



सत्यमेव जयते

इन्दु शेखर चतुर्वेदी

INDU SHEKHAR CHATURVEDI

सचिव

भारत सरकार

नवीन और नवीकरणीय ऊर्जा मंत्रालय

SECRETARY

GOVERNMENT OF INDIA

MINISTRY OF NEW AND RENEWABLE ENERGY

D.O. No. 42/2/2020-SPV Division

December 31, 2020

Dear Colleague,

As you are aware the Government of India have approved the Prime Minister Kisan Urja Suraksha Evam Utthan Mahabhiyan (PM-KUSUM) Scheme with the objectives of de-dieselization of the farm sector, enhancing farmers' income and also providing them energy and water security. The Scheme has three components-

- **Component-A:** Setting up Solar panels on barren/fallow lands owned by farmers. This can be done by the farmers themselves or through developers. Power will be bought by the DISCOMs. The income of the farmer will range from Rs. 20,000/- to 25,000/- per acre per year (if he sets up the capacity through a Developer) to Rs. 65,000/- per acre per year (if he sets up the capacity himself). DISCOMs will get power at lower cost and losses will come down as power will be injected at the demand end.
- **Component-B:** Replacing diesel pumps of farmers with Solar Driven Pumps. This will reduce the cost of irrigation by farmers to about one-fourth of the present cost.
- **Component-C:** Solarisation of grid connected pumps. This will make power available to farmers during day time for irrigation at very low cost/free. It will also reduce the subsidy burden of States.

2. Government of India have recently introduced another variant of Component-'C' under which Agriculture Feeders will be solarized. The Central Government will give 30% of the cost of solarisation as grant under PM-KUSUM and 70% of the cost will be available as loan from NABARD/Power Finance Corporation. State Governments currently give electricity subsidy for irrigation which ranges from Rs. 5,000 to 15,000 crore per annum for medium/larger States. The NABARD/PFC loan can be repaid in 4 to 5 years using this subsidy. Farmers will get electricity during day time for irrigation free of cost from day one and the out-go from State exchequer on account of electricity subsidy for irrigation would come down to zero after 5 years, when NABARD/PFC loan is paid up. The requirement of power for irrigation is generally for 120 to 135 days in a year. Some of the power generated from the solar panels during the remaining 240 days will be available to DISCOMs free of cost. If the price of this power is also utilised for paying off the loan, the loan will be repaid in 4 years. There is also a provision of loan for setting-up separate feeders where they have not been separated - and this additional loan can be paid off using the savings in subsidy and the cost of the surplus free power from Solar.



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3. The following financial arrangements are available for different Components of the scheme:
- i. Reserve Bank of India on 4.09.2020 has issued revised Guidelines on Priority Sector Lending (attached at Annexure-I):
 - Under para 8.1 (viii) and (ix), the three components of PM-KUSUM Scheme have been included under Priority Sector Lending.
 - Under Para 14, bank loans up to the enhanced limit of ₹ 30 crore will be available to borrowers for RE projects including solar power and will be eligible for Priority Sector classification.
 - ii. Ministry of Agriculture and Farmers Welfare has issued an Order on 25.09.2020 for convergence of PM-KUSUM Scheme with Agriculture Infrastructure Fund (AIF) (attached at Annexure-II):
 - AIF provides concessional financing for Component-B and Component-C of PM-KUSUM Scheme for farmers' groups (SHG/JLG/Co-operatives etc.).
 - iii. Bank of Baroda has recently issued a financing scheme for the three components of PM-KUSUM Scheme (attached at Annexure-III) and other banks are being pursued with for issuing similar financing schemes:
 - Loan up to Rs. 4.9 Cr, up to Rs. 0.97 lakh and upto Rs. 1.35 lakh will be made available for component-A, B and C of the Scheme respectively.
 - Loan period up to 15 years including six months as moratorium period.
 - Tri-partite agreement to be signed between the farmer, bank and DISCOM. The payment from DISCOM will be first adjusted toward EMI and balance will be transferred to the farmer's account.
 - Option to avail Credit Guarantee package by registering as MSME.
 - Interest rate for above 10-year period is MCLR+SP+2.95%
 - iv. NABARD provides concessional finance to States under RIDF scheme. States can avail of concessional finance under RIDF framework for Components B and C. Further, NABARD has also agreed to provide funding to States by raising funds from the market. Draft MoA and ToR received from NABARD in this regard are attached at Annexure-IV and Annexure-V respectively:
 - NABARD will provide loans to State Governments for the State share of subsidy.
 - Finance Department of State Government will be Nodal Department for availing loans from NABARD.

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- The State Government to execute a Time Promissory Note (TPN) in favour of NABARD for each loan disbursement separately.
 - The cost of funding will be the prevailing market rate as applicable for such borrowing plus NABARD's margin of 0.60% p.a.
 - State Government to issue a certificate that the borrowing is within the limits fixed by the state Legislature under Article 293 (1) of the Constitution of India.
 - The State Government to furnish an undertaking that it shall make adequate and specific provision in its annual budget for repayment of the principal, interest or any other dues in respect of loans availed by it from NABARD.
- v. Funding can also be availed of from other FIs like REC/PFC/IREDA:
- REC/PFC/IREDA are already providing funds to DISCOMs. They can also extend loans to groups of farmers/project developers under PM-KUSUM Scheme through DISCOM. For solarisation of feeders also, states can avail loan from these FIs.

4. In view of the above, it is requested that States may work out their financing needs for implementing the PM-KUSUM Scheme and approach NABARD or other FIs for the required funds. We will provide all necessary support in this regard.

with regards,

Yours sincerely,

[Signature]
11/1/2021

[Indu Shekhar Chaturvedi]

Enclosed: As above

To

All Additional Chief Secretaries/Principal Secretaries/Secretaries (Energy/Renewable Energy/Power) of all States.

