

LEASE FINANCE SCHEME

1. Purpose

To finance major capital equipment / machinery essential for power and associated infrastructure projects.

2. Eligible entities

All power entities / utilities engaged in power and associated infrastructure sectors including those having captive and co-generation plants. The State / Central entity should not be a declared defaulter. In respect of entity other than State / Central Sector, it should not be in default to any FI / Bank or any other lender including PFC.

3. Lease value

Value of each lease transaction not less than Rs.10 crore.

4. Extent of assistance

For reforming entities - upto 80% of the project cost and for the other entities up to 70% of the project cost.

5. Tenor

Primary Lease Period - not exceeding 10 years from the rental commencement date.

Secondary Lease Period - shall be mutually agreed between the lessor and the lessee and shall normally not exceed 5 years.

6. Rental & other charges

Lease rentals:

Primary period – shall be determined in such a manner that the cost including applicable lease tax, to the lessee is at par with that applicable in case of term loan for a similar project and similar type of entity.

Secondary period – 0.5% (per annum) of original cost of equipment.

Lease management fees (non-refundable) will be charged as per applicable policy from time to time.

Processing fees, as applicable on term loans, will be charged as per policy.

7. Security requirements

For State/Central power utilities:

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:

- (1) Either, irrevocable revolving bank guarantee for the entire lease period to cover payment of entire dues payable under lease agreement.

Or

- (1) Escrow Account along with charge on other assets.
- (2) Mortgage of land on which equipment is to be installed.

And

- (3) Any other securities insisted upon by the corporation as determined in the course of appraisal.
