

Interest Subvention Scheme

(A scheme under Kerala State Energy Conservation Fund - KSECF)

Guidelines

1. Purpose

Energy Efficiency and Conservation lead to reduction in carbon emission and thus saves the mother earth. Industries, service sectors and other connected facilities have to be promoted for implementing innovative energy efficient projects and to upgrade/replace the existing operation systems or facilities to energy efficient/energy conservation operations. To encourage energy efficiency investments, EMC will provide an interest subvention equal to 2% of the eligible loan amount (total over 3 years) to eligible applicant for projects that include measurable energy efficiency components. The subvention per project is capped at ₹5,00,000 (Rupees Five Lakh only) for the entire 3-year support period.

2. Source of Funds, Rate & Capacity (mechanism)

- a. Funds available with EMC in Energy Conservation Funds are invested in FD with the Kerala State Treasury. Example model used for capacity planning: FD = ₹5.00 crore, earning 7.5% p.a. \Rightarrow annual interest = ₹37.5 lakh.
- b. From the interest income, 2% of loan-equivalent share is allocated to this scheme — in practice EMC sets aside a fund equal to $(2/7.5)$ of annual interest = ₹10.00 lakh per year in the example. That is the available subsidy pool per year. (This model is illustrative — capacity varies with EMC's FD & interest.)
- c. Each project's maximum subvention = ₹5,00,000 (over 3 years).

3. Eligibility — projects & loans

Eligible projects

- a. Projects that contain energy efficiency (EE), Renewable Energy measures (retrofit, equipment replacement, process efficiency, building EE, energy-efficient appliances, efficient motors/fans/lighting/AC, controls, metering, etc.).

- b. Projects may be new installations or upgrades or replacements. Only the portion of project cost that is for energy efficiency measures is considered for subvention.

Eligible loans

- a. Existing active loans (sanctioned & disbursed, and not completed / fully repaid) for projects with EE component are eligible.
- b. New loans for projects with EE or RE component are eligible.
- c. Refinanced loans that are active and include the EE portion can be considered.

Not eligible

- a. Loans already fully repaid / completed before the scheme; subvention cannot be applied retroactively to completed loans.
- b. Loans availed and which has got left over period of less 18 months (loan tenure minus normal repayment period as on the application date) are also not eligible

Important note on eligible loan portion

- If a project has mixed costs (EE + non-EE), only the loan amount proportion attributable to EE items is eligible. Applicant must clearly identify and justify the EE portion in the project report and provide bank certification.

4. Calculation of Subvention (rule)

- Subvention = 2% of eligible loan amount (total for the 3-year support period).
- Example formula:

Interest subvention = *Eligible Loan Amount* × 2%

- Cap: Interest Subvention ≤ ₹5,00,000 per project (for full 3-year period).
- If computed Interest subvention > ₹5,00,000, project receives ₹5,00,000 only.

5. Disbursement modality whether we will pay annually or after three years.

- a. Subvention will be paid to the to the approved applicant, on submission of required bank certifications showing interest payment schedule and loan status. This certificate is to be produced annually for getting the interest subvention.
- b. The subvention is a payment per year equal to the calculated amount (2% of eligible loan) equally distributed across the approved 3-year period.
- c. Administrative charge: Applicant to remit a one-time administrative charge of 5% (inclusive of GST) of the approved subvention amount to EMC at the time of sanction (per the application form).

6. Application & documentation (process & checklist)

How to apply

- i. Application in the prescribed Interest Subvention Application Form completed in all respect to be submitted to EMC.
- ii. Attachments:
 - Project report with itemised costs and energy savings estimates (clear EE items separated).
 - Loan sanction letter from lending bank (sanction amount, disbursed amount, sanction ref & date).
 - Bank certificate confirming disbursement, loan outstanding, repayment schedule and interest rate.
 - Credit worthiness certificate.
 - Proof of benefitting EE equipment (invoices / purchase orders / installation certificates).
 - Proof of project being on going and non-completion (loan taken for project must not be fully repaid/completed before application).

- iii. EMC technical appraisal (energy savings verification) and financial appraisal (eligibility of loan portion).
- iv. EMC sanction letter specifying approved eligible loan portion, approved subvention amount (\leq ₹5 lakh), payment terms and monitoring conditions.
- v. Applicant pays admin charge (5% of approved subvention). Payment proof to EMC required prior to release.

