

now give me an example for this including PM KUSUM interests

Here's a step-by-step example of setting up a 1 MW (approx. 2-acre) solar farm in Telangana under PM KUSUM Component-A, including the interest rate for the loan portion:

Example: 1 MW Solar Farm in Telangana under PM KUSUM

Assumptions:

- **Total Project Cost:** ₹5 crore (typical for a 1 MW ground-mounted solar plant)
- **Government Subsidy:** 30% of project cost (as per PM KUSUM Component-A)
- **Loan Portion:** 60% of project cost
- **Farmer's Own Contribution:** 10% of project cost
- **Interest Rate:** MCLR + 1% (as per Central Bank of India; MCLR currently around 8.75%, so effective rate \approx 9.75%) ^[1]
- **Repayment Tenure:** Up to 15 years (including up to 12 months moratorium) ^[1]

Financial Structure

Component	Amount (₹)	Percentage of Total Cost
Government Subsidy	1,50,00,000	30%
Bank Loan (at ~9.75% p.a.)	3,00,00,000	60%
Farmer's Contribution	50,00,000	10%
Total	5,00,00,000	100%

How It Works

- **Subsidy:** The government pays ₹1.5 crore directly, reducing the upfront investment.
- **Loan:** The farmer takes a loan of ₹3 crore at approximately 9.75% annual interest, repayable over up to 15 years ^[1].
- **Own Contribution:** The farmer arranges ₹50 lakh from personal or other sources.

Revenue

- The farmer signs a 25-year Power Purchase Agreement (PPA) with the Telangana DISCOM at a fixed tariff of ₹3.13/kWh ^[2] ^[3] ^[4].
- Income from selling electricity to the grid is used to repay the loan and generate profit.

Example Loan Repayment Calculation

- **Loan Amount:** ₹3 crore
- **Interest Rate:** 9.75% per annum
- **Tenure:** 15 years

Using a standard EMI formula, the annual repayment (principal + interest) for ₹3 crore at 9.75% over 15 years is approximately ₹38 lakh per year (rounded estimate; actual EMI may vary based on moratorium and repayment structure).

Summary

- **Upfront cost for farmer:** Only 10% of project cost (₹50 lakh)
- **Subsidy:** 30% (₹1.5 crore) reduces financial burden
- **Loan:** 60% (₹3 crore) at ~9.75% interest, repayable over 15 years ^[1]
- **Fixed income:** PPA at ₹3.13/kWh for 25 years provides stable revenue ^[2] ^[3] ^[4]

This structure makes it financially viable for Telangana farmers to set up solar farms under PM KUSUM, leveraging both government support and affordable institutional finance.



1. <https://www.centralbankofindia.co.in/en/Cent-Solar-PM-KUSUM-Scheme>

2. <https://tgredco.telangana.gov.in/PMKusum.aspx>

3. <https://mercomindia.com/telangana-approves-procurement-of-4-gw-solar-power-under-pm-kusum>

4. <https://solarquarter.com/2025/04/24/telangana-electricity-regulatory-commission-approves-4000-mw-solar-power-procurement-under-pm-kusum-scheme/>