GUIDELINES/NORMS FOR LOANS UNDER SDF

The SDF rules provide for guidelines/norms to be decided upon by the Central Government for the implementation of the SDF Act. These guidelines/ norms apply to a class or classes of sugar factories. The guidelines/ norms decided upon by the Standing Committee of the SDF over the past number of meetings and approved by the Government have been compiled to enable quick reference. A perusal of the guidelines would also throw light on the development of the guidelines and norms as per emerging requirements.

Applications

Technical Appraisals:

Technical appraisals should invariably accompany the loan proposal. If the proposal has not been technically appraised, it should be got done through either NSI or VSI.

(Source: Spl Standing Committee meeting dated 20.7.2007)

Financial appraisal

It was also proposed that a provision may be made in SDF Rules under Rule 16 that financial appraisal of the project of a sugar mill may be prepared by a scheduled bank or a financial institution for sanction of loan for modernization/ rehabilitation projects. The Standing Committee approved the proposal.

(Source: 86th Meeting)

Preparation of Agenda Notes

AS & FA proposed that in future the **internal rate of return** should also be shown in the Agenda in the case of each sugar factory applying for loans for modernization/rehabilitation, cogeneration of power and production of ethanol. The Committee accepted the suggestion.

(Source: 86th Meeting)

ZLD (Zero liquid Discharge) compliance for ethanol projects in Agenda Note

The Committee accordingly directed that henceforth the process of ZLD compliance i.e. the method of achieving ZLD must be mentioned in preface of agenda note for consideration of the committee.

(Source 136th Standing Committee held on 07.08.2018)

Inclusion of Levy dues in Agenda Note

It was proposed by the SS&FA, DFPD, Member of Standing Committee that the sugar factories are required to clear Levy Sugar Obligation before disbursement of loan and status of the Levy Sugar obligation clearances may be reflected in the Agenda along with LSPEF and SDF dues. The proposal was approved by the Committee.

(Source 127th Standing Committee held on 08.10.2015)

Levy Sugar Default

In the 127th meeting of the Standing Committee on SDF held on 8.10.15, it was decided that the sugar factories are required to clear Levy Sugar obligation before disbursement of SDF loan. However, in such cases where levy sugar obligation is pending, the disbursement of loan has been held up.

The matter was discussed in the Standing Committee meeting and it was decided that when a sugar factory has levy dues payable, the amount of levy sugar at prevalent rates may be withheld and the rest of the eligible amount of loan may be disbursed. After

Sugar Factory clears dues of levy the balance of the eligible amount may also be released.

(Source 128th Standing Committee held on 06.01.2016)

Delinking disbursal of SDF loan from the clearance of levy sugar dues

The Committee did not agree with the proposal to delink the disbursal of SDF loan from the recovery of levy sugar dues, and directed that henceforth in respect of sugar Mills with levy sugar dues, a NO Dues certificate from Directorate of sugar will be necessary before consideration of the case for SDF loan by Sub Committee/Standing Committee

(Source 131st Standing Committee held on 14.09.2016)

Project Cost

The Committee noticed that there were wide variations in the assumptions taken by the appraising banks/FIs with respect to the price of raw material and sugar as also its by-products. Similarly, the cost of plant and machinery considered in the project also differed for various factories. Committee desired that a benchmark could be fixed for the major plants and equipment's in consultation with the technical members of the Committee and considered by the Sub-Committee. Any major variations should be highlighted for the Standing Committee meetings. The Committee desired that in cases of modernization cum expansion loan projects, bifurcation of the costs for modernization and expansion portions be given in future cases.

(Source: 91st meeting of the Standing Committed held on 12.04.2007)

It was decided that in the case of completed projects being considered by the Standing Committee, actual expenditure incurred on the project should be mentioned in the Agenda notes. It may be ensured that lower of(a) the eligible SDF loan and(b) actual expenditure on the project would be sanctioned.

(Source: 92nd Meeting dated 1.5.2007)

When the actual completion cost of a project is lower than the estimated cost the loan would be sanctioned on the actual cost

(Source – 96th meeting of Standing Committee held on 11.02.2008)

FACR

FACR for the Company/Society as well as factory, given by the appraising banks, should be indicated in the Agenda. Revisions in FACR, if any, should be accompanied by proper justification by the appraising bank/FI. If it entails revaluation of assets, the copy of such revaluation from the approved valuer should also be submitted, along with justification.

(Source: 92nd Meeting dated 1.5.2007)

The present practice with regard to calculation of FACR was considered by the Committee, the present formula for FACR calculation is as follows:

$$\frac{\text{Net value of Fixed Assets + Work in progress}}{\text{All secured loans, including the proposed one}}$$

As there are number loans availed by the sugar mills which are secured on different type of assets (Fixed & Current Assets), a need was felt by the committee to specify the value of secured loans to be considered for FACR Calculation.

The Committee directed to obtain the opinion of monitoring agencies i.e. IFCI & NCDC in this regard and directed the SDF Division to formulate the principles of calculation of FACR.

(Source 134th Standing Committee held on 04.07.2017)

<u>Guidelines/Principles of calculation of FACR</u>

A. Fixed Assets Coverage Ratio (FACR) for the purpose of security of SDF loans, and the issue of NOC may be worked for the Sugar Factory and Company as a whole as follows:

Value of fixed assets to be mortgaged (existing assets and assets to be created under the project)

FACR= ---

(Existing loans*** secured against the first charge on the assets proposed to be mortgaged including SDF loans secured against exclusive second charge) + loans for the proposed project including SDF loan.

B. Further, to ensure that the proposed assets corresponding to the proposed loans have been created for the project and to ensure that the funds have been utilized for the intended purpose, Fixed Assets Coverage Ratio(FACR) at the time of disbursement of final instalment(Lump sum or 2^{nd} instalment) of SDF loan may also be worked for the Sugar Factory and Company as a whole as follows:

Value of fixed assets mortgaged + CWIP, if any

FACR= ---

(Existing Loans*** secured against the first charge on the assets including SDF loans secured against exclusive second charge) + Loans for the proposed project including SDF loan.

And, in case of FACR thus calculated is less than the benchmark of 1.33, the Sugar factory will be asked to submit revised security, if required, for the SDF loan as per the prescribed norms.

Where '<u>Fixed Assets</u>' will include the following:

I. EXISTING ASSETS:

- Net Block (i.e. Gross Block – Depreciation) of TANGIBLE Fixed Assets
- Capital Work in progress (CWIP)
- Revaluation cost of Land estimated by the certified/approved valuer, as reduced by the Book value of land already considered in the Net Block (See Note – 2).

II. PROPOSED ASSETS (only for A above):

- Proposed Fixed Assets to be created under the project, as reduced by the value of Proposed Assets already capitalized under Capital work in progress.

<u>***</u> Existing Secured Loans which are secured against the 2^{nd} charge on the fixed assets may not be included for new loans as the only 1^{st} charge is being taken as per current SDF guidelines. However, SDF loans secured against 2^{nd} Exclusive charge will be included in the calculation of FACR. Further, if FACR is being calculated for earlier loans with 2^{nd} charge, then all secured loans with the 2^{nd} charge will also be included.

<u>Note - 1:</u> As per current norms and IND AS (Accounting Standards), the current maturities of the secured loans which will be due in next one year are shown separately under heading Current Liabilities in the Audited balance sheet. The secured loans to be considered for FACR calculation will include these current maturities also as these current maturities are part of the balance of secured loans as on 31^{st} March of the Balance sheet date.

<u>Note – 2:</u> Revaluation of Land will be considered if the following are complied with:

- Revaluation is done on the basis of valuation report prepared by Govt. approved valuer or valuer empanelled with SBI/PSU banks.

- The basis of valuation should be at circle rates fixed by Collectorate or the market rate, whichever is lower.
- The effect of revaluation has been incorporated in the balance sheet.
- The revaluation should be supported by a Statutory Auditor certificate, certifying the same is in order and giving the basis of revaluation.

(Source 137th Standing Committee held on 21.12.2018)

DSCR: An Indicator

Criteria of average DSCR being 1.5 is only an indicator and not the rule, the Standing Committee agreed to relax the condition imposed in its earlier meeting.

(Source 88th meeting of the standing committee)

DSCR calculation

The sugar factory should also furnish the CA certified copy of DSCR calculation on the basis of audited balance sheet for preceding five years along with their loan proposal.

(Source 134th Standing Committee held on 04.07.2017)

CENVAT

In the cases where the appraising banks have certified that the project cost does not include cenvat credit, the administrative approval(A.A.) issued, sanctioning the SDF loan, should contain a clause mentioning that if the company receives such credit in future, the excess loan disbursed would be immediately returned to SDF.

(Source: 92nd Meeting dated 1.5.2007

NOC from PCB

In case the factory has not furnished a copy of NOC from the pollution control board, the AA should indicate that disbursements should be made only after the NOC is submitted.

(Source: 92nd Meeting dated 1.5.2007

It was decided that the present practice of issuing Administrative Approval subject to obtaining DIA/NOC from PCB before the disbursement may be continued.

(Source: Special meeting of Standing Committee held on 9th November 2012.)

Standing Committee decided that, henceforth, all administrative approvals shall be subject to following conditions:

(for Brownfield projects)

(i) The Sugar factory shall apply to the concerned authorities for EIA/PCB clearances. The Sugar factory at the time of applying for the SDF loan will also provide a copy of the acknowledgement by the concerned authorities. The furnishing of such acknowledgement shall be sufficient for approval/disbursal of SDF loans

(for Greenfield projects)

(i) The Sugar factory shall apply to the concerned authorities for EIA/PCB clearances. A copy of the acknowledgement by the concerned authorities, of the application of the Sugar factory for EIA/PCB clearances, shall be furnished by the sugar factory at the time of applying for the SDF loan.

(ii) However, before disbursement of the SDF loans the Sugar factory shall furnish all the EIA / PCB clearances.

(Source 129th Standing Committee on 04.03.2016)

Utilization Certificates

Details of all SDF loans taken by the Company/Society as a whole, should be given in the

Agenda clearly indicating utilization of the same. If the information regarding utilization certificates is not readily available in the Department, especially in the case of old loans, the information can be collected from the Company/Society, duly certified by their Auditor. Department should also check the status of utilization certificates from its own record.

(Source: 92nd Meeting dated 1.5.2007

Submission of Utilization in *Cane Development cases*

It was also decided that while issuing the Administrative Approval in cane development scheme, a condition may be added that the sugar factory is required to submit the Utilization Certificate of first instalment strictly within six months from the disbursal of first instalment of loan failing which the second instalment of the loan sanctioned may not be disbursed and the amount of first instalment may be recovered with interest in lumpsum.

(Source 127th Standing Committee held on 08.10.2015)

Submission of Utilization in *Cane Development cases*

Utilization Certificates (UCs) be allowed to be submitted in 12 months, as often loans cannot be utilized if linked activity cannot be carried out within the stipulated time. Accordingly, Administrative Approval and Tripartite Agreement may also be amended.

(Source 128th Standing Committee held on 06.01.2016)

Marketable surplus

Bagasse based cogeneration of power projects would be funded from SDF if the project envisages a marketable surplus of co-generated power, irrespective of whether they produce the power through the back-pressure or through the condensing route. In order to encourage efficient boilers with high pressure and discourage low pressure boilers, there should be an in-built mechanism in SDF funding. It was decided that this issue may be discussed in the meeting to be held for discussing SDF Rules and guidelines.

(Source: 92nd Meeting dated 1.5.2007

Promoters Contribution

SDF Rules require the sugar factory to meet at least 10% of the project cost from its own internal resources. The Committee was requested to take a view whether 5% equity participation by the State Government may be treated as a part of the factory's share of 10%. The Chairman desired to know from the Committee members and MD, NFCSF Ltd., if the 5% contribution is towards loan or equity. It was confirmed that the State Government, being a shareholder in cooperative factories this 5% would be towards equity only. Under these circumstances, the Committee was of the opinion that since the State Government was a shareholder the 5%+5% contribution from the mill and State can be treated as factory's required contribution of 10% as per Rule.

