

**CIRCULAR TO ALL BRANCHES/ OFFICES IN INDIA
ISSUED BY RURAL & AGRI BANKING DEPARTMENT**

Dear Sir,

Re: Pradhan Mantri Kisan Urja Suraksha Evam Uthaan Mahabhiyaan Scheme (PM- KUSUM Scheme) for financing Installation of (a) Small renewable energy project upto 2 MW (b) Installation of standalone solar pumps and (c) Solarization of existing grid connected agriculture pumps.

Ministry of New and Renewable Energy has launched the Pradhan Mantri Kisan Urja Suraksha Evam Uthaan Mahabhiyaan (PM - KUSUM) for farmers for installation of Solar Pumps and grid connected solar and other renewable power plants in the country. This new scheme has provision for the decentralized renewable energy plants, solar agriculture water pumps and solarisation of existing grid connected agriculture pumps.

The scheme would ensure that sufficient local solar/ other renewable energy based power is available for feeding rural load centres and agriculture pump-set loads, which require power mostly during the day time. As these power plants will be located closer to the agriculture loads or to electrical substations in a decentralized manner, it will result in reduced Transmission losses for STUs (Use of transmission System) and Distribution Companies.

The solar pumps will save the expenditure incurred on diesel for running diesel pump and provide farmers a reliable source of irrigation through solar pump apart from preventing harmful pollution from running diesel pump. In light of the long waiting list for electric grid connection, this scheme will benefit 17.5 lakh farmers over a period of four years, without adding to the grid load.

The PM KUSUM Scheme has been approved by PPAC vide Agenda No. A-1 on 31.10.2020 and by CPC vide Agenda No. A-6 dated 05.11.2020. Details of the scheme are attached in Annexure 1. Branches are requested to take advantage of the benefits allowed in the scheme to finance maximum number of eligible projects.

(Vivek Gupta)
Deputy General Manager
Date: 17.11.2020
(GM on leave)

Encl: (a) Annexure 1-Scheme details

Annexure 1:

