



Annexure "A"

THE H.P.STATE COOP.BANK LTD;
H.O.THE MALL SHIMLA

SCHEME FOR FINANCING SMALL HYDEL POWER GENERATION PROJECTS

BACKGROUND :-

Himachal Pradesh is being reckoned as "Prospective Power House of Northern India". Himachal has identified Hydel power generation potential of over 20,000 M.W. against which a meager potential has been tapped so far. The Govt. of H.P. has accorded highest priority to tap this Hydel power potential and as a result number of MOUs for mini/Micro, Medium and Big power projects have been signed. The main feature of the approach is that private sector is being given the priority, which gives scope for financing to the bank. As far as economic viability of the sector is concerned, keeping in view the huge gap in demand & supply in the Northern Grid, there would not be any dearth of demand for the product in the near future, which motivated to prepare the scheme.

Further, till now there were some restrictions on cooperative banks from NABARD for entering into this sector for financing, which have lately been removed as a result of persuasion from the bank with RBI and NABARD. The bank may now entertain proposals with installed generation capacity upto 5 M.W. at its own and projects with more capacity under consortium with some organization having technical expertise of the field. It is in this background that this scheme has been prepared.

THE SCHEME:-

This scheme may be known as "SCHEME FOR FINANCING OF SMALL HYDEL POWER PROJECTS". The basic purpose of the scheme would be to help in appraising & sanctioning proposals received by the Bank for financing the credit requirements of small Hydel sector with capacity of 5 M.W. at its own and projects with capacity of over 5 M.W. under suitable consortium with other banks/institutions as decided by the bank from time to time on case to case basis.

APPLICABILITY/COVERAGE :-

The scheme will be applicable in the whole State of Himachal Pradesh. The Scheme however shall not be applicable at Branch Office, Azadpur Delhi.

ELIGIBLE APPLICANTS:-

Under the scheme proposals received from the following categories of borrowers shall be considered for sanctioning:-

- i) All Private/public companies.
- ii) Cooperative Societies/Coop. Institutions, registered for the specific purpose.
- iii) Associations & Trusts etc.

Individual entrepreneurs & partnership concerns are not eligible for the loan, unless they enroll themselves in a company, association or trust. The units shall be duly registered or should have applied for registration to the concerned authorities.

The projects upto 2 M.W. shall be only be considered as allotted to bonafide Himachali and for Cooperative societies comprising of bonafide Himachalis. In case of projects above 2 M.W. too, preference in consideration may be given to those, which are allotted and executed by the bonafide Himachali promoters.

PROJECTS :-

Only the projects as identified and duly allotted by the state Government /HIMURJA or any other agency as authorized for the purpose from time to time shall be considered by the bank for financing under the scheme. The categorization of such projects as on date are as under;

- | Projects | Power generation capacity |
|------------------------------------|---------------------------|
| i) Micro Hydel Powers projects = | upto 100 K.W. |
| ii) Mini Hydel Powers projects = | >100 K.W. to 5 M.W. |
| iii) Small Hydel Powers projects = | >5 M.W. to 25 M.W |

MAXIMUM LIMIT OF LOAN:-

Upto 5 M.W.

The maximum limit of loans that may be considered for sanction under the scheme shall be Rs. 5.00 crores per M.W. or as applied by the promoter or as calculated in the D.P.R. whichever is least. This scale of finance may be proportionately applied to other fragmented proposals of different capacities. As such for projects with capacity of 5 M.W. the maximum loan limit shall be Rs. 25.00 crores. The scale for financing projects shall be Rs. 5.00 crores per M. W.

Above 5 M.W.

The projects having power generation capacity of over 5 M.W. may also be considered by the bank as suitably decided by the authorities from time to time and for the purpose may also consider to form consortium with some other bank(s)/institutions. However, the scale of finance shall remain at Rs. 5 Crore per M.W. and the maximum limit to which loans can sanctioned shall be as permitted under exposure limit of the bank determined from time to time.

PROMOTER'S CONTRIBUTION:-

The borrowing applicant /organization/ Unit shall have to contribute /pool own resources atleast to the extent as detailed hereunder against total project cost;

- i) Where Promoter is a coop. society/Inst.10%
- ii) All Other Promoters25%

This equity shall have to be deposited in the account to be opened with the bank to satisfy the bank about its capacity to contribute toward the required equity, which may be withdrawn proportionately in accordance with its application on said project.

However if the promoter organization satisfies the bank about its infrastructure and capacity, the equity contributed or proposed to be contributed in kind viz; through personnel, machinery, work accomplished/to be accomplished may also be considered subject to verification and authentication by some technical organization engaged/identified by the bank for the purpose. The cost of such verifications shall be borne by the applicant borrower. *The Board of Directors shall be competent to consider reducing or increasing the promoters on case to case basis.*

SECURITY:-

The loans advanced/being advanced by the Bank under the scheme shall be secured by way of following securities:-

- All the assets created under the project viz. all civil constructions, electro-mechanical components and other fixed/ current assets created/to be created shall be hypothecated/Mortgaged in favour of the bank. If the loan for any one component viz, Civil construction or Electro Mechanical components is sanctioned by some other Bank/institution, the same may be exempted from being charged, however on such assets 2nd charge may be created. The components financed shall have the 1st charge of the bank.
- The Bank will have first charge on the electricity produced.
- The electricity generated would be sold to the State Electricity Board or any other organization as approved for the purpose from time to time. A Power Purchase Agreement (

PPA) or Irrevocable Undertaking from the HPSEB is required, to be furnished by the borrower to the effect that the proceeds of the electricity purchased shall be remitted directly to the Bank for crediting it into the loan a/c of the developer/project executor.

