

## IREDA Loan Scheme for “Compressed Bio- Gas (CBG)” under SATAT Scheme

### **I. Background:**

Biogas is produced from waste / bio-mass sources (e.g., agricultural residue, cattle dung, sugarcane press mud, municipal solid waste, and sewage treatment plant waste) through the process of anaerobic decomposition. Compressed Biogas (CBG) has calorific value and other properties similar to Compressed Natural Gas (CNG) and hence can be utilized as green renewable automotive fuel. Thus, it can replace CNG in automotive, industrial, and commercial areas, given the abundance biomass availability within the country.

SATAT’ (Sustainable Alternative Towards Affordable Transportation) Scheme on Compressed Biogas (CBG) was launched on 1st Oct 2018 by Ministry of Petroleum and Natural Gas, Government of India. The objectives of the scheme are:

- Utilizing more than 62 MMT of waste generated every year in India,
- Cutting down import dependence,
- Supplementing job creation in the country, and
- Reducing vehicular emissions and pollution from burning of agricultural / organic waste.

As per information provided by Ministry of Petroleum and Natural Gas, Govt. of India, it is planned to roll out 5,000 CBG plants across India in a phased manner. These plants are expected to produce 15 million tonnes of CBG per annum, which is about 40% of current CNG consumption of 44 million tonnes per annum in the country. RBI has also notified that Loans to start-ups (up to ₹50 crore) for setting up Compressed Biogas (CBG) plants are included under priority sector lending. Hence, there is a sizeable opportunity for the Banks/FIs to finance such projects over the next few years. Further, as per the Business Plan of IREDA for FY 22 to FY 26, financial assistance to CBG is part of the disbursement targets.

### **II. Business Model:**

The business model has been framed by the Oil Marketing Companies and indicated in the Letter of Intent (LoI) issued to the entrepreneurs. CBG plants are proposed to be set up mainly through independent entrepreneurs who will be responsible for planning and execution of the projects (including sourcing of raw materials, operation, and maintenance of plants) as well as maintaining final product output quantity and quality. CBG produced at these plants will be transported by the LoI holders through cascades of cylinders or pipeline to the fuel station networks of OMCs for marketing as a green transport fuel alternative. The 1,500+ CNG stations network in the country currently serves about 32 lakh gas-based vehicles which can be used for the purpose.

### III. Loan Scheme:

#### *“Compressed Biogas (CBG) under SATAT”.*

1	Sector	Waste to Energy/Bioenergy
2	Sub Sector	CBG under SATAT
3	Eligibility	<p>1. Entrepreneurs having:</p> <ul style="list-style-type: none"> <li>• Contract Agreement for sale of CBG with OMCs with 100% off take guarantee. The tenure of agreement should be more than the loan duration.</li> <li>• Legally binding contract for purchase of raw materials. The tenure of agreement should be more than the loan duration.</li> </ul> <p>2. All other terms &amp; conditions as per prevailing IREDA Norms/guidelines</p>
4	Minimum Loan amount	As per IREDA Norms
5	Loan tenure	Upto 10 years excluding moratorium and construction period or 80% of the life of contract agreement for sale of CBG, whichever is less
6	Moratorium	Upto 1 Year
7	Construction Period	Upto 1.5 Year
8	Debt Equity ratio	70:30
9	IREDA Loan amount limit	Maximum up to 70% of the project cost
10	Interest rate	As per IREDA Policy
11	Upfront Equity	At least 50% of the Promoters contribution should be brought in upfront in form of pure equity.
12	Primary Security	<ul style="list-style-type: none"> <li>• Mortgage of immovable assets by way of deposit of title deeds or any other legally recognized mode</li> <li>• Hypothecation of movable assets, both existing and future, subject to prior charge of Banks on specified current assets.</li> <li>• TRA for depositing project receivables from OMCs and building up DSRA as per IREDA Norms</li> <li>• Any other security as may be feasible, as per IREDA Norms</li> </ul>
13	Collateral security	<p>One or more additional securities, from the following:</p> <ul style="list-style-type: none"> <li>• Mortgage of urban residential/ commercial land based on project strength</li> <li>• Pledge of share - minimum 51%</li> <li>• Personal Guarantee</li> <li>• Corporate Guarantee</li> <li>• Bank Guarantee/ FDR for an amount not less than 10% of IREDA loan amount</li> <li>• Any other security, to the satisfaction of IREDA</li> </ul>

14	General Conditions	<ul style="list-style-type: none"> <li>• Execution of project should be preferably through an experienced Contractor</li> <li>• Lender's Independent Engineer (LIE) to be appointed for close monitoring</li> <li>• The applicant will provide all statements, information, materials, and explanations relating to its business and financial position including Annual Audited Financial Statements and Directors'/Auditors' Reports etc.</li> <li>• The applicant shall obtain all the statutory clearances/approvals, as may be required for implementation/operation</li> <li>• The Company shall submit production and sales details on monthly basis</li> </ul>
15	All other term and conditions	As per IREDA guidelines

**Fees and charges:** As per existing guidelines

**General Conditions**

- The borrower shall provide all information and documents reasonably required in connection with the procurement, of any goods, services and works to be financed by IREDA, as per the established commercial practices.
- IREDA may share the charge of assets as per extant policy.
- The subsidy/grant, if any given by the Central Government/ State Governments shall be adjusted against loan sanctioned by IREDA.
- The interest subvention/interest subsidy, if any given by State/Central Govt., will be passed on to the project.
- Other terms and conditions shall be as per prevailing Financing Norms/ Guidelines of IREDA.

**Other Conditions**

- Securities and terms & conditions of the loan may be aligned with Lead Lender/ Lead Arranger, if any, to the satisfaction of IREDA.
- CMD, IREDA is authorized to make amendments/ /modifications/ consequential changes, if any as may be required from time to time.

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