Sr No.	Particulars	Guidelines																
	Name of Scheme	Pradhan Mantri Kisan Urja Suraksha Evam Uthaan Mahabhiyaan (PM- KUSUM Scheme).																
1.	Scheme	For financing Installation of (a) Small renewable energy project of 2 MW (b) Installation of standalone solar pumps and (c) Solarization of existing grid connected agriculture pumps.																
2.	Objective	<ul style="list-style-type: none"> • Component A: Setting up of Decentralized Ground/ Stilt Mounted Grid Connected solar or other Renewable Energy Based Power Plants of individual plant size from 500 kW to 2 MW. • Component B: Installation of standalone Solar Powered Agriculture Pumps of individual pump capacity up to 7.5 HP. • Component C: Solarisation of Grid-connected Agriculture Pumps. 																
3.	Eligibility/ Eligible Beneficiaries	<ul style="list-style-type: none"> • Farmers • Group of farmers • Co-Operative of farmers • Panchayat • Farmer production organizations (FPO) and Water users associations (WUA) who have their own or lease land. 																
4.	Nature of Facility	<ul style="list-style-type: none"> • Demand Loan/ Term Loan 																
5.	Project Cost & maximum Loan component	<table border="1"> <thead> <tr> <th>Particular</th> <th>Project Cost</th> <th>Maximum Loan Component</th> </tr> </thead> <tbody> <tr> <td>Component A</td> <td>Rs. 3.5 Crores/ MW maximum: Rs. 7.00 Crores for 2 MW</td> <td>Rs. 490.00 Lacs</td> </tr> <tr> <td>Component B</td> <td>Rs. 3.25 Lakhs per pump</td> <td>Rs.0.97 Lacs</td> </tr> <tr> <td>Component C</td> <td>Rs. 4.50 lakhs per pump</td> <td>Rs. 1.35 Lacs</td> </tr> </tbody> </table>	Particular	Project Cost	Maximum Loan Component	Component A	Rs. 3.5 Crores/ MW maximum: Rs. 7.00 Crores for 2 MW	Rs. 490.00 Lacs	Component B	Rs. 3.25 Lakhs per pump	Rs.0.97 Lacs	Component C	Rs. 4.50 lakhs per pump	Rs. 1.35 Lacs				
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6.	Margin	<ul style="list-style-type: none"> • Component A: 30% • Component B & Component C: 10% 																
7.	Subsidy available under PM KUSUM scheme	<table border="1"> <thead> <tr> <th>Particulars</th> <th>Central Subsidy</th> <th>State Subsidy</th> <th>Total Subsidy</th> </tr> </thead> <tbody> <tr> <td>Component A</td> <td>NIL</td> <td>NIL</td> <td>NIL</td> </tr> <tr> <td>Component B</td> <td>30%</td> <td>30%</td> <td>60%</td> </tr> <tr> <td>Component C</td> <td>30%</td> <td>30%</td> <td>60%</td> </tr> </tbody> </table> <p>Note: For component B & C, In North Eastern States, Sikkim, Jammu & Kashmir, Himachal Pradesh, Uttarakhand, Lakshadweep</p>	Particulars	Central Subsidy	State Subsidy	Total Subsidy	Component A	NIL	NIL	NIL	Component B	30%	30%	60%	Component C	30%	30%	60%
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		and A&N Islands, CFA (Central Financial Assistance) of 50% of the benchmark cost or the tender cost, whichever is lower, of the stand-alone solar pump will be provided. The State Government will give a subsidy of 30%; so that farmer has to initially bring margin of 10% of the cost and remaining up to 10% in the form of loan. Further concessional financing facility available under Agriculture Infrastructure Fund may also be provided to the eligible beneficiaries.																
8	Documents	As per existing guidelines of the bank for Agriculture advances																
9.	Security	<table border="1"> <thead> <tr> <th>Component A</th> <th>Component B</th> <th>Component C</th> </tr> </thead> <tbody> <tr> <td>DP Note</td> <td>DP Note</td> <td>DP Note</td> </tr> <tr> <td>Hypo. Of Assets</td> <td>Hypo. Of Assets</td> <td>Hypo. Of Assets</td> </tr> <tr> <td>Mortgage of land or third party Guarantee.</td> <td colspan="2">Mortgage of Land or third party guarantee applicable as per security norms for agriculture accounts.</td> </tr> <tr> <td>Other documents as per banks extant guidelines.</td> <td>Other documents as per banks extant guidelines</td> <td>Other documents as per banks extant guidelines</td> </tr> </tbody> </table>	Component A	Component B	Component C	DP Note	DP Note	DP Note	Hypo. Of Assets	Hypo. Of Assets	Hypo. Of Assets	Mortgage of land or third party Guarantee.	Mortgage of Land or third party guarantee applicable as per security norms for agriculture accounts.		Other documents as per banks extant guidelines.	Other documents as per banks extant guidelines	Other documents as per banks extant guidelines	
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11.	Maintenance	Vendors will mandatorily provide AMC for a period 5 years from the date of commissioning of the systems including insurance coverage for the installed systems against natural calamity and theft.																
12.	Repayment	<ul style="list-style-type: none"> Component A: The Repayment period of the loan will be based on the estimated revenue from power generation, with maximum period 15 year including moratorium period (Maximum moratorium period 6 months). Repayment frequency will be monthly/ bi monthly/ Quarterly based on Cash Flow as per tri-partite with the DISCOM for the revenue generated from the power plant and other income of the farmer. 																

		<ul style="list-style-type: none"> • Component B & C: Maximum period of 10 years including maximum moratorium period of 6 months. The repayment will be in monthly/ quarterly/ half yearly installment based on income generated from power unit and harvesting season. • The beneficiary may repay the loan installment with interest earlier than the period if he so desires without any pre-payment charges.
13.	Disbursement	<p>Component A: The disbursement will be made directly to the MNRE-approved manufacturers / suppliers of the systems after ensuring the promoters margin.</p> <p>Component B & C: The disbursement will be made directly to the MNRE-approved manufacturers / suppliers of the systems subject to fulfillment of the following:</p> <ul style="list-style-type: none"> ➤ After installation of the system and after acceptance of the project completion report and release of full and final CFA. ➤ After obtaining a letter from the borrower to the effect that the system has been installed to his satisfaction ➤ Authorizing the bank to disburse the loan amount to the supplier directly.
14.	Classification	Priority Sector (Agriculture)
15.	Processing Charges/documentation charges –upfront fee.	As per banks extant guidelines applicable for agriculture advance.
16.	Other Service Charges	As per banks extant guidelines
17.	Criteria for selection of Eligible Borrower	The selection of beneficiaries and implementation of scheme would be as per the criteria specified by State Implementation Agency/ MNRE from time to time.
18.	Other Terms & Conditions	<p>Component A:</p> <ul style="list-style-type: none"> • A tri -partite agreement may be signed between DISCOM, Farmer and Bank, wherein the DISCOM will directly deposit the loan EMI through revenue of sale of electricity and pay the adjusted amount to farmer. Tri-partite agreement to be vetted by Banks legal department. • The farmers / developers can also avail the benefit of credit guarantee package (CGTMSE) by registering them as MSME. If the borrower is availing the facility under CGTMSE, he has to comply all the guidelines applicable for CGTMSE. • The Renewable Energy Based Power plants under Component A, will be preferably installed within 5 KM radius of the sub stations in order avoid high cost of sub transmission lines and to reduce transmission losses. • The power purchase agreement between Renewal Power Generator (RPG) and Distribution Companies (DISCOMs) will be 25 years from Commercial Operation Date (COD) of the project.

