सत्यमेव जयते
MINISTRY OF POWER
GOVERNMENT OF INDIA

Azadi Ka Amrit Mahotsav

BUREAU OF ENERGY EFFICIENCY

GRADING OF ENERGY EFFICIENCY PROJECTS

BACKGROUND

The Bureau of Energy Efficiency (BEE) intends to launch a pilot programme to undertake grading of 100 energy efficient (EE) projects. The overall objective of this programme is to facilitate the financing of EE projects by establishing confidence among FIs and providing them with graded EE projects. BEE has empaneled grading agencies and financial institutions whose EE projects shall be graded under this scheme. With the aim for uptake of financing EE projects and create market for energy efficiency measures, BEE is introducing this pilot programme on grading of EE projects.

ELIGIBLE BORROWERS

Eligible beneficiaries are – SMEs, Large Industries, OEMs, ESCOs, Central/State Govt offices.

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DURATION

For empaneled grading agencies, duration of the agreement will be for 1 year.
The agreement with empaneled financial institutions (EmFI) will be for 2 years from the date of signing of the contract. This will include the projects graded within the stipulated time frame (i.e. 1 year for empanelled grading agencies (EmGA) that eventually be financed by an empanelled financial institution(s). The reimbursement shall be done for all the financed EE projects that have been graded within 1 year from 16th August 2021, as grading agencies shall be empanelled for 1 year.

GRADING SCALE:-

Grading would be defined as **"the repayment capability of the project debt"** which is given in the table below:-

GRADE	SCORE	REPAYMENT CAPABILITY OF PROJECTDEBT
GRADE 1	90 –100	EXCELLENT
GRADE 2	80– 89	VERY GOOD
GRADE 3	70– 79	GOOD
GRADE 4	60– 69	ABOVE AVERAGE
GRADE 5	50– 59	AVERAGE
GRADE 6	30 - 49	WEAK
GRADE 7	0 -29	WEAKEST

ELIGIBILITY CRITERIA OF THE PROJECTS ACCEPTED UNDER THIS PROGRAMME

- Project energy savings should be minimum 10% (in DPR or Investment Grade Energy Audit report);
- Banking should be sound. Corporate banking/loan accounts should be of standard category;
- Range of loan size to be considered should be Rs. 25 lakh to 1 Crore
- Keep ESCROW /TRA account to ensure repayment mechanism under ESCO model
- All the applicants must meet minimum eligibility conditions of the Empanelled financial institution
- To include NOC from other banks / FIs if the borrower is having account in other banks also

REIMBURSEMENT OF THE GRADING FEE

BEE will reimburse the grading fee of maximum ₹2.9 Lakh per EE loan/ project as and when intimation is received from empaneled financial institutions, subject to post sanctioning of the loan amount to the graded project. It may be reiterated that the money reimbursed by BEE will be for the EE projects/ loans that will be graded within one year from 16th August 2021.

Once intimated, BEE shall release the grading fee to the concerned empaneled FI. The FI will adjust this amount in borrower's loan instalment with immediate effect and this whole amount shall be adjusted in the borrower's installment (interest/principal) within 12 months from the date of receiving money from BEE.

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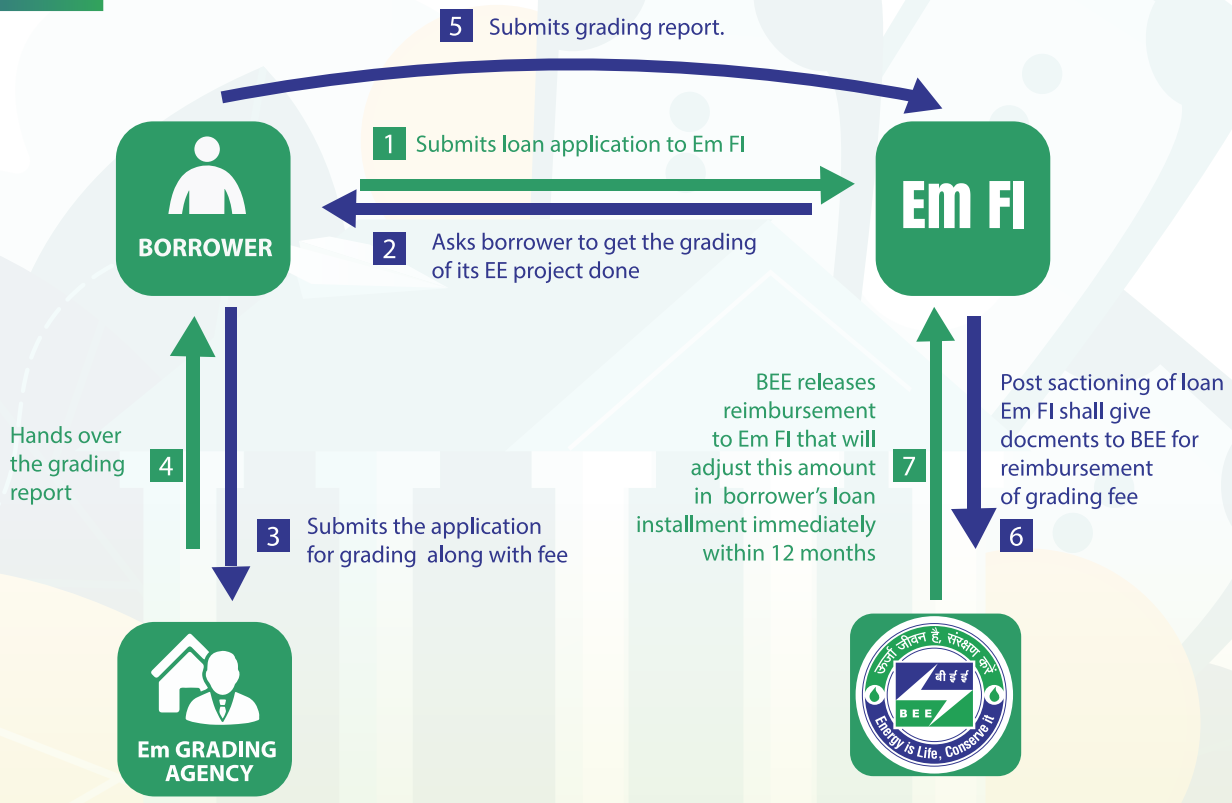
MECHANISM



BENEFITS TO FINANCIAL INSTITUTIONS

(i) Help banks in recognizing EE projects from the other components of the loan. This will pave way to identify EE loan which are mostly said to be part of term loan or working capital loan.

(ii) A successful implementation of the programme can serve as case studies which records the individual project's technical and financial evaluation and will highlight the basis on which the project was financed.

(iii) FIs will be able to identify, assess and financially evaluate the EE loan applications better as the overall assessment would be executed by empaneled grading agencies and the project would be given grading.

(iv) Expansion in business verticals and increase in potential borrowers

(v) FI's will get an opportunity to contribute for clean energy financing

BENEFITS TO BORROWER

(i) The grading report of EE loan will make it easier for borrowers to get finance for the application

(ii) EE project/developer shall be able to arrange funds for energy saving (EE) projects

(iii) Grading fee reimbursement shall reduce burden of loan installment on borrower

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EVALUATION STRATEGY:

Evaluation of the EE projects by grading agencies will largely be covering the points given below.

- SPONSOR RISK
- FINANCIAL RISK
- INDUSTRY RISK
- TECHNOLOGY RISK
- EXECUTION RISK

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