

Scheme for Financing of “Biomass projects for heating applications for commercial use”

1. Background

Bio-energy has received remarkable attention in India due to increasing environmental concerns. In India, there is abundance of Agricultural crop residues which is likely to increase in the coming years. Majority of the crop residues are either processed in uneconomic way or get destroyed by burning unscientifically causing environment degradation, which could be potentially used for production of useful fuels and chemicals. Biomass has been used extensively as fuel in boiler for power generation. Biomass fuel can also be utilized for production of steam/ heat by burning of biomass in boiler for using in manufacturing process of industry.

2. Scheme Objective:

The main objective of the Scheme is to provide financial assistance to biomass project for heating applications to set up facilities which in turn promote processing of agriculture crop residues in an economic way and support sustainable environment.

3. Eligible Entities

The Applicant should have a valid third party agreement for supply of steam to the consumer / for captive consumption.

4. Minimum Loan Requirement

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

5. Promoter Contribution and Quantum of Loan

Financing norms relating to quantum of loan and minimum promoter contribution, are given below: -

Minimum Promoter Contribution, Quantum of loan & Maximum Debt Equity Ratio:

- a) Quantum of loan from IREDA shall be up to 70% of the total Project cost.
- b) The minimum promoter contribution shall be 30% of the project cost.

6. Disbursement, Repayment Period & Interest Rates

- a) Loan disbursement shall be as per IREDA existing guidelines.
- b) The repayment period shall be maximum of 8 years, depending on the project cash flows & DSCR of the project and it shall be after the implementation & moratorium period. The moratorium period shall be up to 12 months from the date for COD of the project.
- c) Applicable interest rate will be as applicable for biomass sector, depending on the internal rating (CRRS) of the project/promoter.

Note:

- The interest rates may be revised as per IREDA's internal process through interest rate fixation committee
- Interest rates prevailing at the time of each disbursement shall apply
- Additional Interest @ 0.50% over and above the applicable rate of interest shall be charged till the date of commissioning of the project

7. Fees and charges: As per existing guidelines

8. Securities: Company shall provide exclusive charge or pari-passu charge in case of co-financing on land by way of mortgage and on plant & machinery by way of hypothecation of movable assets of the project. In case mortgage of land is not feasible, corporate guarantee/Letter of Comfort from beneficiary/off-taker Company to be obtained. Additional securities such as pledge of shares, mortgage of Collateral security, corporate & personal Guarantees etc. may be obtained to the satisfaction of IREDA.

- Revenue from sale of steam supply should be routed through TRA and charge on revenue streams and Trust & Retention account (TRA) should be taken
- Other security conditions will be as per existing IREDA Guidelines.

9. General Conditions

- IREDA shall finance not more than one biomass project for heating applications for commercial use in a radius of 50 KM, whether funded by IREDA/other FIs.
- IREDA reserves the right to debit all expenses incurred on inspection (including the visit prior to sanction of project) and monitoring charges of projects involving IREDA's loan are to be borne by the borrower.
- IREDA reserves the right to nominate/withdraw Nominee Director(s) on the Board of borrowing company. IREDA also reserves right to appoint Concurrent Engineers/Auditors, if required.
- The borrower is required to follow transparent and competitive bidding procedure and shall demonstrate that the procurement procedures adopted by them are appropriate to the circumstances and that the quality goods, services and works are purchased at reasonable and competitive prices, account being taken also of other relevant factors such as time of delivery, efficiency and reliability of the goods and works, their suitability for the project and availability of maintenance facilities and spare parts and quality and competence of the parties rendering them. The borrower shall provide all such information and documents reasonably required in connection with the procurement of any goods, services and works to be financed by IREDA.
- Project shall follow best practices with respect to environmental and social aspects.
- Other terms and conditions shall be as per prevailing Financing Norms/ Guidelines of IREDA