

LEASE FINANCE SCHEME FOR WIND POWER PROJECTS

1. **Purpose:** To finance major capital equipment / machinery essential for power and associated infrastructure projects subject to eligibility.
2. **Scope:** All major capital equipment / complete package of a project (not for the entire project), new & unused, meant for use in the Wind Power Projects (except the items mentioned in specific exclusion list). No financial assistance should have been secured or proposed to be secured for equipment / machinery from any other sources.

Specific exclusion list:

- a. Small equipment & accessories like cable, distribution boards, local control centers, air conditioners etc.
- b. Communication equipment.
- c. Piping work.
- d. Cables & conductors.
- e. Consumables.
- f. Site fabricated equipment.
- g. Store items.
- h. Meters.
- i. Office equipment & furniture.
- j. Vehicles.
- k. RCC chimney, Buildings, Roads, Civil works including foundation, erection work.
- l. PCs, telephones and items of personal use.
- m. Large steel fabrication work and transmission towers.
- n. Transmission line material like clamps, connectors and insulators, etc.
- o. Equipment built with new and unproven technology.

The above items independently shall not be eligible for lease financing. However, items not limited to but including transformers, metering, cables & conductors, communication equipments, fabricated equipments, etc. as a part of the integrated machine, shall qualify for the scheme. **Nevertheless, Land, Civil works, Erection, Testing & Commissioning, soft costs in a project shall not be eligible.**

3. **Eligible entities:** All entities operating in power and associated infrastructure sector, including those having captive and cogeneration plants.
4. **Eligibility criteria:**
 - State/Central Sector: The lessee should not be a declared defaulter in PFC.
 - Others: The lessee should not be in default to any FI / Bank or any other lender including PFC.
5. **Appraisal:** Lease finance shall be subject to entity appraisal as per prevailing practice. Further, the lease finance by PFC shall be subject to appraisal of the project in which the equipment is proposed to be installed, as per applicable guidelines and procedures.

6. Lease value: Value for each transaction shall not be less than Rs.10 crs.

7. Extent of Lease Finance: The extent of lease finance will be decided on the basis of projections of taxable income and minimum applicable tax of PFC on a year to year basis.

Subject to the above, the lease finance from PFC shall be up to 85% of the cost of the project in which the equipment is intended to be used.

8. Lease period: Primary lease period shall be fixed and non-cancelable and shall be up to 12 years from rental commencement date keeping in view the economic life of equipment/machinery as 20 years. However, if some of the equipments/machinery is having life less than 20 years, Primary lease period shall be adjusted accordingly.

The Secondary lease period shall be mutually agreed and normally shall not exceed 8 years. Put together, the total Primary and Secondary lease period shall not exceed 20 years.

9. Fixation of Lease Rentals:

For Primary Period – The lease rentals shall be fixed in such a way that post tax IRR of lease rental income shall be 25 bps higher than the post tax IRR of term loan. The various parameters required for calculation of the rentals shall be 10 years reset interest rate, cost of borrowing of 10 year AAA bond yield, depreciation, etc. In case of any change in the tax laws, lease rentals shall be revised accordingly during the tenure of primary lease. Any financing in excess of 70% of the project cost shall carry an additional interest of 2% p.a. over and above the lending rate. Further, fixation of lease rentals will vary depending upon the category of borrower.

For Secondary Period –

For the period of 5 years - 0.50% of the original cost of equipments annually.

Period exceeding 5 years up to 8 years – annual lease rental will be reduced / adjusted proportionately.

10. Financial Charges: Financial charges such as management fee, processing fee, penal interest etc. shall be levied as per PFC policy.

11. Carbon Credits: It shall be shared equally between Lesser and the Lessee, if any, available to the project during the Primary lease period.

12. O&M Contract: Lessee shall bear all O&M cost to keep equipment(s) in good running condition during the tenure of lease period.

13. Insurance: Lessee shall take insurance policy as a package to the satisfaction of lessor to cover all related risks including Property insurance / Loss of Revenue Insurance due to Fire & allied Peril risks and loss of revenue due to Machinery Break-Down as well as Generation Guarantee Insurance.

14. Defect liability / Warranty Period: Lessee shall have Defect liability / Warranty Period from the manufacturer/supplier at least for first 7 years of operation and shall necessarily have manufacturer as O&M contractor during the P rimary lease period.

15. Security: As per standard policy of PFC applicable to State/Private sector.