisal Committee of IREDA and UNIDO PMU. Technical due diligence will be carried out by IREDA/ UNIDO PMU. Financial concurrence by IREDA.

Sanction letter for CFA will be issued by Ministry and forwarded to IREDA.

Applicants who are not successful will be intimated.

Time duration: within 30 days from submission of hard copy of the required documents at IREDA.

#### C. Financial Evaluation

On receipt of the Sanction Letter from Ministry (MNRE), the financial evaluation will be conducted as per the norms of IREDA. Once the loan application is approved, sanction letter will be issued to beneficiary by IREDA under UNIDO project.

Time duration: 60 days

#### D. Conclusion

Signing of Loan agreement and disbursement according to the agreed process and schedule.

#### E. Closure of Bridge Loan

The beneficiary will have to submit to IREDA (in hard copy) the request application for release of CFA along with the other following documents (available at [www.mnre.gov.in](http://www.mnre.gov.in)) 15 days after the successful completion and installation of the CST project,

- Application for Release of CFA
- Audited Statement of Expenditure ( on the letter head of a Chartered Accountant)
- Joint Inspection Report
- Statement of Undertaking

IREDA will forward the same to MNRE for approval of release of subsidy. On receipt of the letter for release of CFA, the bridge loan will be closed. Interest on the Bridge loan will be charged up to the date of the approval letter.

---

## 6. ELIGIBILITY

### 6.1 Projects Eligible for Assistance

Any entity as per IREDA guidelines setting up a solar thermal heating/ cooling/ tri-generation project.

### 6.2 General Applicant Eligibility norms.

Eligible Entities/ Categories as per IREDA norms shall include the following. • Private Sector Companies/ firms • Central Public Sector Undertaking (CPSU) • State Utilities/ Discoms/ Transcos/ Gencos/ Corporations • Joint Sector Companies

Applicants, registered in India, falling under any of the above categories, with borrowing powers and powers to take up new and renewable energy and energy efficiency projects as per their Charter, are only eligible to apply for financial assistance from IREDA except for the following:

a) Trusts, Societies, Individuals, Proprietary concerns and Partnership firms (other than Limited Liability Partnerships, LLPs). However, they can be considered for financing only if they provide Bank Guarantee / Pledge of FDR issued by Scheduled Commercial Banks as described in RBI Act for the entire loan.

b) Loss making applicants and/ or, Applicants with accumulated losses (without taking in to account effect of revaluation of asset, if any) as per audited Annual Accounts of the immediate preceding financial year of operation. However, they can be considered for financing only if they provide security of Bank Guarantee/ Pledge of Fixed Deposit Receipt (FDR) issued by Scheduled Commercial Bank as described in RBI Act for the entire loan.

c) Applicants who are in default in payment of dues to Financial Institutions, Banks, NBFCs and/or IREDA.

d) Applicants/ Group Companies and/or Core promoters of the applicant company who,

- Default in payment of IREDA dues and/ or defaults of other banks/FI.
- Classified as willful defaulters as defined by RBI/ classified by other FIs and/ or,
- Had availed OTS from IREDA and/ or, from other Banks/FI.
- Convicted by court for criminal/ economic offences or under national security laws e)  
Greenfield Projects involving second-hand equipment and machinery.

---

## 7. MINIMUM LOAN AMOUNT

The minimum loan eligibility from IREDA will be Rs. 50 lakhs.

---

## 8. DISBURSEMENT SCHEDULE

The following disbursement schedule is applicable for both Part A (Soft Loan) and Part B (Bridge Loan)

<b>Instalment</b>	<b>Percentage</b>	<b>Terms</b>
1 <sup>st</sup> instalment	30 % of loan amount	On signing of the loan agreement and inflow of minimum 30 % share of promoters contribution
2 <sup>nd</sup> instalment	30 % of loan amount	Inflow of additional 60% share of promoter's contribution and after delivery of all equipment at site
3 <sup>rd</sup> instalment	30 % of loan amount	Inflow of minimum 90% share of promoter's contribution, On final installation of CST equipment at location
4 <sup>th</sup> instalment	10 % of loan amount	On completion, commissioning, testing and inspection and utilization of 100% of the promoter's contribution.

### \* NOTE

Main loan and bridge loan will be disbursed proportionately as indicated in the table above.

---

## 9. GUARANTEE & SECURITY

- As per IREDA's norms (Please see IREDA guidelines)
- Additionally performance guarantee from supplier for a period of 7 years or until complete repayment of loan and payment guarantee from the beneficiary
- The promoter shall give an undertaking that in case non – release of Capital Subsidy, the company will bring in equity to repay IREDA Loan.

---

## 10. FEES & CHARGES

### 10.1 Processing Fees

<b>Loan Applied</b>	<b>Registration Fee per application</b>
Up to 1 Crore	Rs. 10,000 ( plus service tax and education cess as applicable )
Above 1 crore	Rs. 30,000 ( plus service tax and education cess as applicable )

## 10.2 Front-end Fees

**Front-end Fee:** The borrowers will have to pay front-end fee as below after issuance of loan sanction letter and before signing of the loan agreement.

Loan slab	Front-end Fee (% of loan amount)
Up to 5 crores	0.50 % of the loan amount
Above 5 crores	1.0 % of the loan amount

A rebate of 20 % is available to the beneficiary if the loan agreement is signed within 60 days of the sanction of loan.

---

## 11. OTHER GUIDELINES

### 11.1 Insurance

The borrower will ensure insurance coverage of all works and equipment's during construction and also during operation. The cover should remain operative till the loan is fully repaid.

### 11.2 Others

For all other terms not specifically mentioned in this document (please refer to the FINANCING NORMS AND SCHEMES (Doc no. IREDA / FG / Part 1 / Issue No. 2 / updated 29.06.2016, [www.ireda.gov.in](http://www.ireda.gov.in) – Financing Norms). The terms and conditions specifically enumerated in this document will override the terms mentioned in the Financing Norms and Schemes mentioned which are in variance.