(Source – 98th meeting of Standing Committee held on 23.7.2008)

Consideration of cases by Committee

The Chairman desired that necessary conditions, which the sugar factories are required to comply with before their applications for loans of various types under SDF can be considered by the Sub-committee/ Standing Committee, may be put on website so that the sugar factories can use the information to avoid delays in the processing of their loans applications. No premature cases should be put up to for the consideration of the Standing Committee and the Standing Committee will not give any interim clearance for any loan.

(Source: 99th meeting of Standing Committee held on 27.11.2008 & 2.12.2008)

<u>Quantum of loan:</u>

SDF loans are given to meet the shortfall in promoters' contribution subject to a maximum of 40% of the eligible/normative project cost in case of modernization, cogeneration, and ethanol projects. In the case of cane development, the SDF loan is for 90% of the total cost of the scheme subject to the estimated cost of schemes being up to 6.00 crores.

(Source: Old)

Information on revision of SDF funding:

Joint Secretary (Sugar &SA) explained that on receipt of representation from ISMA and sugar units, the pattern of funding of bagasse-based cogeneration power project was modified from 20% to 30% by taking approval of Hon'ble MoCAF&PD. The Committee noted the information.

(Source: 83rd Meeting)

<u>Funding Pattern for SDF loan</u>

The Committee also observed that typically the funding pattern for a project is 10% promoters' equity, 40% SDF component and 50% from other institutional borrowings. In case of Greenfield projects for cogen and ethanol the SDF component is 20%. It was therefore felt by the Committee that in cases where the owners' contribution / equity is increased beyond 10%, there must be corresponding decrease in the SDF component. The committee, therefore, decided that these norms shall be observed for the funding pattern while deciding the SDF loan proposals.

(Source 129th Standing Committee held on 04.03.2016)

The committee directed that, in future, after deduction of ineligible items [as per SDF guidelines] from the project cost the sugar factories shall be asked to submit revised funding pattern for the eligible items .The SDF loan amount will accordingly be calculated as per the existing instructions, on the basis of promoters equity for the eligible items and not on the basis of the total project cost. However, no old case shall be re-opened on this basis

(Source 136th Standing Committee held on 07.08.2018)

<u>Eligibility and Quantum of Loans</u>

<u>Minimum Age</u>

The minimum age of a sugar unit for sanction of modernization and expansion loans from SDF should be three years (including trial crushing period).

(Source: Old)

<u>Modernization: Capacity limit:</u>

Expansion of capacity up to 10,000 tcd is considered under modernization scheme for the purpose of SDF funding.

(Source: Old)

In case of modernization/expansion loans, there is a requirement laid down that the factory should have operated for a minimum of 3 years including the trial season.

(Source: 92nd meeting of the Standing Committee held on 01.05.2007)

<u>Loan for Modernization/Rehabilitation Projects.</u>

Expansion of capacity of sugar mills up to 10,000 TCD may be considered under the scheme of modernization/rehabilitation for SDF loan. However, capacity above 10,000 TCD would only be funded for modernization component of the project and not for capacity expansion.

(Source: F. No 1-17/2005-SDF)

<u>Godown Capacity:</u>

SDF assistance shall be permitted for building sugar godowns capacity equivalent up to six months prorata production, based on licensed capacity subject to a maximum mill capacity of 5000 TCD.

(Source: Old)

Project cost - modernisation projects:

The Committee was informed of the method by which eligible project costs for modernisation cases was being determined for the purpose of computation of SDF loans. The views of the members representing NCDC and IFCI were also sought with regard to the practice of deducting the expenditure already incurred in the project up to the date of appraisal by the FI for determining the eligible project cost. They were of the view that such deductions resulted in lower amounts being sanctioned as SDF loans than that recommended in the Means of Financing of the project. The viability of the project was thus adversely affected. After discussions the Committee endorsed this view and decided that this practice needed to be reviewed. The Committee directed that the Department may further examine the matter for obtaining of appropriate orders.

(Source: 81st Meeting)

Project Cost: Expansion

It was agreed that the cost of expansion per tcd can be taken approximately at Rs.2.20 to Rs.2.50 lakhs per tcd. The Committee decided that cost of expansion projects should be examined under this range and higher costs of projects justified with specific reasons for better appreciation of the Standing Committee in future.

(Source 89th meeting)

Modernization/expansion and cane development

It was recommended that it would be mandatory for the sugar factory applying for any loan under the SDF Rules to undertake cane development for which it will apply for SDF loan, if not already taken during the last 5 years. The recommendation was considered by the Government and observed that although the decision of the Committee appears to be in correct spirit, it would be wrong to make any loan conditional or mandatory. It was decided that while exhorting the sugar factories to undertake cane development in their area, the choice to avail of finance, whether from SDF or otherwise, should be left to sugar factories exclusively.

(Source: Spl Standing Committee meeting dated 20.7.2007)

<u>Cane Development Loans:</u>

(i) Accepted that the applications for sugarcane development loan may be given priority over other projects financed under SDF.

(ii), (iii) &(iv): Accepted that the financial limit of the schemes for cane development loan may be increased from Rs. 3.00 crore to 6.00 crore which will be effective from the date Government approves the recommendations. As regards review of norms after five years it was decided that it may be considered later at an appropriate time. It was also decided that if a sugar factory desires to submit a single cane development scheme worth Rs. 6.00 crore in respect of irrigation or water saving techniques/ machinery or any other viable project to the satisfaction of the Committee, it may permitted to do so subject to the cap on individual schemes as prescribed separately. It was also decided that individual scheme wise cost may be deliberated upon in the Screening Committee and thereafter the financial recommendations of the screening Committee examined on file and decision taken by the Government.

(v) The Committee was informed that duration of cane development project had already been reduced from three years to two years and disbursement of loan was being done in two instalments.

(vi) It was decided that the present repayment schedule of principle and interest of can development loan may continue.

(vii) Decided that applications may be accepted from the new sugar factories, but actual disbursement may be done only after the sugar factory starts production of sugar.

(Source – 97th meeting of Standing Committee held on 14.05.2008)

<u>Disbursement through State Government</u>.

The Committee felt that the cheques/DD for the loan may not require to be disbursed through the State Governments and could be sent directly to the factory keeping the State Governments informed.

(Source – 97th meeting of Standing Committee held on 14.05.2008)

The Committee considered the importance of Moist Hot Air Treatment Plant (MHAT) in Cane Development Projects. It was viewed that MHAT was a low-cost permanent asset for preservation of seed and its protection from fungus and bacteria. Factories with 5000 TCD and higher capacity may be encouraged to set up such plants.

(Source – 102th meeting of Standing Committee held on 30.10.2009)

The committee however, directed that in all cases of cane development loans the applicants may be asked to give an undertaking that they have not availed of any benefits for the same purpose/item either from the state Government or under any scheme of grant or subsidy or concessional loan for the schemes covered by SDF loan and also that no subsidy on loan would be taken later from other Government sources for similar purpose

(Source – 105th meeting of Standing Committee held on 22.03.2010)

The Sugar factory may give an undertaking that if a subsidy is received for the purpose of drip irrigation in future the project cost will be treated as proportionately reduced and SDF loan to the extent of subsidy received will be repaid immediately notwithstanding the moratorium or the repayment schedule.

(Source – 105th meeting of Standing Committee held on 22.03.2010)

Seed treatment was important for better crop such the Screening Committee while considering the loan application s may also ask sugar factories if they have MHAT plant in case the proposal under consideration does not have this component.

(Source – 106th meeting of Standing Committee held 28th April 2010)

The idea should be on focused improvement of sugarcane - yield map to show aberrations wherever they occur.

(Source – 108th meeting of Standing Committee held on 20.01.2011)

<u>Cane Area:</u>

The issue of allotment of cane area may be taken up with State Governments so that the allotted areas are not reduced during the currency of SDF loan repayment.

(Source: 96th meeting dt 11.2.2008)

<u>Drip Irrigation: Cane Development loans:</u>

The Standing Committee recommended that per unit cost henceforth for drip

irrigation should be taken as Rs.50,000/-. The Member Secretary was advised to inform the industry accordingly once the Government approves the same. This cost was decided to be applied.

(Source: 93rd meeting of Standing Committee held on 24.8.2007)

The recommendations of the Screening Committee regarding making provisions of drip irrigation compulsory in the 'cane development scheme' of a sugar factory as was discussed in the meeting. After deliberations the Standing Committee recommended that the Government should encourage drip irrigation

(Source: 93rd meeting of Standing Committee held on 24.8.2007)

Cogen loans

SDF loan is given for cogeneration and ethanol in the case of new Greenfield projects also. However, in case of cogeneration projects SDF loan is given for only exportable surplus.

(Source: Old)

Minimum economic size of Project for loans for cogeneration/ethanol production

SDF Rule 22(4)(v) lays down that sugar factory shall not be eligible to apply for a loan under this rule if the project is below the minimum economic size, which the Government may decide from time to time. After deliberations it was decided that the minimum size of the factory prescribed as 2500 tcd should continue. Further, for SDF loans purposes, the cogeneration projects should have at least 4MW exportable surplus and if the boiler is being replaced or a new boiler is being included, the boiler should be of a minimum of 67 ata capacity. Similarly, the ethanol plant should be of at least 30 KLPD capacities. In case of ethanol, if the factory has plans to put up ethanol plants of higher capacity with molasses purchased from outside (which would include transfers from its sister factories), SDF loan would be given to support such ventures also.

(Source: Spl Standing Committee meeting dated 20.7.2007)

Bagasse Norms for Co-generation projects:

The Committee also decided that the SDF funding should be to assist the factory to utilize its own bagasse in a more profitable manner. It was suggested by both the technical members of the Committee viz. Director(STM) and Director(NSI, Kanpur) that bagasse based power cogeneration should be supported for the season for a duration of about 160 days and therefore it was decided by the Committee that in future SDF loans should be given only for projects who have sufficient bagasse generated from the sugar factory for 160 days operation during the season.

(Source 89th meeting)

Boiler Size norms

The committee decided that no new project proposing to install a boiler of less than 67 ata may be considered for SDF assistance for cogeneration projects. The decision will not apply to applications pending with the SDF for assistance on the date of issue of letter to the industry.

(Source 103rd Meeting of Standing committee held on 21st December 2009)

Project Cost/Normative Cost: Cogen projects:

The SDF loan should take into account the project cost of the factory after deducting the ineligible items and the normative cost for Cogen decided by the Standing Committee. The lower amount of the two will be the basis for grant of SDF Loan.

(Source 89th meeting)

Normative Cost: Cogen Projects:

Normative project cost is calculated in the case of bagasse-based cogeneration projects at the rate of Rs. 293 lakhs and Rs. 363 lakhs per MW for boiler capacity of up to 70 ata and above 70 ata respectively. In case the estimated project cost is less than normative project cost, the eligible estimated project cost is taken into account for SDF funding

(Source: Old)

Revision of normative cost of Co-Generation Projects for SDF funding

Standing Committee on SDF in April,2003 had fixed a normative cost for bagasse-based cogeneration power project @ Rs. 265.00 lakhs per MW. In the 84th Meeting of the Standing Committee, it was decided to review this normative cost after completion of 3 years from the date it was fixed. The Standing Committee deliberated on this issue and felt that this is a very important and technical matter, and therefore decided that a sub-committee under the chairmanship of JS(S&SA) be constituted wherein representatives from IREDA, MNES, Ministry of Power, IFCI, NCDC , ISMA and NFCSF should be included as members who will look in to the matter and make recommendations for revision of normative cost for projects for co-generation of power, whether there should be a single cost or not etc. If required, the sub-committee may co-opt members and invite specialists/ experts in the meetings. The findings should be placed before the Standing Committee for taking a final view in the matter.

