

FINANCING SCHEME FOR ENERGY SAVING PROJECTS (for MSMEs)

OBJECTIVE :-

The Japan International Cooperation Agency(JICA) has extended a Line of Credit to Small Industries Development Bank of India (SIDBI) for financing Energy Saving projects in Micro, Small and Medium Enterprises (MSMEs) Sector. The project is expected to encourage MSME units to undertake energy saving investments in plant & machinery/ production process to reduce energy consumption, enhance energy efficiency, reduce co2 emissions and improve the profitability in the long run.

The financial assistance to MSMEs will be through SIDBI, as well as through refinance to banks/ State Finance Corporations (SFCs) and Non Banking Financial Companies (NBFCs). Under the Line Technical assistance is also provided to financial institutions and MSME units for dissemination of information and successful implementation of Energy Savings projects in MSME Sector.

ELIGIBILITY CRITERIA FOR UNITS (DIRECT ASSISTANCE) :-

- New/ existing MSME units, as per the definition of the Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 (www.Laghu-udyog.com; www.Smallindustryindia.com) . However, units graduating out of medium scale will not be eligible for assistance.
- Existing units should have satisfactory track record of past performance and sound financial position.
- Energy saving projects will be screened as per the Energy Saving List, which is available on SIDBI website.
- Units should have minimum investment grade rating of SIDBI.
- Sectors such as the arms industry, narcotics industry or any unlawful businesses are non eligible. Similarly, such projects which may result in larger negative social and environmental impact are also not eligible under this scheme.

FINANCIAL PARAMETERS :-

The financial parameters for assistance under the Scheme are:

Parameter	Norms
Minimum Assistance	Rs 10 lakhs
Minimum promoters contribution	25% for existing units 33% for new units
Debt Equity Ration	Maximum 2.5:1
Interest Ration	The interest rate is based on internal risk rating within the band given below: <ul style="list-style-type: none">• Fixed rate: 9.5-10% p.a• Floating rate: 9.75-10.5% p.a

Security	First charge over assets acquired under the scheme; first/second charge over existing assets and collateral security as may be deemed necessary.
Asset coverage	Minimum Asset Coverage should be 1.4:1 for new units and 1.3:1 for existing units.
Repayment period	Need based. Normally, the repayment period does not extend beyond 7 years. However, longer repayment period of more than 7 years can be considered under the Line if considered necessary.

ELIGIBLE SUB- PROJECTS / ENERGY SAVING EQUIPMENT LIST :-

The energy saving sub-project under this initiative means:-

- Acquisition (including lease and rental) of energy saving equipments/ facilities, including new installation, remodeling and upgrading of the existing ones;
- Replacement of obsolete industrial furnace and/or boilers or burner etc. or introduction of additional equipments which improve performance comparable to those of replacement.
- Installation or improvement or adoption of such manufacturing machinery and equipment that meet the specific requirements for energy performance standard provided by the related energy conservation act/code in India (e.g. Top Runner Equipment, Energy Labels etc.
- Installation of building envelopes, equipments heating system, lighting and electrical power/motors in compliance with energy performance standard provided in the Energy Conservation Building Code (ECBC)
- Introduction of the equipments that utilize alternative energy sources which can reduce GHG emissions such as natural gas, renewable energy, biogas etc instead of fossil fuel such as oil and coal etc.
- Clean Development Mechanism (CDM) projects involving cluster level intervention by a change in the process and technologies for the cluster as a whole duly supported by technical consultancy.

The equipments eligible for financing under this initiative are available in SIDBI offices. The equipments list would be continuously revised and uploaded by the Consultants

- Winrock International India (www.winrockindia.org)
- Appointed by JICA. The list shall be used for screening the sub-projects for deciding their eligibility for coverage Under the JICA Line of credit and the list would be the primary criteria for the sub-projects. Please contact the nearest SIDBI branch office or refer to SIDBI website (www.sidbi.in) for the updated list.

APPLICATION FOR LOAN ASSISTANCE :-

The prospective borrower is required to submit duly filled in application form along with the supporting documents as per the prescribed format. In addition to the information requested for in the application form, it may be ensured that the prospective borrower explicitly provides details of the energy saving potential of the project. This will be an important parameter for deciding the eligibility of the project financing under the Line of Credit.

Disbursement :-

Disbursement would be carried out after compliance of the terms of sanction.

- Guidance in these parameters would be provided by the technical consultant for the project.