

POWER FINANCE CORPORATION LIMITED

Lease Finance Scheme for Wind Power Projects

Sl. No.	Description	Summary
1.	Objective	To finance major capital equipment / machinery essential for power and associated infrastructure projects.
2.	Applicability	<ol style="list-style-type: none"> 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: Small equipment & accessories like cable, distribution boards, local control centers, air conditioners, etc, Communication equipment, Piping work, Cables & conductors, Consumables, Site fabricated equipment, Store items, Meters, Office equipment & furniture, Vehicles, RCC chimney, Buildings, Roads, Civil works including foundation, erection work, PCs, telephones and items of personal use, Large steel fabrication work and transmission towers, Transmission line material like clamps, connectors and insulators, etc, Equipment built with new and unproven technology. The above items independently shall not be eligible for lease financing.
3.	Eligible Entities	All entities operating in power and associated infrastructure sector, including those having captive and cogeneration plants shall be eligible.
4.	Eligibility criteria	<ul style="list-style-type: none"> 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.
6.	Lease value	Value for each transaction shall not be less than Rs.10 crs.
7.	Extent of Lease Finance	<ul style="list-style-type: none"> It will be decided on the basis of projections of taxable income and minimum applicable tax of PFC on a year to year basis. 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	<ol style="list-style-type: none"> Primary lease period shall be fixed and non-cancelable and shall not exceed 12 years from rental commencement date keeping in view the economic life of equipment/machinery as 20 years. 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	<ul style="list-style-type: none"> For Primary Period: The lease rentals shall be fixed for 10 year / 12 year period in such a way that post tax IRR of lease rental income shall be 25 bps / 35 bps higher than the post tax IRR of term loan. 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 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 at its own cost, 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 of equipments at least for first 7 years of operation and shall necessarily have the manufacturer as O&M contractor during the Primary lease period.
15.	Security	<ul style="list-style-type: none"> • For State/Central power utilities: <ul style="list-style-type: none"> ➤ Escrow Account to cover payment of the entire dues payable under lease agreement inline with the applicable policy of PFC. ➤ Undertaking to the effect that the lessee shall not mortgage or dispose off land on which the leased equipment is to be installed without prior consent of the lessor. • For private power utilities: <ul style="list-style-type: none"> ➤ Either, irrevocable revolving bank guarantee for the entire lease period to cover payment of entire dues payable under lease agreement. Or ➤ Escrow Account along with charge on other assets in addition to the mortgage of land on which equipment is to be installed. And ➤ Any other securities insisted upon by the corporation as determined in the course of appraisal.