(Source 87th meeting)

The Standing Committee in its meeting of 27th March, 2006 had directed the Department to constitute a Sub-Committee under the Chairmanship of Joint Secretary(S&SA) to deliberate on the issue of revision of normative cost of SDF to arrive at the project cost for bagasse based co-generation power project. Accordingly, a Committee was formed by Secretary(F&PD) which met on 15.5.2006 and have recommended the following: -

(a) Normative project cost for SDF funding should be revised to Rs.293 lakhs and Rs.363 lakhs per M.W. for boiler capacities for up to 70 kg and above 70 kg respectively.

(b) The SDF loan component should be increased from the present 30% of the project cost to 40%.

After due deliberations and considering the current costing of similar projects being funded by the FIs/Banks, the Standing Committee approved the recommendations of the Sub-Committee. Revised norms will be made applicable from 1st April 2006 since and will apply to cases being deliberated upon by the Standing Committee in the meeting held on 1.4.2006 also. It was also decided that the norms may be reviewed after 3 years.

(Source: 88 Meeting of the Standing Committee held on 20.06.2006)

REVISION OF NORMATIVE COST OF THE BAGASSE BASED COGENERATION PROJECTS

The Normative cost for arriving at the cost of the project for setting up bagasse based cogen power projects by the sugar factory are fixed by the SDF Division from time to time. The last revision in Normative cost was made by the Department in 2006 and it was fixed at Rs. 363 lakhs per MW. And in 2010 a modification was made that boiler pressure less than 67 ata will not be considered for financial assistance. The same norms are continuing since then. Since the cost of machinery and equipment and other inputs have escalated over the period of time, it is felt essential now to revise the normative cost.

2. The NSI, Kanpur, VSI Pune, IFCI and NCDC were requested to send proposal/comments to revise normative cost to this department for further consideration. After examining the same, the Standing Committee recommended the norms as proposed by NSI Kanpur as under:

Boiler Pressure/Temp. ata/C	Installed Capacity	Total project Cost (Rs. in Lakh)	Project Cost per MW generation (Rs. in Lakh)
67/510	84.5	32496	385
87/515	159.5	70565	442
110/540	110.95	60285	543

(Source 128th Standing Committee held on 06.01.2016)

Funding of Greenfield projects:

Greenfield projects would be financed from SDF only for cogeneration and ethanol. The cogen loan will be subject to financing to the extent of exportable surplus and funds for both the loans would be released only after the sugar factory starts production of sugar. The Government has also decided that priority would be given to existing sugar mills as well as the cooperative mills.

(Source: Spl Standing Committee meeting dated 20.7.2007)

For Greenfield projects assistance may be restricted to 20% of the project cost.

(Source – 107th meeting of Standing Committee held on 18.11.2010 & 24.11.2010)

SDF loan for bagasse-based cogeneration plants in case of green field project.

Sugar Fund Development does not fund green field sugar plants but a sugar factory already in existence is entitled to financial assistance for setting up a bagasse-based co-generation plant. In this regard a question arose with regard to the entitlement/eligibility of a project for SDF assistance in case of a new green field sugar factory being set up along with bagasse-based cogeneration plant.

The matter has been considered by the Government in consultation with the representatives of the trade, technical experts on the Standing Committee and sub-Committee constituted under the SDF. It was reviewed that such green-field projects should be permitted to avail of the assistance under the fund subject to formulation of guidelines for grant of loan for cogeneration of power to a new factory without giving it the benefit of letting it avail of the loan to fund essential items for the sugar plants. For example, the cost of boiler TG set and other electrical and civil works required for the sugar plants should be deducted from the project cost of the cogen plant.

The following guidelines were laid down: -.

(i) The sugar factories may be allowed to apply for SDF loan even before the sugar plant has started production. However, the loan should be disbursed only after the sugar plant has started production.

(ii) The application for such a loan should be submitted before the cogen plant gets commissioned.

(iii) To arrive at net cost of the cogen plant for SDF funding after excluding the cost of components of sugar plants from the cost of cogeneration plant: -

- (a) Calculate minimum capacity of the boiler required as per industry norms for the installed capacity of the sugar plant.
- (b) Calculate amount of power in MW, which can be generated by the steam from the boiler of the said capacity.

(c) Deduct the capacity of power calculated at (2) above from the power capacity of TG set being installed for cogeneration of power.

(d) The power capacity arrived at (3) above may be considered for funding from SDF, as per the existing norms.

(Source: Case file Haidergarh Cheeni Mills)

Ethanol Projects:

Procurement of Molasses

During the discussion it was queried by one member whether loan from SDF should support a project for production of ethanol which utilizes molasses produced by the unit itself alone or which procures molasses from neighbouring mills also. The Committee deliberated on the issue and was of the opinion that in order to give sugar industry the advantage of economies of scale, a sugar factory implementing a project for production of ethanol by procuring molasses from the neighbouring factories, in addition to the available molasses from its own factory, should be supported by SDF loan. Therefore, if a few sugar mills combine together to set up a project in one unit the same should be supported by SDF. However, it should be ensured that there is no double financing and such units which combine together should not be funded again for a similar project unless individual sugar units increase the production of molasses and SDF rules so permit. The Committee felt that this will encourage more and more sugar factories to set up distilleries for production of ethanol which will lead to better availability of ethanol in the country. A detailed agenda note in this regard should be placed before the Standing Committee.

(Source: 86th meeting)

In order to give advantage to smaller sugar factories, it was proposed that the following cases may also be made eligible for loans under Rule 22:

(i) Joint Venture of two or more sugar factories

(ii) Two or more sugar factories enter into a long-term agreement of 10 years till the loan is fully repaid whichever is later.

The Standing Committee deliberated upon the subject and it was decided that under the SDF Rules, case(i) cannot be permitted. However, it will be open for a sugar factory to purchase molasses from another factory for making anhydrous alcohol or ethanol for which SDF loan would be available.

(Source 87th meeting)

Firmer guarantee/undertaking with regard to availability of molasses may be insisted upon while considering the loan applications for ethanol projects.

(Source: 91st Meeting dated 12.4.2007)

Ethanol Production / sale

While discussing on projects for funding of projects on ethanol production, Chairman emphatically desired that the Department should ensure that distilleries set up for production of ethanol with SDF support should sell only ethanol. The Department should suggest methods to check and ensure the same. Provision for penalties should be incorporated for any deviations from the same. A proposal should be put up to the Secretary for his approval.

(Source: 86th Meeting)

Ethanol Projects:

Secretary(F&PD) also explained that there is no restriction on inter-state movement of molasses and, therefore, there should be no restriction imposed by the Committee. It was suggested that in order to improve the efficiency of the factory they should be encouraged to set up ethanol and cogeneration plants with higher installed capacity and boiler capacity respectively. In view of the thrust being given by other developed countries for production of ethanol, even from food grains, the Govt. of India should explore all possible ways to encourage setting up of more capacities for production of ethanol, as the viability of sugar factories in future would significantly depend on ethanol

(Source 88th meeting)

<u>Benchmarks for in –house availability of molasses for ethanol plant for SDF loan</u>

In –house availability of molasses should be adequate to run the ethanol plant for at least 160 days. The variability of the project should be worked out on such minimum period norms from in –house molasses subject to at least 160 days. These norms will be made applicable for all cases sanctioned, after approval of these recommendations by the government.

(Source – 100th meeting of Standing Committee held on 25.06.2009)

<u>Raw Material</u>

The Committee deliberated on the issue that if the viability of a Greenfield project contingent on future availability of raw material or any other factory, shod it be considered. The members were of the view that it was vital to the industry that integrated projects (sugar, ethanol and / or cogen) should be encouraged. It was decided to follow the convention/ practice.

(Source 103rd Meeting of Standing committee held on 21st December 2009)

Availability of raw material

The Committee considered that the availability of raw material to operate Cogeneration project and Ethanol project calculated for 160 days for its financial viability may be continued however as per the appraisal of the project if the sugar factory proposes the operation of their plant more than 160 days they must furnish details of the source of availability of raw material to run the project, to assess the financial and technical viability of project.

(Source 134th Standing Committee held on 04.07.2017)

<u>Determination of pre-appraisal cost in case of modernization loans:</u>

It was informed by JS(S&SA) that as per the decision of the 81st Meeting of the Standing Committee for determination of the project cost, in cases where the sugar mill has incurred pre-appraisal cost for SDF loan, decision has been taken by the Department and approved by Hon'ble MOCAFPD. It has been decided that in case of projects where pre-appraisal expenditure is less than 75% of the total cost, there shall be no deduction of the same for the purposes of SDF loan. However, in case the expenditure is more than 75% the project would not be taken up for SDF financing.

(**Source 85th meeting)**

Loan application of sugar undertakings having negative net-worth

In its last meeting, while considering applications for cane development loans from sugar factories that had a negative net worth, the Committee took a view that such sugar undertakings prima facie lacked the ability to repay the SDF loans and there was a strong possibility of a turnaround not being achieved even after extending financial assistance from the SDF. With a view to extending assistance only to those sugar factories that are likely to be potentially viable the Committee had directed that these cases may be considered by the Committee of Rehabilitation. Accordingly, cases of sugar undertakings with negative net worth including some private sector cases were identified for consideration, by the Committee of Rehabilitation.

The Committee was informed that as per SDF Rules, potentially viable sugar undertaking means a sugar undertaking in the cooperative sector in respect of which a scheme of rehabilitation has been recommended by the Committee for Rehabilitation. The Committee was further informed that no such scheme of rehabilitation has so far been submitted to the Committee for Rehabilitation and none has been sanctioned in respect of any of the cases mentioned above, as such none of these undertakings can be considered potentially viable as per the rules and no recommendation could be made for cane development loans.

The Standing Committee considered the matter in detail and while deciding to reject the cases of sugar undertakings with negative net worth under consideration against this agenda item, decided that it would not consider any sugar undertaking with negative net worth for recommendation for cane development loans unless a rehabilitation package has been approved for the undertaking by the Committee for Rehabilitation or the BIFR, as the case may be.

(Source: 81st Meeting)

Quantum of loan: STM sponsored projects:

(i) For a project cost up to Rs.40.00 crores - Assistance up to 60% of the eligible project cost

(ii) For a project cost above Rs. 40.00 crores and but less than Rs. 50.00 crores – A maximum of Rs. 24.00 crores plus 50% of project cost between Rs. 40.00 to Rs. 50.00 crores.

(iii) For a project cost above Rs. 50.00 crores – A maximum of Rs. 29.00 crores plus 40% of the cost above Rs. 50.00 crores.

The above pattern of assistance would minimize the exposure to individual units while enabling a larger number of mills to receive assistance from a limited corpus.

(Source: 81st Meeting)

Ineligible Items

The following items are considered to be ineligible for funding for modernization purpose.

(i) Land and site development

(ii) Staff quarters

(iii) Labour quarters

(iv) Guest house

(v) Road fencing and related items

(vi) Additional working capital

(vii) Margin money towards working capital

(viii) Architect fees

(ix) Shifting of site to new location

(x) Purchase of old plan and machinery

(xi) Rationalization of manpower

(xii) P.F. arrears and pressing creditors' dues etc.

(xiii) Expansion component above 10,000 TCD capacity

(xiv) Additional loan in the cases where sanction had already been issued on the ground that certain items of expenditure which were ineligible earlier had subsequently been brought within the fold of eligibility by the Standing Committee

(xv) Dismantling expenses

(xvi) Drawings

(xvii) Interest during construction period

(xviii) The cost of escalation beyond 5% p.a. of the cost of the plant and machinery meant for modernization for the period of implementation of 18 months

(xix) Costs towards construction of sugar godown wherever these form a part of modernization/expansion programme

(xx) Costs towards molasses storage tanks above 500 TCD

(xxi) CENVAT credit.

(Source: Old)

Ineligible costs/CENVAT

It was decided that CENVAT would be considered as an ineligible item to be deducted to arrive at the eligible project cost for SDF funding.

(Source: 91st Meeting dated 12.4.2007)

The list of ineligible items for SDF funding which was circulated with the agenda. The Standing Committee was informed that a suggestion had been received to make the entire amount provided towards contingency as ineligible. After deliberations, it was decided that a maximum of 5% of the cost of plant and machinery (without linking it to any period) will be allowed as contingency in the project cost and any amount above 5% would be treated as ineligible. The committee also discussed the list of ineligible items and decided that in view of the developments in the ethanol sector and the need

to encourage more production and thereby storage of ethanol, the item "costs towards molasses of storage tanks above 500 TCD" be deleted from the list of ineligible items.

