



Financing End to End Energy Efficiency Investments in MSMEs (4E Financing Scheme)

Financing Schemes for Sustainable Development

Overview:

Sustainable development of the MSME sector is one of the core agenda in SIDBI's vision and the it has been promoting this through a series of schemes which not only provide adequate and affordable energy efficiency / green finance, but also enhancing awareness of benefits of climate control amongst MSE clusters. SIDBI's focused lending schemes promote investment in clean production and energy efficient technologies / production processes under bilateral lines of credit from international agencies such as JICA, AFD and KfW.

Objective:

The objective of these financing schemes is to provide financial products that enable climate and environment friendly investments to:

- Promote energy saving in MSMEs in India
- Reduce the emission of greenhouse gases, especially Carbon Dioxide (CO₂) to contribute towards climate change mitigation and achieve a reduction or avoidance of emissions and pollution through the introduction of financial products
- Support MSMEs towards development, up-scaling, demonstration and commercialization of innovative technology based project.

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Purpose

- For implementing Energy Efficiency measures on an end to end basis. For meeting part cost of (i) capital expenditure including for purchase of equipment/ machinery, installation, civil works, commissioning, etc. for implementing the Energy Efficiency measures as recommended in the DPR, (ii) any other related expenditure required by the unit, provided it is not more than 50% of (i).
- Financing of second hand machinery/equipment; purchase of land and construction of building (except minor civil works) shall not be taken up under the scheme.

Eligible Borrower

- MSME units in the manufacturing or services sector.
- Applicant unit should be in operation for atleast three years and should have earned cash profit in the last two years of operation and should not be in default to any bank/FI.
- Proposal should be in the range of C1-C8.
- The unit should have undergone the process of Detailed Energy Audit (DEA) through a technical agency / consultants having BEE certified Energy Auditors. Further, the Detailed Project Report (DPR) prepared by the technical agency / consultant should have been vetted by EEC, SIDBI.
- The unit should not have availed Performance Linked Grant under the WB-GEF Project for the proposed EE Project.
- The unit should be in compliance with the Environment & Social Management Framework (refer Appendix I, II & III for details).

Loan Amount and Tenure

- Upto 90% of the Project cost with minimum loan amount of ₹10 lakh and maximum loan amount not to exceed ₹150 lakh per eligible borrower under this scheme.
- The repayment period including initial moratorium period of upto 6 months, shall not be more than 36 months for loans upto ₹50 lakh and 60 months for loans beyond ₹50 lakh

Promoters' Contribution

Minimum promoter's contribution of 10% of the project cost.

Interest Rate

As per the internal rating

Security

- Hypothecation of assets created under the project including those belonging to the enterprise and not been charged to any other lender.
- Collateral security, where-ever necessary for adequate asset coverage.
- CGTMSE cover may be taken, if available.

Appraisal & Sanction Related Sanction related

- After the Detailed Energy Audit, the prospective borrower shall submit the Detailed Project Report (DPR) to SIDBI for its vetting by EEC. If required the sample format of the DPR shall be made available by EEC.
- The Borrower shall submit application to SIDBI BOs along-with a copy of the DPR vetted by EEC.
- Eligible amount of capital subsidy under CLCSS, TEQUP, etc. shall also be sanctioned along with the loan as per prevalent guidelines.
- Disbursement shall be made after compliance of terms & conditions of the sanction stipulated in the Lol and documentation as per the extant guidelines for DCS.

For enquiries, please contact the nearest SIDBI office