Checklist (from form) — included: project report, sanction letter, repayment certificates, proof of other subsidies, ID & org proof.

7. Monitoring, verification & reporting

- a. EMC will require periodic reporting on energy savings (annual or as specified) for the 3-year period.
 - b. EMC shall undertake technical verification / site visits to confirm EE measures installed and operational.
 - c. Beneficiaries must maintain and provide energy meter readings (where applicable) and invoices for EE equipment.
 - d. Non-compliance or misrepresentation will trigger clawback: EMC may demand repayment of the subvention plus interest and penalty.
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8. Priority & allocation (how projects are selected)

- Subvention funds are limited. EMC will follow a priority & eligibility matrix (example):
 - i. Projects with highest verified energy savings (% reduction) per rupee of subvention.
 - ii. Projects that are replicable / scalable and provide sectoral benefit (e.g., public buildings, hospitals, large MSMEs).
 - iii. Projects that leverage additional financing or co-benefits (jobs, emissions reduction).

- iv. First come first considered, complete applications within a fiscal allocation window.
 - EMC may publish periodic calls for proposals and allocate funds annually based on available FD interest.
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9. Project pipeline & capacity model (example with ₹5 crore FD)

Model parameters (illustrative)

- FD = ₹5.00 crore @ 7.5% p.a. \Rightarrow annual interest ₹37.5 lakh.
- Share for subvention \approx ₹10.00 lakh per year (this example is proportional extraction of 2% of loan share from FD interest).
- Available subvention pool per year = ₹10.00 lakh (example).
- Since each project max subvention = ₹5 lakh (over 3 years), EMC can start 2 new projects per year and will have up to 6 ongoing projects (because each project occupies support for 3 years).

Note: If EMC increases FD or changes allocation, capacity changes proportionately.

10. Detailed Application Scenarios & Worked Examples

Scenario A — Straightforward: new loan fully EE

- Loan amount: ₹50,00,000 (entirely for EE measures)
- Subvention = $2\% \times ₹50,00,000 = ₹1,00,000 (\leq ₹5,00,000)$
- Subvention paid = ₹1,00,000 (covers 3 years)

Scenario B — Larger loan fully EE

- Loan: ₹2,50,00,000 (entirely for EE)
- Subvention = $2\% \times ₹2,50,00,000 = ₹5,00,000 \rightarrow$ hits cap
- Subvention paid = ₹5,00,000 (covers 3 years)

Scenario C — Loan greater than cap

- Loan: ₹3,00,00,000, EE portion = whole loan

- $2\% \times ₹3,00,00,000 = ₹6,00,000 \rightarrow$ but cap applies
- Subvention paid = ₹5,00,000 (applicant bears remaining interest)

Scenario D — Mixed project: partial EE portion

- Total project cost: ₹1,00,00,000; EE items cost = ₹40,00,000 (40% measured & verifiable)
- Loan covers entire project; bank certifies EE portion financed = ₹40,00,000
- Subvention calculation uses eligible loan portion = ₹40,00,000
- Subvention = $2\% \times ₹40,00,000 = ₹80,000 \rightarrow$ Subvention = ₹80,000

Scenario E — Existing loan (active) with EE retrofit added now

- Loan sanctioned earlier but still active; now approved applicant executes EE retrofit financed from same loan or additional top-up loan.
- Only the disbursed portion attributable to EE retrofit is eligible. Applicant must provide bank certification of the disbursed EE portion and related invoices. Subvention = $2\% \times$ eligible EE portion (cap applies).

Scenario F — Loan sanctioned but not disbursed

- If a loan is sanctioned but not yet disbursed, EMC may consider the application only after first disbursement (EMC needs confirmation of disbursement and bank certificate). This prevents retroactive benefits to completed loans.

Scenario G — Refinancing / top-up loan

- If loans are refinanced/top-up for EE measures and are active, the eligible portion of the refinanced principal that finances EE is considered. Bank must provide detail.

Scenario H — Project where only partial interest payments are made (irregular)

- Projects with NPA flags must be regularized and is subject to additional conditions to be eligible for interest subsidy.

11. Administrative & legal points

- i. Administrative charge: 5% (inclusive GST) of approved subvention amount payable to EMC
- ii. Agreement: On approval, Bilateral agreement between EMC & Approved applicant will be executed specifying monitoring, reporting, and dispute resolution.
- iii. Clawback: Misstatement / false claims → EMC recovers the subvention with interest and penalty as per agreement.
- iv. Audit: EMC or designated auditors may audit project invoices and performance.
- v. Public disclosure: EMC may publish a list of sanctioned projects and amounts (subject to confidentiality norms).