(Source: Spl Standing Committee meeting dated 20.7.2007)

It was also observed that upgradation of existing boiler was involved. After deliberations, it was decided that such upgradations will not be funded from the loan for cogeneration. The associated cost as ineligible item. Loan eligibility may be recalculated.

(Source – 98th meeting of Standing Committee held on 23.7.2008)

2nd Hand Machinery

The Committee laid down the following guidelines for treatment of second hand machinery and equipment for the purpose of computation of project cost eligible for SDF loan:

i. Use of second hand machinery and equipment should not change the overall character of the project which should essentially consist of new plant, machinery and equipment.

ii. It should be technically certified that the use/installation of the second hand machinery and equipment would not affect the overall efficiency and life of the project.

iii. The life of the second hand machinery and equipment so installed should not be less than the term of repayment of SDF loan.

iv. Subject to fulfilment of the above guidelines, the estimated /actual cost of machinery and equipment which are not new may be deducted from the estimated/actual cost of the project before arriving at the eligible project cost for SDF loan

(Source: 96th meeting dt 11.2.2008)

The Committee felt that allowing machinery purchased from another mill, even if unused, requires verification and certification by Chartered Engineers. Given the propensity for a possible misuse of such provisions, it was considered prudent to exclude buying new equipment are waiting for SDF loans. After a lot of deliberation, the Committee decided that the entire cost of plant and machinery bought from M/s Gayatri Sugar Ltd. whether erected or not and whether purchased in packed condition or not, maybe deducted from the eligible project cost and loan entitlement so calculated. the Committee felt that such a policy will be more transparent and easier to administer.

(Source – 98th meeting of Standing Committee held on 23.7.2008)

A comfort letter from the appraising financial institution/ bank, permitting such deviations may be obtained for in allowing such flexibility to sugar factories in completion of the projects with some second hand plan and machinery to that extent, subject to the guidelines laid down by the Committee earlier being followed.

(Source – 100th meeting of Standing Committee held on 25.06.2009)

REVISION OF INELIGIBLE ITEMS FOR GRANT OF SDF LOAN IN MODERNIZATION/ EXPANSION, COGENERATION, ETHANOL & ZLD CASES OF SDF.

The Sub-Committee meeting held on 24.06.2016 decided that a list of ineligible items for grant of SDF loans in Modernization/expansion, cogeneration, ethanol & ZLD cases may be revised in consultation with the technical experts on the subject. Subsequently, a meeting was held on 26.10.2016 under the Chairmanship of Joint Secretary (Sugar & Admin) for finalizing the list of ineligible items for arriving at the eligible project cost. The meeting was attended by Director (NSIK), STAI, VSI Pune, IFCI Ltd. and NCDC. As per the discussion and consensus, Director, NSI Kanpur was requested to furnish a final list of ineligible items. Accordingly, NSI Kanpur furnished the final list of ineligible items for grant of SDF loans.

2. The Committee accepted the revised list of ineligible items for grant of SDF loan in Modernization/expansion, cogeneration, ethanol & ZLD cases of SDF. The list is available at Department's website. (http://dfpd.nic.in/ineligivleitems.htm).

(Source 133rd Standing Committee dated 21.02.2016)

Ceiling on Number of Loans

Limit of number of loans to a single factory /company.

The Committee considered the issue whether the limit of two loans for modernization / rehabilitation was applicable to the sugar company or to only the factory. It was decided that that since the Act as passed by the Parliament mentions that the loan would be given to a factory or a unit thereof, these provisions should guide the SDF rules. It was, however, advised that the issue wherever applicable in individual cases should be highlighted against each agenda item for orders of the Minister.

(Source: 91st Meeting dated 12.4.2007)

A Company/Corporate entity/Society as a whole, having a number of sugar factories, can take a total of 20 concurrent loans from SDF whereas for a factory maximum four outstanding loans would be permissible at a time (four loans excluding cane development loans). This would be made effective from the date the SDF rules are amended and notified.

(Source: Spl Standing Committee meeting dated 20.7.2007)

SDF loan exposure

The Committee was informed that the SDF loan exposure to some of the sugar factories as well as their sister concern units is quite high and there is a need to formulate a cap/limit towards the SDF exposure to a sugar factory or a company. The Committee discussed the issue and opined that this requires to be discussed with the other stakeholders i.e. ISMA, NFCSF and also with other members of the Sub-Committee on SDF loan. A policy may be formulated and accordingly be placed before the Standing Committee, if necessary.

(Source 134th Standing Committee held on 04.07.2017)

Security against Loans

Security for cane development loans

The Committee discussed this matter in detail. It was explained to the Committee that in the case of private sector sugar undertaking a Bank Guarantee is insisted upon as security for the loan. In cases of Co-operative sector and public sector sugar undertakings a Bank guarantee is required to be furnished if the State Government does not extend a State Government Guarantee for the loan.

The Committee was informed that some sugar undertakings have intimated that they are unable to furnish Bank Guarantees in view of the high cost of obtaining such guarantees. A suggestion was made for consideration of the Committee whether instead of a Bank Guarantee a charge on assets of the sugar undertaking could be prescribed as security for the cane development loans. The Committee was of the view that since no tangible assets are created out of the cane development loans, and also because financial institutions and banks would already have a charge on assets of the sugar undertaking, a charge on such assets for cane development loans may not be feasible. The Committee decided that the security for the cane development loan may be as follows – in the case of co-operative/public sector sugar factories a State Government Guarantee or a Bank Guarantee, and in the case of private sector sugar factories a Bank Guarantee. Both guarantees may be on a reducing basis i.e. an initial guarantee for the full liability on account of the disbursed loan being replaced by a guarantee for the initial amount reduced by the liability discharged by the sugar undertaking.

(Source: 81st Meeting)

Security for Ethanol loans:

While discussing on the proposal for SDF loan for ethanol, Chairman felt that at the time of amendment of SDF Rules in January, 2004 for funding of projects for production of ethanol from molasses, the rule should have been amended to allow the sugar factory to furnish security in the form of hypothecation of assets on a pari passu first charge or an exclusive second charge basis in addition to bank guarantee. It was explained that since the cost of the project for production of ethanol from molasses was almost 3 to 4 times higher than that of production of ethanol from alcohol, furnishing of bank guarantee by the sugar factory for such higher amounts of SDF loan would not only be very expensive but may not be easy for most of the sugar factories to arrange from the Banks. It was informed that the file on the subject is currently under process. Secretary(F&PD) desired that it should be processed expeditiously and submitted.

(Source: 86th Meeting)

Security for repayment of SDF Loan for setting up of plant for production of anhydrous Alcohol or ethanol

The Standing Committee approved the amendment to Rule 22 to allow the sugar factory to furnish security for the loan in the form of either a Bank Guarantee from a Scheduled Bank or a mortgage on all immovable and movable properties of the sugar factory on parri-passu first charge basis.

(Source 87th meeting)

Security for SDF loan.

The Committee laid down the following guidelines to decide the type of security to be taken for SDF loans:

a) As is the practice already in SDF, the FACR (fixed asset coverage ratio) would be considered.

b) The FACR should be above 1.5 to allow the factory/company to furnish a security as exclusive second charge on the assets of the factory. If the FACR is below 1.5 but is 1.33 or above, the security can be in the form of first charge parri-passu. If FACR is still below 1.33, the factory will be required to furnish a Bank Guarantee as the security.

c) FACR of the factory as well as the company would be considered.

(Source: 91st Meeting dated 12.4.2007)

The Standing Committee recommended that the security should be taken in the form of a BG or a 1st charge parri passu. However, a view was expressed that some factories may face a problem in getting loan from Banks if second charge was not accepted. This will be examined separately by Govt. In case of outstanding State Govt. guarantees, steps need to be initiated to persuade States to either clear dues or get such dues cleared from the sugar undertakings/mills.

(Source: Spl Standing Committee meeting dated 20.7.2007)

The relevant date of FACR for deciding security for SDF loan**

The FACR, DSCR or any other financial data would be considered at the time of consideration of the loan application by the Standing Committee. In case of any change requested by the loanee, at any stage thereafter, the same will have to be brought back to the Standing Committee for decision.

However, these recommendations will become applicable for the loans sanctioned in the instant meeting (**11. 2. 2008) and thereafter**. They will not have any retrospective effect. Accordingly, this decision will not be applicable to the loans sanctioned (but not disbursed) in the meetings prior to the meeting of the Standing Committee held on 11.02.2008.

(Source: 96th meeting dt 11.2.2008)

Security for SDF Loans

Amendment of March 07 shall be allowed to be applied to all loans for Cane Development as well as ethanol sanctioned prior to March 07 but not disbursed in full irrespective of singing or otherwise of TPA. If TPA has been signed, necessary charges may be incorporated therein.

(Source – 97th meeting of Standing Committee held on 14.05.2008)

It was brought to the notice of the Standing Committee that as per the advice of finance , Standing Committee in its 96th meeting held on 11.2.2008 had decided that the FACR, DSCR or any financial data be considered at the time of consideration of the loan application by the Standing Committee. However, in practical application it has been observed that there is a considerable gap between the consideration of the case by the

Standing committee and actual disbursement of the loan. The parameters often change during this period and the security created is not always as per the then existing financial parameters. The Standing Committee directed that FACR be considered at the time of creation of charge and the security decided accordingly. Case where FACR is lower at the time of disbursal should be placed before the Standing Committee.

(Source 109th Meeting of Standing committee held on 3.5.2011)

In 109th meeting of Standing Committee of SDF held on 03.05.2011, it was decided that the nature of security required will be decided on the basis of FACR on the date of creating the charge since there is always a gap between sanction of loan and its disbursement.

The above laid down procedure was discussed in the light of following issues raised by IFD during processing of various cases for disbursement:

(a) Consideration of Financials of the company at the time of disbursement,

(b) Valuation of mortgageable assets,

(c) Additional Security.

The issue mentioned at(a) above did not find favour of the Committee as it emerged that a line needs to be drawn somewhere and the decision taken by the Standing Committee earlier for taking FACR at the time of creation of charge holds good and need not be changed. AS&FA pointed out the problem arises in the cases where disbursement takes place after a considerable gap from charge creation and the Financials of the company decline sharply due to losses or other reasons. Therefore, he suggested that the validity of Administrative Approval may be frozen at one year and no extension after one year be granted to the sugar factory for availing disbursement. The committee was informed about the formalities to be completed by the sugar factories before taking disbursement. Chairman stated that one-year period is good enough and need not be extended further. It was decided that in exceptional circumstances, for which reasons will be recorded, one extension of three months by Joint Secretary (Sugar) and another extension of three months by Secretary(F&PD) as Chairman of the Standing Committee may be granted.

The issue mentioned at(b) above was discussed and it was found that valuation of mortgageable assets at the time of disbursement would not be appropriate as it would improve the FACR if land valuation has gone up and it is a time taking process having cost element and would cause further delays.

(Source: Special meeting of Standing Committee held on 9th November 2012.)

Security for SDF Loans

The committee noted that some of the applicants had proposed giving bank guarantee pending creation of charge on its assets as security. This is although not strictly as per the existing practice but was permitted in the case of short-term loans announced in July 2009. This was in view of the fat that charge creation takes some time because taking NOC from other charge holders is a pre-condition for the same. The Committee also noted that earlier the only security permitted for SDF loans for cane development was bank guarantee or a State Government guarantee in case of cooperative sugar mills. Charge on assets was permitted since bank guarantee was found too expensive by the sugar factories to be affordable. Giving an option for Bank guarantee pending creation for charge was a time saving device and did not require any amendment of the SDF rules. Such this may be permitted in case of cane development loans.

(Source – 105th meeting of Standing Committee held on 22.03.2010)

SDF Security

It was further decided that the security norms for SDF loans as per the benchmark decided by the Standing Committee earlier may be followed until further orders.