		<ul style="list-style-type: none"> • If the eligible beneficiaries are not able to arrange equity required for setting up the Renewable Energy Based Power Plant (REPP), they can opt for developing the REPP through developer (s) or even through local DISCOM, which will be considered as Renewable Power Generator (RPG). In such a case the land owner will get lease rent as mutually agreed between the parties. • The Renewable Energy Based Power Plant (REPP), under the scheme will be implemented primarily on barren/ uncultivable land. • Agricultural land is also permitted under the scheme provided that solar plants are installed in stilt fashion (i.e. raised structure for installation of Solar Panels) and with adequate spacing between panel rows for ensuring the farming activity is not affected. • Internal Credit Rating to be carried out as per BOBRAM rating. • Financial ratios applicable for MSME units as per Global Credit Exposure Management Policy. • Assessment will be as per banks extant guidelines for MSME units. <p>Component B:</p> <ul style="list-style-type: none"> • Individual farmers will be supported to install standalone solar Agriculture pumps of capacity up to 7.5 HP for replacement of existing Diesel Agriculture Pumps/ Irrigation systems in off grid areas, where grid supply is not available. Installation of new pumps shall also be permitted under this scheme except in dark zones areas. • The capacity can be higher than 7.5 HP but financial support (CFA) will only be provided upto 7.5 HP capacity. • New Solar Agriculture Pumps will not be covered under this component in Dark Zones/ Black Zones. However, existing standalone diesel pumps, can be converted into standalone solar pumps in these areas provided they use micro irrigation techniques to save water. • Water user association and community/ cluster based irrigation system will also be covered under this component. However, priority will be given to small and marginal farmers. • Preference will be given to the farmers using Micro irrigation Systems or covered under Micro Irrigation Schemes or opt for Micro Irrigation System, • The size of the pump will be selected on the basis water table in the area, land covered and quantity of water required for irrigation. • Whenever the grid reaches in the off grid area, the standalone Solar Agriculture Pumps can be connected to the grid to feed surplus power depending on the grid capacity.
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		<ul style="list-style-type: none"> The Vendor will provide AMC for 5 years from the date of installation including insurance coverage for the installed systems against natural calamities and theft, real time monitoring, helpline, district level service centres and comply standard of performance in dealing with complaints/redressal mechanism. This can be also considered under BKCC under investment line of credit. \ <p>Component C:</p> <ul style="list-style-type: none"> Individual farmers having grid connected agriculture pump will be supported to solarise pumps. Solar PV capacity up to two times of pump capacity in kW is allowed under the scheme. However, state may specify lower solar PV capacity in kW, which in any case shall not be less than pump capacity in HP. The farmer will be able to use the generated solar power to meet the irrigation needs and the excess solar power will be sold to DISCOMs. In order to minimize the water usage for irrigation purpose, preference will be given to the farmers using Micro irrigation Systems or covered under Micro Irrigation Schemes or who opt for Micro Irrigation System. The Solar power fed in the grid and solar power utilized by farmer both will be accounted for fulfillment of Solar RPO by the DISCOMs. In case of Dark Zones/ Black Zones only existing grid connected pumps will be solarized provided they use micro irrigation techniques to save water. DISCOM will purchase excess power from the farmer at the rate decided by the respective State/ SERC (State Electricity Regulatory Commission). The DISCOMs will ensure must run status to the solarized feeders and will keep such feeders "ON" during sunshine hours of a day. Selected vendors shall be responsible for all aspects of solarisation viz. design, supply, installation and commissioning. Vendors will mandatorily provide AMC for a period of 5 years from the date of commissioning of the systems including insurance coverage for the installed systems against natural calamities and theft. This can be also considered under BKCC under investment line of credit.
19	Other terms	<ul style="list-style-type: none"> In case any ambiguity in interpretation of any of the provisions of these guidelines, the decision of the Ministry shall be final. All other guidelines issued by Ministry of New and Renewable Energy under PM KUSUM scheme is to be followed. The guidelines would be reviewed by the ministry from time to time and necessary modifications would be incorporated after getting approval from MNRE.

		<ul style="list-style-type: none">• Security charged should be insured during the currency of the loan as per banks extant guidelines.• All other Bank's usual Terms & Conditions and extant guidelines are to be complied while sanctioning/ dealing with the accounts under this scheme.
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