12. Processing timeline (indicative)

- Application completeness check: 7–14 working days
- Technical & financial appraisal: 15–30 working days (may vary with complexity)
- Sanction & agreement: 7–14 working days after approval
- Disbursement: On submission of bank documents & admin charge payment (timelines per agreement)

13. Frequently Asked Questions (brief)

Q. Can I get subvention for only part of my loan?

A. Yes — only the portion financing verified EE items is eligible.

Q. Is the 2% per year or total for 3 years?

A. 2% is the total subvention for the entire 3-year period. (Not 2% p.a.)

Q. If my calculated subvention is ₹6 lakh, will I get it?

A. No — subvention is capped at ₹5 lakh per project.

Q. Are completed loans eligible?

A. No — loans already fully repaid / completed prior to the scheme are not eligible.

Q. Who gets the money — me or the bank?

A. EMC will remit the subvention to the approved applicants bank account.

14. Annex — Quick numeric summary (common examples)

- Loan ₹50,00,000 → 2% = ₹1,00,000 (subvention) for 3 years
- Loan ₹1,00,00,000 → 2% = ₹2,00,000 (subvention) for 3 years
- Loan ₹2,50,00,000 → 2% = ₹5,00,000 (subvention, cap reached) for 3 years
- Loan ₹3,00,00,000 → computed 2% = ₹6,00,000 → subvention paid ₹5,00,000 (cap) for 3 years
- Mixed loan with EE portion ₹40,00,000 → 2% = ₹80,000 (subvention) for 3 years

15. Suggested decision checklist for EMC appraisers

1. Is the project EE in nature or contains verifiable EE components?
2. Is the loan active (not fully repaid)? If new loan, has first disbursement occurred?
3. Has the bank certified the EE portion of loan and disbursement?
4. Are invoices / purchase orders and installation evidence attached?
5. Is the requested subvention ≤ ₹5,00,000? If not, cap and notify.
6. Is the admin charge collected? Agreement executed? Monitoring plan established?

Application Form for Interest Subvention Scheme

**(A scheme under the Kerala State Energy Conservation Fund – KSECF
of Energy Management Center, Department of Power, Government of Kerala)**

1. Applicant Details

Name of the Applicant / Organization	
Type (MSME / Public Sector MSME / Private / Other)	
Registration / Incorporation Number	
Date of Registration/incorporation	
Address	
Contact Person & Designation	
Mobile Number	
Email id	
PAN	
GST Number	

2. Project Details

Title of Project	
Nature of Project (Energy Efficiency / Renewable Energy / Hybrid)	
Brief Description	
Location of Implementation with google map coordinates	
Total Estimated Project Cost (₹)	
Project Cost for Energy Conservation - Efficiency Activities (₹)	

Expected Energy Savings (in kWh, MTOE of fuel etc)	
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3. Financing Details

Name of Lending Bank / Financial Institution	
Branch & Address	
Loan Sanction Ref No. & Date	
Total Loan Amount Sanctioned (₹)	
Loan amount sanctioned for Energy Efficiency part (₹)	
Loan Disbursed (₹)	
Tenure of Loan (Years)	
Interest Rate Charged (%) & Repayment Schedule	

4. Creditworthiness

Subsidy / Government Support availed (if any)	
Credit worthiness certificate	

5. Interest Subvention Request

Loan Amount Eligible / Granted (₹)	
Interest Subvention Requested (up to 2% p.a., max ₹5,00,000 over 3 years)	

Declaration: I/We undertake that all information furnished is true and correct. I/We agree to remit a one-time administrative charge of 5% (inclusive of GST) on the approved subvention amount to EMC.

Signature of Applicant: _____

Seal: _____

Date: _____

7. Checklist of Enclosures

- ☐ Project Report (with detailed cost estimates & savings analysis)
- ☐ Loan Sanction Letter from Bank
- ☐ Principal & interest repayment certificates from Bank
- ☐ Proof of other Subsidy / Govt. Support (if any)
- ☐ ID & Address Proof of Organization
- ☐ Audited Financials for the last two years
- ☐ Copies of Income Tax Returns filed for last two years
- ☐ Details of Board of Directors/proprietors