(Source107th meeting of held on 18.11.2010 & 24.11.2010)

Security for SDF Loans

Initiating the discussions, Member Secretary informed that at present the security for SDF loans are taken in the form of Bank Guarantee of charge on the movable and immovable properties of the sugar factory on pari passu first charge basis failing which on the basis of an exclusive second charge as per the FACR benchmarks decided by the Government. In view of the growing NPAs of the banks and the current fluid scenario of the sugar sector, it has become imperative that the security issue be reconsidered. Representative of banking Division supported the view. Accordingly, deliberations were held on the issue, and it was recommended that henceforth, loan may only be given to sugar factory offering security in the form of Bank Guarantee from a scheduled bank or charge on the movable and immovable properties of the sugar factory on pari passu first charge basis. Security in the form of second exclusive charge on the assets may not be accepted in view of difficulties faced in recovery in cases of default.

(Source: 118th meeting held on 10.04.2013)

ADDITIONAL SECURITIES FOR SECURING SDF LOANS IN CASE WHERE FINANCIALS ARE WEAK DESPITE ADEQUATE FACR & DSCR.

To secure SDF loans, currently, only two types of security are taken based on FACR of the factory as well as the company for SDF loans, viz.(a) charge on the movable and immovable properties of the sugar factory on pari passu first charge basis for FACR 1.33 or above; &(b) Bank Guarantee for FACR below 1.33. Further, DSCR is also required to be above 1 to ensure that the sugar factory is capable of repaying the SDF loan.

2. However, there have been instances where the FACR and DSCR is OK but the company's other financial health parameters are weak. In such cases there is a need for having securities in addition to the existing securities mentioned above. The Standing Committee considered and approved the proposal for taking additional securities as under:

i. **Criteria based on which the companies to be declared financially weak:**

a) Profit After Tax (PAT)/Net Profit is negative for preceding 2 years or more;

b) Net-worth is negative for the preceding 2 years or more;

c) Retained earnings are negative at the time of sanction of SDF Loan.

ii. **Additional securities to be obtained (except where bank guarantee is obtained):**

(i) Post-dated cheques (PDCs) for repayment of Principal and Interest of Borrower Company shall be obtained invariably in all cases. Besides PDCs, any or all of the following securities shall be obtained:

a. Personal Guarantee of Promoters.

b. Corporate Guarantee of Holding Company.

c. Pledge of company's listed shares of Holding Company/ Borrower.

d. Assignment of Fixed Deposits of Holding /Borrower Company.

e. Mortgage of third-party assets viz. personal properties of borrower or Holding/Subsidiary Company.

(ii) These conditions shall apply at the time of creation of charge, henceforth. In cases where it is decided to obtain bank guarantee as per the FACR criteria, the above additional securities shall not be obtained.

(iii) In case of the Cooperatives, since it would not be feasible to obtain other securities mentioned above, only PDCs shall be obtained as additional security.

(iv) IFCI/NCDC, the nodal agencies, will ensure compliance of these guidelines.

iii. **<u>Implementation of Escrow mechanism for effecting recovery of SDF loan:</u>**

Implementation of Escrow mechanism for effective recovery of SDF loan through revenue sharing was among the suggestions put forth before the Standing Committee. This was among the suggestions given by IFCI and NCDC for effective recovery. The Members were of the view that this may be implemented along with above measures for creation of additional security.

After carrying out detailed discussions in the matter, the Committee decided that all the proposals for ethanol and cogen project, shall be subject to opening of escrow account so that SDF loan recovery is also made through revenue sharing with the projects. The Committee further decided that modalities for implementation of the escrow mechanism including the date from which to be made effective, stage at which it will be enforced, may be finalized in consultation with IFCI and NCDC.

(Source 130th Standing Committee dated 18.5.2016)

<u>Additional Securities in case of poor DSCR ratio for past 5 years</u>

The Standing Committee considered the proposal for obtaining additional Securities from the sugar companies whose Average DSCR (anyone of sugar factory or company as a whole) for past five years is less than one. After due deliberation, the Standing Committee accepted the proposal and decided to treat the Sugar Companies whose average DSCR(anyone of sugar factory or company as a whole) for past five years is less than one, as financially weak to obtain Additional Securities as decided in the 130th Standing Committee from such Sugar Companies. The additional securities will cover the full amount of SDF loan along with interest.

(Source 135th Standing Committee held on 14.11.2017)

Extension of Validity of Administrative Approval/Disbursals

<u>Extension of time limit for disbursal:</u>

It was observed by the Chairman that in some cases, disbursement is very slow and sugar units come for disbursement even after one year of issue of administrative approval. The Committee deliberated at length the measures to be taken in case a sugar unit seeks disbursal after one year of issue of administrative approval. After considering pros and cons of various options, the Committee decided that in case any sugar unit seeks extension in validity of administrative approval after one year of its issue, the case shall be considered on merits by the Sub-Committee.

(Source: 82nd meeting)

<u>NORMS FOR DISBURSAL OF SDF LOAN IN INSTALLMENTS / LUMP SUM BASIS</u>

2. A meeting was held under the chairmanship of Joint Secretary (Sugar & Admin) on 01.05.2017 for finalizing norms for disbursal of SDF loan in instalments / lump sum basis. The following decisions were taken on the matter:

   (i) 1st instalment of the SDF loan up to 50% of the approved loan may be released subject to

      (a) Placement of orders for plant and machinery by the sugar factory.

(b) Complete investment / expenditure of the promoters' equity.

(c) After physical verification of the project and on the basis of relevant documents i.e. certificate of the auditor/ Chartered Engineer etc., as the case may be, IFCI/NCDC will recommend to SDF regarding the release of the SDF loan instalment.

(ii) 2nd instalment / 50% of the approved loan may be released subject to

(a) Furnishing of Utilization Certificate of the 1st instalment of the SDF loan.

(b) Physical and financial progress of 75% i.e. completion of 75% of the project and after incurring an expenditure of at least 75% of the project cost.

(c) After physical verification and submission of progress report regarding satisfactory progress of the project and on the basis of relevant documents i.e. certificate of the auditor/ Chartered Engineer etc., as the case may be, IFCI/NCDC will recommend to SDF regarding the release of the second SDF loan instalment.

(iii) Lump sum / 100% of the SDF loan to be disbursed if 90% work of the project has been completed and total expenditure incurred is at least 90% of the project cost. After physical verification and submission of progress report of the project and on the basis of relevant documents i.e. certificate of the auditor/ Chartered Engineer etc., as the case may be, IFCI/NCDC will recommend to SDF regarding the release of the SDF loan instalment.

(Source: Minutes of Meeting held on 01.05.2017)

<u>Extension of AA:</u>

<u>Extension of Validity of Administrative Approvals and period under which the sugar mills should seek disbursement of 1st instalment of loan:</u>

The Standing committee decided that in cases of modernization, cogeneration and ethanol, the sugar factory should submit their request for disbursement of 1st instalment of loan to the Monitoring Agencies viz. IFCI/NCDC within 8(eight) months from the date of issue of Administrative Approval. Monitoring Agencies would be required to process and forward the requests to SDF section in a period of 45 days from receipt of such requests.

In case of Cane Development loan, the Standing Committee decided that the sugar factory should submit their request to SDF section through the concerned State Government within 10 months. It was also decided that the validity of the Administrative Approval for availing the first instalment of loan should now be one year instead of 2 years.

Further it was also decided that in case the sugar factory is unable to do as above, it should send a request before the expiry of Administrative Approval for extension stating reasons. Individual cases will be examined and recommended by the Sub-Committee before these are submitted to the Chairman of the Standing Committee for approval. Reasons for delay in making a claim should also be examined by the sub-committee. No request for the extension of administrative approval will be considered after its expiry, and it will then be treated as a fresh case. Such extensions, after approval of Chairman, would be put up for information of the Standing Committee.

The Committee also decided that the SDF Division should study the possibility of imposing a penalty in such cases should these come for fresh approval. However, JS(S&SA) suggested that cases of marginal spill over of up to a month, because of procedural delays in processing may be put up to the Chairman for extension of administrative approval. Such extension may then be placed before Standing Committee for information. This was accepted by the Standing Committee.

(Source 87th meeting)

Extension of Validity of Administrative Approval:

It was informed by Member Secretary that in a few cases, the sugar factories are unable to avail the SDF loan within the specified time frame of one year laid down in the Administrative Approval. There are various reasons for such delays which include the sugar factories not getting NOCs from various banks, creation of charge on the assets, arranging for bank guarantees, promoters' contribution, getting disbursement of the bank loan etc.

He pointed out that in the 87th meeting of the Standing Committee it was decided that extensions in Administrative Approvals for such delays should be first examined by the Sub-Committee/Screening Committee and then put up to the Secretary as Chairman of the Standing Committee for approval. Thereafter, the Administrative Approval should be given and loans disbursed. Such extensions should be then brought to the notice of Standing Committee in its next meeting.

Member Secretary stated that processing through Sub-Committee/Screening Committee causes further delay since the meetings of these Committees are not held every month. Therefore, he requested for consideration by the Committee that such extensions up to 3 months may be allowed to be given by JS(S&SA) and up to 6 months by Secretary(F&PD) for modernization/expansion, cogeneration and ethanol cases and up to 6 months by JS(S&SA) and 9 months by Secretary(F&PD) for cane development loan cases. The Sugar Division would ensure that the delays should not have caused any adverse impact on the project before seeking such approval. If the approval is for more than the above-mentioned periods or if the delay has caused an adverse impact on the project viability, the request of the factory for extension should be brought up to the Standing Committee for approval of extension.

AS & FA opined that the Standing Committee in its 87th meeting had laid down the procedure of first getting the extension examined by the Sub-Committee/Screening Committee only in March 2006 and therefore, this should not be reviewed in such a hurry. He also felt that the Sugar Division should examine the reasons for such delays and if it is on account of the sugar factory the matter should be dealt with seriously.

Chairman desired that this proposal should be examined in detail by the Sugar Division taking into consideration the quantum of delays and the reasons for the same including the time taken by the various Organizations/Sections in about 10 cases and thereafter make a consolidated proposal.

The Committee decided that the proposal should be considered after the above study is done as desired by Chairman.

(Source 90th meeting)

Extension of validity of administrative approvals

The sub- committee, in consultation with the Nodal agencies vis.,IFCI/NCDC and ISMA/NFCSF Ltd should considered reasonable time within which a sugar factory should be able to complete all the requisite formalities/ documentation for availing the SDF loan sanctioned to it. There would be no need for seeking extension of time if they are serious about their project and about availing of the SDF assistance. However, in exceptional cases, for justifiable reasons, extension may be considered upon payment of a commitment charge. In case of non-adherence to the schedule, the sugar factory should be expected to apply afresh for the SDF assistance, if need be.

(Source – 104th meeting of Standing Committee held on 28th January 2010

The Member Secretary briefly explained the need for giving a strict time span to the administrative approvals, issued in favour of sugar factories sanctioning loans for their various projects, during which the sugar factory concerned must apply for disbursement of loan to it with complete documentation and completion of necessary formalities. It was highlighted that in order to have a clear idea of committed liability and funds requirement through demands for grants in the annual budget it was necessary to eliminate the very old cases in which the sugar factories had not shown due diligence in availing themselves of the loans sanctioned to them. The following decisions were taken:

i) All administrative approvals which are more than two years old and where there is no communication from the concerned sugar undertaking, shall lapse.

ii) Thirty days time may be given to the sugar factories for applying for extension of time with complete justification in cases where administrative approvals are one to two years old. Extension or otherwise may be decided on merit in each individual case.

iii) Where the sugar factories have taken only the first instalment of loan, the utilization certificates and project implementation status may be called for, if the first instalment was taken more than six months ago. Extension for release of second instalment, if received may be examined on merit as in(ii) above. In case extension is not granted AA may be revised and second instalment may not be disbursed.

iv) In cases where utilization certificates have not been received for the first instalment released more than six months ago, and if the project implementation is stalled or not being pursued by the sugar factory, AA may be cancelled, the whole amount already disbursed may be recalled with interest and additional interest after giving a show cause notice to be replied by the sugar undertaking.

v) In composite projects where Co-gen/ Ethanol loans have not been availed of because commercial production of sugar has not been commenced, further period of six months may be allowed for availing the loan if the sugar factory applies with justifiable reasons.

vi) Request for extensions received within the validity period for justifiable reasons may be considered at the level of AS/JS(Sugar) level. Not more than two extensions of six months each may be permitted.

vii) The present system of informing the Standing Committee of extensions granted may continue.