Collateral Security: -

In addition to the primary security(ies), (securities created out of loan proceeds), collateral security will also be required to be furnished by the borrower/ promoters of the project. The value of such collateral securities shall atleast be equal to 5% to 10% of the project cost. The type, location and valuation of such securities shall be acceptable to the Bank.

The Board of Directors of the Bank, however, may consider to relax/ enhance this condition of collateral security keeping in view the project characteristics, promoter's worth etc. But no such relaxation will be considered where the electricity generated under the project is proposed to be sold to any other than State Electricity Board.

RATE OF INTEREST :-

The rate of interest under the scheme shall be charged as determined & conveyed by the Head Office from time to time. However initially the same shall be charged @ as detailed hereunder:-

- i) Cooperative societies/Coop. Inst....11.0% p.a.
- ii) Others11.5% p.a.

The rate of interest shall be subject to revision from time to time. The sanctioning authority may consider to stipulate fixed interest rate or flexible rate as is demanded by the party, but the Fixed rate shall be higher than the flexible rate. The interest shall be charged on monthly compounding basis.

In case of default, penal interest shall be charged @ 1% over normal rate for the period and amount of default.

NODAL AGENCY:-

These projects being of technical nature, it is proposed to identify & engage an organization expert of the field as its " Nodal agency ". The Bank would be paying some "annuity " a for the service rendered by them. This nodal agency may help the bank in;

- a) Identifying the different ongoing projects developed by the parties and bringing both the parties together to evolve scope for financing.

- b) Studying Detailed Project report (DPRs) of the project and to suggest on all technical matter including future prospects of the project.
- c) Verifying approval, sanction and other documents of the project and to suggest as to whether the same are complete.
- d) Verification of the utilization of loan released and recommendation regarding the quantum of loan required to be released.
- e) To ensure quality control by the project developer /executor and to suggest on agency & quality from where the machinery is being procured by the developer.
- f) Any other related issue on which the opinion of the nodal agency may be required by the bank for sanction of the project.

REPAYMENT PERIOD:-

The loans under the scheme may be sanctioned for a total repayment period of 13 years including moratorium period. The moratorium period may be sanctioned between period of 1 to 3 years depending upon the project, period allowed in approval/ sanction, surplus generated etc.

The interest charged during the period of moratorium may be either paid by the party or may be considered for being capitalized, to be recovered alongwith regular installment, as requested by the party. In case of being opted for capitalization, it shall not be accounted for in the cost of project.

PROCESSING FEE/other CHARGES:-

The applicant organization shall have to pay the upfront fee at the rate of 1% of total project cost at the time of submission of the project. However, if the project is rejected, only 50% of the fee shall be refunded. Further project inspection & other charges as stipulated by the bank from time to time shall also required to be paid by the borrower.

SYSTEM OF RECOVERY :-

The monthly/quarterly installment as fixed by the bank shall be recovered out of the sale proceeds of the generated electricity. The Bank may open an Escrow account wherein all the project receipts shall be deposited by the borrower including the receipts from the HPSEB in respect of electricity purchased. The Bank shall have irrevocable undertaking from the borrower to I recover the amount of installments out of this account. Where the same is being sold to some other consumers, in that case too those purchasers shall be paying the proceeds directly to

the bank. Irrevocable instructions to this effect shall be given by the developer to those purchasers with a copy endorsed to the bank.

SHARE LINKAGE:-

In case of Cooperative society / institution being the borrower, they shall be enrolled as member and share linkage at the ratio of 1:20 or as fixed by the RCS from time to time in respect of such loans shall be maintained. However, in other cases all the promoters and the organization shall be enrolled as "B" class nominal members of the Bank.

INSURANCE :-

All the assets created under the project shall have to be got insured by the borrower at their own cost under usual bank's clause.

DOCUMENTATION :-

The following basic documents shall be submitted by the party alongwith the proposal;

- i) Application on the prescribed format.
- ii) Documents relating to constitution of the borrower.
- iii) Two copies of Detailed Project Report.
- iv) Documents showing approval, allotment of the project to the applicant borrower by the concerned agency alongwith all terms & conditions.
- v) Balance sheets & other final account statements of the borrowing organization.
- vi) Statement of Worth of the promoters.
- vii) Requisite fee deposit receipts.
- viii) Documents relating to land.
- ix) Resolution in case of coop. society/inst.
- x) Other documents as demanded after the preliminary scrutiny of the bank.

SANCTIONING AUTHORITY :-

The powers to sanction the loan under the scheme shall vest only in the Board of Directors of the Bank or the EC if so delegated. The branches receiving the proposal if any may be advised to contact Head office directly for further guidance. No recommendation/ forwarding from the Branch/District Office is required. However, the Head office if required may seek comment on any issue/aspect from the branch/district office.

SUBSIDY :-

Subsidy is being provided for such Mini/ Micro / Small project by the Ministry of Non-Conventional Energy Sources (MNES) either directly or through IREDA notified from time to time. Though the Bank has also applied to MNES for enlisting our Bank in the list of eligible institutions for the purpose, but till formal enlistment the subsidy available for such projects from any agency/Govt. the same shall have to be obtained and credited into the loan account sanctioned by the bank. An undertaking to this effect shall be given by the borrower.

ABNORMALITY :-

If any action of the developer/executor borrower is found to be against the interests of the Bank/state/country, the bank would reserve the right to call back the whole outstanding including interest in one go.

-0-0-0-