<u>Decision of the Government</u>

Before taking a decision, reasonable opportunity may be given to the concerned mills to take corrective action.

(Source – 107th meeting of Standing Committee held on 18.11.2010 & 24.11.2010)

<u>Extension of validity of Administrative Approval</u>

Standing committee decided that in exceptional circumstances, for which reasons are to be recorded in writing, one extension of three months by Joint Secretary (Sugar) and another extension of three months by Secretary(F&PD) as Chairman of the Standing Committee may be granted. For further extension of validity of Administrative Approval, the case is required to be put up to Standing Committee.

(Source special meeting held on 09.11.2012)

<u>Extension of validity of Administrative Approval</u>

It was observed by, that due to various procedural delays, the sugar factories are quite often, not able to get mandatory clearances and complete necessary formalities and have been frequently approaching the Department for extension of AA. The Committee accordingly considered and approved the following proposal of the Department:

"Request for Extensions of validity of Administrative Approval received within validity period for justifiable reasons may be considered at the level of IS(S&SA), and two extensions of three months each, may be permitted. After two such extensions granted by JS(S&SA), further extension of six months may be granted by Secretary F&PD. After giving one year of such extension, there shall be no further extension in any case except in the case where NOC from PCB or EIA are awaited, in which case the matter may be bought to the Standing Committee for consideration and a maximum of one year extension may be granted/ considered by the Standing Committee. "

(Source 127th Standing Committee held on 08.10.2015)

<u>Extension of validity of Administrative Approval</u>

Standing Committee decided that, henceforth, all administrative approvals shall be subject to following conditions:

(for Brownfield projects)

(i) The validity of the AA would be one year only.

(ii) There shall be no extension in validity period of the AA.

(iii) The Sugar factory shall apply to the concerned authorities for EIA/PCB clearances. The Sugar factory at the time of applying for the SDF loan will also provide a copy of the acknowledgement by the concerned authorities. The furnishing of such acknowledgement shall be sufficient for approval/disbursal of SDF loans

(for Greenfield projects)

(i) The validity of the Administrative Approval shall be one and a half year and may be extended for a period of six months in extraordinary circumstances only with the approval of Secretary(F&PD).

(ii) The Sugar factory shall apply to the concerned authorities for EIA/PCB clearances. A copy of the acknowledgement by the concerned authorities, of the application of the Sugar factory for EIA/PCB clearances, shall be furnished by the sugar factory at the time of applying for the SDF loan.

(iii) However, before disbursement of the SDF loans the Sugar factory shall furnish all the EIA / PCB clearances.

(Source 129th Standing Committee on 04.03.2016)

<u>Extension of validity of Administrative Approval</u>

Request for extension of validity of AA received within validity period for justifiable reasons may be considered at the level of JS(S&SA), and two extensions of three months each, may be permitted. After two such extensions granted by JS(S&SA), further extension of six months may be granted by Secretary(F&PD). After giving one year of such extension, in cases wherein further extension is requested, the cases may be placed before Standing Committee and the Standing Committee will have power to grant further extension on case to case basis on merits of the case.

(Source 136th Standing Committee on 07.08.2018)

<u>Decision of the Government</u>

Before taking a decision, reasonable opportunity may be given to the concerned mills to take corrective action.

(Source – 107th meeting of Standing Committee held on 18.11.2010 & 24.11.2010)

Repayment of Loans

On the information of recovery of SDF dues, it was informed by Joint Secretary(S&SA) that except for cane development, all the cases are being monitored by IFCI and NCDC who are responsible for recovery of SDF dues and can start legal proceedings wherever necessary against the defaulting units. Therefore, they will be asked to furnish quarterly status on recovery of SDF dues, which may be furnished to the Standing Committee.

(Source: 83RD MEETING)

<u>Monitoring agencies retaining amount for 30 days</u>

It was noted that the amounts paid by the sugar factories were retained by monitoring agencies for up to 30 days. The time limit may be fixed at 3 days. It was decided that it would be better if the factories are asked to remit repayment of loans directly to the Government Account, since 3 days may not be sufficient as it might take them a few days in realising the amounts. It was decided that the amount should be credited to the Government account though ECS/EFT/Core Banking solutions to be worked out by CCA. The monitoring agencies should also get the amount transferred through ECS/EFT and if this is not possible, they would be required to credit the amount to the Government account within three working days of realization. If such time limit is not adhered to, penal interest based on the interest prescribed by the Department of Economic Affairs, Ministry of Finance plus 2.5% would be chargeable. CCA would prepare the challan through which the mills can deposit the amounts in the Government account directly and put it up on the web-site, so that it can be downloaded, with clear instructions on the procedure and formalities to be followed for the same. Details may be given so that the banker of the mill is also clear how the amount can be transferred.

(Source: Spl Standing Committee meeting dated 20.7.2007)

<u>CENVAT</u>

In the cases where the appraising banks have certified that the project cost does not include cenvat credit, the administrative approval (A.A.) issued, sanctioning the SDF loan, should contain a clause mentioning that if the company receives such credit in future, the excess loan disbursed would be immediately returned to SDF.

(Source: 92nd Meeting dated 1.5.2007)

In the cases where loans have been sanctioned prior to 12th April 2007, the disbursement would be as per sanctions, but the mill will be required to use the Cenvat credit, to repay SDF loan proportionately, in the year the sugar mill receives such credit. For the cases sanctioned after 12th April 2007, it was also decided that the Cenvat credit amount would be treated as ineligible and deducted from the project cost to arrive at the eligible project cost. It was decided that this matter may be decided by the Department on file and approval sought from the Minister.

(Source: Spl Standing Committee meeting dated 20.7.2007)

<u>Utilization of CENVAT credit to repay SDF Loan</u>

The Government had taken a policy decision recently with regard to CENVAT credit in connection with the sanction of SDF loan to the sugar factories. The decisions taken in this regard are as under: -

(i) In case CENVAT credit is a part of the project cost, SDF loans would be sanctioned on the project cost inclusive of CENVAT amount and the sugar factory will be required to repay SDF loan at the end of the financial year in which the CENVAT credit is allowed. This will be over and above the normal instalments of repayment. This will be applicable to all loans already sanctioned or which would be sanctioned. The sugar factory will, therefore, be required to file a statement every quarter on the CENVAT credit received.

(ii) Even if the sugar factory has not received the entire CENVAT credit due to it within the time limit of five years, at the expiry of this time limit the sugar factory would be liable to repay the SDF loan commensurate to the total CENVAT credit it is due to receive for the project.

(iii) The entire CENVAT credit received by the factory for the project would be utilized for the repayment of SDF loan in the same proportion in which SDF loan sanctioned is to the total project cost.

(Source: 94th meeting of Standing Committee held on 27.8.2007)

<u>Monitoring</u>

<u>Monitoring of SDF Schemes</u>

The Committee considered this matter and decided that monitoring of only cane development schemes may be considered. The Committee was informed that several agencies have approached Government for this work. The Committee decided that the work may be entrusted after ascertaining the cost/charges that these agencies might claim. The work may be allocated region wise to agencies decided upon.

(Source: 81st Meeting)

<u>Monitoring Agency</u>

Regarding monitoring agency, it was informed that for cane development scheme, we are already In the process of entrusting the job of monitoring to different agencies.

(Source: 83RD MEETING)

<u>Monitoring of Cane Development loans:</u>

The Monitoring Agencies viz., Sugar Technology Mission, National Federation of Cooperative Sugar Factories Ltd. and IFFCO Foundation who were appointed by the Govt. for studying and monitoring utilization of cane development loans to two sugar factories each on experimental basis should be asked to submit the reports immediately. A presentation by them on the above may be organized on their findings. It was further decided by the Committee that all the cane development loans disbursed in the last one year, i.e., w.e.f. 1.1.2005 should be assigned to the monitoring agencies for their study and monitoring. The Committee further desired that as far as possible a monitoring agency should be from an area close to the sugar mill to reduce the costs on account of visit and for better logistical support. If required, more monitoring agencies like VSI, Pune, and SBI, Coimbatore may also be appointed by the Department. It was decided that care should be taken to assign the monitoring work to such agencies who had not prepared the project/scheme report for the mill and as far as possible be from the neighbouring State. An agenda note on the subject may be placed before the Standing Committee.

(Source: 86th Meeting)

<u>Appointment of Monitoring Agencies for Cane Development Loans:</u>

The Standing Committee discussed the matter regarding appointment of monitoring agency to monitor the utilisation of cane development loans disbursed to the sugar mills. It was decided that in addition to the agencies already registered with SDF, Cane Research Institutes / Agricultural Universities having expertise in sugar cane, ISMA, SBI Coimbatore, VSI Pune may also be given the monitoring job of cane development loans. However, it was also decided that the projects prepared by a particular agency will not be given to the same agency for monitoring and that JS(S&SA) will decide the agency which will monitor cane development loan utilization of each individual mill. The loans disbursed in 2005 and up to March 2006 will be taken up for monitoring immediately on the same terms and conditions which already exist including a fee of 1% p.a. on the disbursed amount of the particular year. In future cases, the agency will be nominated along with the sanction letter w.e.f. 1.4.2006. It was also decided that the performance of Monitoring Agencies so for in recovery of loans be evaluated and their fees structure be also reviewed.

(Source 87th meeting)

Monitoring

i. State Governments are required to monitor the Cane Development projects under the SDF Rules. In addition to this the Central Government had also appointed monitoring agencies who submit their report to the Central Government regarding achievement of physical and financial targets and proper utilization of the fund. AS&FA observed that there was need for test check in such cases by the Department also.

(Source - Agenda item no. 3, 107th meeting of the Standing Committee held on 18.11.2010 and 24.11.2010)

MONITORING OF CANE DEVELOPMENT LOANS GRANTED FROM SUGAR DEVELOPMENT FUND

The matter relating to monitoring of Cane Development Loan from SDF have been under examination of the Department in consultation with the IFD since 2012-13.

A meeting under the Chairmanship of AS& FA was also held on 05.08.2013 and it was inter-alia decided to appoint only those monitoring agencies which are having Scientific/ Research oriented expertise for monitoring work. The matter was also discussed in 121st meeting of Standing Committee.

2. Accordingly, applications were invited from 18 Institutes out of which only 7 institutes showed willingness. Based on the strength of technical manpower and area of specialization following 3 Institutes have been short listed with the concurrence of IFD for assigning the work of monitoring of Cane Development loan granted from SDF.

(i) Sugarcane Breeding Institute, Coimbatore, Tamil Nadu.

(ii) National Sugar Institute, Kanpur, Uttar Pradesh.

(iii) Vasantdada Sugar Institute, Pune, Maharashtra

3. the officers of this Department may also be deputed for field visit, as and when required to assess the ground reality. the fee pattern will remain the same i.e. @1% of the amount of loan disbursed. Monitoring report will be submitted by the concerned agency in two parts: -

(i) Convey actual Utilization.

(ii) Impact assessment.

Payment to the monitoring agency will be made in two parts i.e. 50% after report is received regarding actual utilization and balance 50% after receipt of report regarding impact assessment

4. Time period for monitoring of Cane Development loan was increased from 3 months to 12 months.

(Source 128th Standing Committee held on 06.01.2016)

Monitoring of Cane Development Loans Granted from Sugar Development Fund

Presently the work of monitoring of cane development loans granted from sugar development fund is assigned to the following three institutions: -

(i) Sugarcane Breeding Institute, Tamil Nadu

(ii) National Sugar Institute, Kanpur

(iii) Vasantdada Sugar Institute, Pune

The above mentioned three institutes were finalized based on their technical expertise and capability to undertake monitoring work and the States were assigned to these agencies based on their geographical location. A proposal was placed before the Standing Committee to modify the aforesaid decision so that Govt. of India may authorize the work of monitoring of Cane Development loans granted from SDF to the above-mentioned institutions by the SDF Division on case to case basis.

During discussion representatives from M/o Agriculture and Farmers Welfare and ICAR informed that Indian Institute of Sugarcane Research (IISR), Lucknow is also having an expertise in Sugarcane and IISR may be assigned the work of monitoring of Cane Development Scheme as per the extant eligibility criteria. The Committee decided that IISR, Lucknow may apply afresh and SDF Division may consider the application of the Institute on the basis of their technical expertise and capability to undertake monitoring work, accordingly.

After detailed deliberations, the Committee accepted the proposal of the SDF Division.

(Source 134th Standing Committee held on 04.07.2017)

Review of cane development scheme

The Committee decided that the Cane development loan may henceforth be allowed for the following component as the results in these cases will be verifiable/tangible:

(i) Setting up of heat treatment plants

(ii) Rearing of nurseries

(iii) Drip irrigation

(Source 133rd Standing Committee held on 21.02.2017)

Review of Cane Development scheme

The committee observed that presently, cane Development assistance under SDF is provided for setting up of heat treatment plants, rearing of nurseries and Drip irrigation' The Committee observed that there is a kind of duplication of schemes under the Department of Food & PD and the Ministry of Agriculture & Farmers' welfare as assistance is provided from both Departments/Ministries for similar schemes.

Accordingly, in view of the above and in light of surplus production of sugar in the country the Committee directed the subcommittee to review the components of Cane Development under SDF and to examine the continuance of Cane Development scheme in future.

(Source 136th Standing Committee held on 07.08.2018)

Impact Study/ Utilisation Certificates

For the conduct of impact study, the Chairman, after taking the views of the Members, decided that the National Sugar Institute, Kanpur, may be given the task of conducting impact study. Director, NSI, Kanpur, who was present in the meeting agreed to conduct the same.

(Source: 83RD MEETING)

It was decided that the list of cases for modernisation and cogeneration projects of the last five years may be given by SDF to NSI, Kanpur from which NSI, Kanpur shall select five cases of each scheme. It was also agreed that the impact study in respect of each case shall be completed within two months.

(84TH MEETING)

Utilisation Certificate – Impact Report of Cane Development loans.

That the impact report of cane development loans highlighting the result of the utilization of SDF loan is desirable and should be taken from the mill.

(Source: Spl Standing Committee meeting dated 20.7.2007)

Cost Benefit Evaluation

The Chairperson noted that number of applications for SDF loan was on the increase. She desired that the industry may be informed that the Government will shortly undertake cost benefit evaluation study to assess the impact of SDF loans for which sugar mills will be picked up on random basis to evaluate the utilisation of loan and achievements etc. by them.

(Source – 106th meeting of Standing Committee held 28th April 2010)

Refinancing

The appraising bank should certify that the project does not involve 'refinancing'. During discussions, Chairman opined that 'bridge' loans, diversion of working capital etc. taken by the factory to meet their requirement of funds till disbursements of SDF loans are not to be considered as 'refinancing'

Project costs:

It was decided that in the case of completed projects being considered by the Standing Committee, actual expenditure incurred on the project should be mentioned in the Agenda notes. It may be ensured that lower of(a) the eligible SDF loan and(b) actual expenditure on the project would be sanctioned.

(Source: 92nd Meeting dated 1.5.2007)

Since the SDF Rules do not permit SDF loan for the purpose of "refinancing", such sugar factories which complete their projects before the disbursement of SDF loan will not utilize the SDF loan to prepay the term loan given to them by other term loan lenders.

(Source – 100th meeting of Standing Committee held on 25.06.2009)

Grant in aid

The Committee felt that instead of the research institutes approaching the SDF with projects they intend to undertake, it might be more useful if the sugar industry suggests areas of importance that the industry would want research institutes to study and research. Chairman desired that ISMA, National Federation, other associations, STAI etc., may be requested to deliberate on the issue and suggest to the Government the area they feel are important and projects the industry feels should be taken up for research. He said that due importance should also be given to improve the sugarcane yield and sucrose content. The Chairman also suggested that instead of increasing the number of varieties, the emphasis should be to further improve the sucrose content and productivity of already successful varieties of sugarcane seed. The Committee felt that this should be encouraged by SDF.

(Source: 93rd meeting of Standing Committee held on 24.8.2007)

Reimbursement of internal transport and freight charges on export shipment of sugar - Removal of Cap of Rs. 1000 per MT

It was explained by the Member Secretary that the Standing Committee of the SDF in the

74th meeting held on 21.6.2002, inter alia, recommended to Govt. to defray expenditure on internal transport and freight charges to sugar factories on export shipment subject to the condition that in case of export of plantation/mill white sugar, such reimbursement may not exceed Rs.1000/- per MT.

The Department, however, decided to remove the said cap of Rs.1000 per MT on all cases of exports that had taken place on or after 21.6.2002 and against R.Os issued up to 20.6.2004. The decision of the Department was thereafter submitted to the Standing Committee on SDF in the 81st meeting held on 25.8.2004 which noted the decision of the Department on removal of 'cap' of Rs.1000 per MT in respect of all export shipments made in the permissible period w.e.f. 21.6.2002.

IFD have opined that the Committee has only "noted" the decision of the Department to remove the 'cap'. Hence, the proposal of removal of cap on exports made on or after 21.6.2002 and against the R.O. issued up to 20.6.2004 was placed before the Committee.

The Committee considered the matter and approved the removal of 'cap' of Rs.1000/- per MT on internal transport and freight charges on export of sugar applicable to all cases of exports that have taken place on or after 21.6.2002 and against R.Os issued up to 20.6.2004.

(Source 87th meeting)

<u>Reimbursement of internal transport and freight charges:</u>

The Committee noted the decisions taken with regard to reimbursement of internal transport and freight charges on export shipments of sugar being allowed in respect of shipments made against release orders issued up to 20th June 2004 and also the removal of ceiling of Rs.1000 per MT that was earlier being imposed on reimbursements. It was explained that removal of the ceiling would be applicable in respect of export shipments made in the permissible period w.e.f. 21st June 2002.

(Source: 81st Meeting)

<u>Restructuring of loan</u>

The committee considered the norms for restructuring of SDF loans to sugar factories on the recommendations of BIFR/COR, recommended by the group of officers from Department of Food & Public Distribution, Department of Financial Services, IFCI, NCDC and NABARD as directed by the Standing Committee in its meeting held on 30.10.2009 and approved the norms.

(**Source – 104th meeting of Standing Committee held on 28th January 2010.)**

<u>Interest of Committee Members</u>

It is expected that no member on the Committee including the special invitees had any interest in the cases being considered by the Committee or had not done any consultancy for the cases under consideration, directly or indirectly, expect in the course of due discharge of their official duties. A formal undertaking to this effect may be given by the member /special invitees in all meetings.

(Source – 104th meeting of Standing Committee held on 28th January 2010.)

<u>SHORT TERM LOANS</u>

<u>Time for disbursement of short-term loans under Rule 16A and 17 A of the SDF Rules.</u>

The Committee recommended extension of time limit for disbursement of short-term loans up to 31th January 2010 to the applications having been received by IFCI/NCDC by 30th November, 2009.

(Source 103th Meeting of Standing committee held on 21th December 2009

Short Term loans – time limit

That loans to the sugar factories, which could not be disbursed for want of funds during 2009-10 may be disbursed out of the next year's budget.

Time period disbursement of short-term loans for cane development as therefore, recommended for extension for a period of 45 days with effect from 1st April 2010 i.e. up to 15 May 2010. The Committee also recommended that further extension for want of funds may be given by the Chairperson on file, if required.

(Source – 105th meeting of Standing Committee held on 22.03.2010)

Short Term Loans

The Committee considered the issue of eligibility for short term loan that came up while implementing the schemes, viz. Whether a sugar factory not having crushed during all the previous three years would be eligible for the loan under the scheme, as a few sugar factories that started production of sugar during the last one or two years have also applied for the loan. It was clarified that all sugar factories were eligible for sort term loan even if they had not crushed during all the three years together, viz., 2006-07, 2007-08 and 2008-09. It was decided that average crushing will be calculated on the basis of actual crushing during the last one, two or three years, as the case may be and the eligibility of the sugar factories for the quantum of loan admissible will be determined accordingly.

Source – 102nd meeting of Standing Committee held on 30.10.2009)

Grants in Aid

Research should not be the researcher driven but industry driven i.e. the research priority should accommodate the requirement of the industry.

(Source – 108th meeting of Standing Committee held on 20.01.2011)

The Committee discussed the research projects generally and directed that

(i) The research activities may be undertaken by the Institute and all projects should be followed up by a presentation.

(ii) The findings of the project should be published.

(iii) Although the possibility for extension of research period could not be rule out, the research institutes must follow a discipline to adhere to the time schedule and if extension is sought, detailed justification, thereof should be submitted.

(Source – 106th meeting of Standing Committee held 28th April 2010)

Sequence of disbursement and security for SDF loan

The existing practice of disbursing loans or more instalment depending upon the status of the implementation of the relevant projects was more logical. It was decided to maintain status quo.

(Source – 107th meeting of Standing Committee held on 18.11.2010 & 24.11.2010

Default in Levy Sugar obligation

In future the cases of sugar factories which have defaulted on account of levy sugar in the past six months may not be considered by the Sub- committee/Standing committee.

Source – 102th meeting of Standing Committee held on 30.10.2009)

Norms for restructuring of SDF loans for cases received on the recommendations of BIFR in the case of Private and Public Sector Sugar Mills and Committee on Rehabilitation in the case of Cooperative Sugar Mills.

1. Extent of relief:

(i) While there may be no waiver of principal or outstanding simple interest, penal interest outstanding on account of default may be partially or fully waived keeping in view the reliefs given by other lenders and general profile of the applicant etc.

(ii) 'Penal interest' may be defined as additional interest (over and above the normal rate of interest) charged/chargeable on the principal and the interest and levied in case of default in repayment.

(iii) The 'principal' plus the 'simple interest' plus the 'additional interest' if any, not waived off, after restructuring of the outstanding amount, shall be capitalized as 'principal' and shall carry interest at "Bank Rate, which is 6% as of now. Penal interest for further default in repayment of restructured loan would be additional 4%.

(iv) Since the restructuring package shall include reliefs from other lenders, viz., banks, financial institutions and State Governments etc. also, SDF reliefs will be admissible only if both the lender and the borrower have accepted the said reliefs and the SDF relief shall be limited to the least of the reliefs from any of the other lenders subject to the specific relief being admissible under the SDF Rules and / or under these norms.

2. Period of moratorium/repayment:

Since the sick units needed time to come back to comfortable financial situation, it was decided that the period of moratorium and repayment may be considered on case to case basis and as recommended by BIFR/COR.

3. Security:

The rules provide for security in the form of a bank guarantee from a scheduled bank or mortgage on all movable and immovable properties of the sugar factory on first pari passu charge basis.

The cooperative sugar factories may also be allowed to furnish a State Govt. guarantee for the restructured SDF Loans.

4. Cut off date:

Cut-off date for implementation of the restructured loan for all purposes shall be the date of signing of agreement between the borrower factory, SDF and its monitoring agency.

5. Periodical review:

Monitoring agency of the Central Government shall carry out periodical review of the operation and financial performance of the sugar factory vis a vis implementation of the rehabilitation package with special reference to the concessions and reliefs given by SDF.

6. The Government will be entitled to call off the reliefs/concessions in case of continued default in repayment or violation of the conditions of package by the sugar factory or change in management or any other reason.

Miscellaneous items

(a) General Observations

(i) The Secretary observed that in some cases sugarcane variety, viz, CoJ 64 was being proposed as a variety to be developed whereas, this was rejected variety because of varietal fatigue. The representative of the Ministry of Agriculture was requested to make available a list of new and improved varieties, acceptable varieties and rejected varieties area wise. The Committee asserted that the Ministry of Agriculture representative in the Screening Committee should invariably certify that all the varieties proposed in the loan proposal are good and acceptable.

(Source- 110th Standing Committee meeting held on 30.01.2012 and 27.02.2012.)

(ii) It was brought to the notice of the committee that FACR calculations in some cases were found by IFD to be incorrect which resulted into the need of change in security. In order to avoid such kind of situation, it was decided that FACR calculation recommended by monitoring agency should be vetted by IFD before creation of charge as security.

(iii) It was also brought to the notice of the Committee that extract of audited balance sheet, one of the basic requirements for financial appraisal, in not provided with the agenda. It was decided that henceforth, extract of latest audited balance sheet of the sugar mills/company should be provided with the Agenda.

(iv) It has been noticed in some cases that latest status of(a) LSPEF dues, (b) SDF dues, (c) details of FACR calculation, (d) repayment of SDF loans is not provided with the Agenda. It was decided that henceforth this information should be provided with the Agenda.

(Source: 123rd meeting held on 12.05.2014.)

(b) Policy Issues

(i) The Standing Committee was of the opinion that a standardized list be prepared in consultation with the Ministry of Power with regard to purchase of power from the Cogen units applying for loan from the SDF. This would ensure that the projects being funded had a confirmed marketing agreement for the electricity generated by them.

(Source: 114th meeting held on 16.08.2012)

(ii) Number of Loans Permissible under SDF:

(iii) The Standing Committee on SDF in its meeting held on 20.07.2007 had inter-alia decided that a Corporate entity/company/society as a whole, having a number of sugar factories, can take a total of 20 concurrent loans from SDF whereas for a rectory maximum four outstanding loans [excluding cane development] would be permissible at a time.

(Source: 121st meeting held 12.09.2013- Agenda item no. 12)

Recovery of bad debts

The Member Secretary informed that the security provided by the factories for the SDF loans are also submitted in the form of a charge on the assets of the factories, as a mortgage or hypothecation of assets. In case of defaults in payments, the process of recovery of the loan becomes a long-drawn process of filing recovery suits in the Court of law. There are no provisions in the SDF Act for recovery of SDF loans. It was decided that a committee under the Chairmanship of AS&FA may look into the issue and suggest a mechanism that can be followed for recovery of bad debts and if need be, the proposal for amendment in the Act may be moved.

(Source: Special meeting of Standing Committee held on 9th November 2012)

Loans to negative net worth Sugar Factories

It was decided that SDF loans to sugar factories having negative net worth may not be given and such sugar factory may make their net worth positive by infusion of equity to avail SDF loans.

(Source: Special meeting of Standing Committee held on 9th November 2012.)

Disbursement of SDF loan through Electronic Transfer as mandated by Ministry of Finance

Member Secretary informed that in view of instructions of Ministry of Finance on the issue the disbursement of the SDF loans have to be made through electronic transfer. This can be done in the cases of Modernization, Cogeneration and Ethanol projects. However, the SDF rules need amendment in case of Cane Development cases wherein it has been provided that the loans for the purpose need to be disbursed to the sugar factory through the concerned State Government. It was decided that the rules may be amended to disburse the loans directly to the sugar factory under intimation to the concerned State Government.

(Source: Special meeting of Standing Committee held on 9th November 2012.)

M/s. Madhucon Sugar and power Industries Ltd., Ammagudem Post, Rajeswarapuram Nelakondapally Mandal, Khammam District Andhra Pradesh. - Cogeneration Power Projects- Important Decision Ragarding.

The Committee considered the policy proposal relating to M/s. Madhucon Sugar and power Industries Ltd., Ammagudem Post, Rajeswarapuram Nelakondapally Mandal, Khammam District Andhra Pradesh for their 20 MW bagasse-based cogeneration power project. The case was considered by the Sub-Committee in its meeting held on 03.08.2012 and it was observed that the issues involved in this case were major policy issues, namely(i) whether a sugar factory is eligible for cogeneration loan considering that on the date of application there were outstanding dues against the erstwhile owners and the liability was taken over by the State Government which has since been cleared and(ii) whether it would be reasonable to finance a project completed almost four years ago.

The Committee was of the opinion that as the SDF is aimed at development of the sugar industry, projects involving revival efforts by State Governments should be assisted. However, the fact of delay in arriving at a decision in the case and the corresponding decrease in value due to depreciation will need to be factored in. The Committee therefore recommended that the repayment/moratorium period of the loan may be reduced so as to compensate for the already lapsed time. This may not be taken as a precedent and would only apply to the fact and circumstances of the instance case. Accordingly, the sub-committee may examine the case taking into account the above-mentioned facts and bring the case to the Standing Committee.

(Source: 116th meeting held on 11.01.2013)

Reconsideration of decision that cases where LSPEF litigation is due should not be considered for SDF loans.

Following recommendations were made.

i. The cases, where LSPEF litigation is pending, may be examined on the file after ascertaining all the relevant facts like stay orders, final disposal, submission of band guarantee etc, and a view be taken by the Sub-Committee/Screening Committee before putting it up to Standing Committee.

ii. The Sugar wing should separately take immediate steps for vacation stays and expediting recovery of dues.

(Source: 116th meeting held on 11.01.2013)

M/s HPCL Biofuels Ltd. Village Lauriya, Distt. West Champaran, Bihar- Cogenration Power Plant-Legal Opinion.

As per the directions of Hon'ble MOS(I/C) CA, F&PD, Ministry of Law and Justice, Department of Legal Affairs were requested to give their legal/expert opinion on the following:

(i) Whether the Bihar Sugar Undertaking Acquisition Act, 1985 is valid in view of some provisions being voilative of the Central Act.

(ii) What is the remedy to recover the claim under LSPEF Act which has been effectively wiped out by the provisions of State Law?

(iii) Whether the SDF and LSPEF arrears can be offset against the central assistance to the Government of Bihar.

Also, in compliance with the directions of Hon'ble MOS(I/C)CA,F&PD. Provisional Administrative Approval was issued to the sugar factory, subject to outcome of legal opinion in favour of the sugar mill, as sought by this Ministry of clearance of outstanding SDF/LSPEF dues as against the company, whichever is earlier.

(Source: 120th meeting held on 25.07.2013)

M/s MP Chini Industries Ltd. Post Majhaulia, Dist. West Champaran, Bihar- Decision regarding Hiding Information of Amalgamation.

The committee considered the case in detail in the light of the SDF rules, the behavior of the sugar undertaking and keeping in view the fact that the basic condition of the SDF loan which is provided to meet the shortfall of promoter's contribution has been breached, the committee recommended that the loan disbursed to sugar factory may be recalled in lumpsum along with penal interest.

(Source: 122nd meeting held 27.01.2014.)

Draft Guidelines for submissions proposal by the potentially viable sick cooperative sugar mills for restructuring of SDF loans. (Soucre: 122nd meeting held on 27.01.2014.)

M/s Kanchewhwar Sugar Limited, At Post, Mangrul, Tal Tuljapur, District Osamanabad, Maharashtra- Cogeneration Power Projects- Unsecure loan regarding.

The issue of funds brought in by promoters, their relatives and friends by way of unsecured loans pending disbursement of SDF loans was also discussed in the meeting. IFCI has clarified that such funds can be treated as bridge loan in lieu of SDF loan and thus covered within the SDF rules. After detailed deliberations, it was decided that SDF loans can be utilized for making payment of such unsecured loans and for funds brought in by promoters. This decision would apply to other SDF loans also.

(Source: 126th meeting held on 02.03.2015)

A condition in Administrative Approval issued for cane development scheme may be added that the sugar factory is required to submit the Utilization Certificate of first instalment strictly within six months from the disbursal of first instalment of loan failing which the second instalment of the loan sanctioned may not be disbursed and the amount of first instalment may be recovered with interest in lumpsum.

(Source: 127th Meeting– 8th October 2015)

For cane development: loans only such proposals may be considered which strengthen the infrastructure and procurement and use of new equipment for the same.

(Source: 127th Meeting– 8th October 2015)

The Committee was informed that it has been decided earlier in the meeting of 125th Standing Committee that no modernisation / expansion project will be considered for

SDF assistance after 1.1.2015. However, the applications received prior to 1.1.2015 will be examined and considered by the Committee on merits. The matter was discussed in Standing Committee in detail and the Committee was of the view that henceforth only those projects for modernisation / expansion should be considered for SDF loan which are integrated with ethanol project or cogeneration project or both and is considered essential for their technical and financial feasibility / viability.

(Source: 127th Meeting– 8th October 2015)

The case of M/s. Shri Vithal Sahakari Sakhar Karkhana Ltd., Venunagar, Post Gursale Taluka Pandharpur, District Solapur, Maharashtra for relaxation in condition of Administrative Approval(AA) regarding submission of NOC from PCB(Consent to Operate) at the time of disbursement was discussed in the meeting and it was decided that **since NOC from PCB(Consent to Establish) is valid at the time of first instalment of loan, and the Consent to Operate is granted after the commissioning of the project, the said condition is relaxed for disbursement of first instalment of loan in this case. This will apply to other similar cases also.**

(Source: 128th Meeting– 6th January 2016)

<u>Monitoring of Cane development loans granted from Sugar Development Fund</u>

The time period for monitoring of Cane Development loan was increased from 3 months to 12 months. Utilization Certificates (UCs) be allowed to be submitted in 12 months, as often loans cannot be utilized if linked activity cannot be carried out within the stipulated time. Accordingly, Administrative Approval and Tripartite Agreement may also be amended.

(Source: 128th Meeting– 6th January 2016)

Review of recoveries of SDF loans.

It was decided to include the review of recoveries of SDF loans in old cases (at least 5 oldest cases) as one of the agenda for every Standing committee meeting.

(Source: 129th Meeting – 4th March 2016)

Proposal for giving retrospective effect to the decision of the 129th Standing Committee held on 04.03.2016 giving exemption from requirements of clearances EIA / PCB clearances in Brownfield projects before disbursal of SDF loans from retrospective date.

1. In order to limit the frequency of cases seeking extension in validity of Administrative Approval for SDF loans to sugar factories and to review of requirements of clearances before disbursal of SDF loans, the Standing Committee on SDF in its 129th meeting held on 04.03.2016, inter-alia, decided that in case of Brownfield sugar factories:-

> "The Sugar factory shall apply to the concerned authorities for EIA/PCB clearances. The Sugar factory at the time of applying for the SDF loan will also provide a copy of the acknowledgement by the concerned authorities. The furnishing of such acknowledgement shall be sufficient for approval/ disbursal of SDF loans."

2. This decision was, however, made effective from the prospective date. It was observed that there are a number of SDF loan applications for which Environmental/PCB clearances are awaited and further processing of these cases for disbursement has been hampered because of the same. Therefore, a proposal was placed before the committee to allow the above condition mentioned at para 1 to apply in all cases pending prior to the decision of 129th Standing Committee.

3. After detailed deliberations, the Standing Committee decided that the condition in para 1 above shall also apply retrospectively in the case of Brownfield sugar factories.

(Source 130th Standing Committee dated 18.5.2016)

<u>Review of Recoveries of SDF loans</u>

Committee decided to include the review of recoveries of SDF loans in old cases (at least 5 oldest cases) as one of the agenda for every Standing committee meeting.

(Source 129th Standing Committee held on 04.03.2016)

<u>Review of Recoveries of SDF loans:</u>

AS & FA raised the issue of review of recoveries of SDF loans and proposed to include the review of recoveries of SDF Ioans in 5 cases each disbursed through IFCI and NCDC as one of the agenda note for every Standing Committee meeting. The proposal was accepted by the Committee.

(Source 136th Standing Committee held on 07.08.2018)

<u>Linking of release of various financial assistance under SDF Rules-1983(as amended) to the sugar factories with the clearance of over dues of SDF and LSPEF for the effective recovery of the SDF loan over dues / default</u>

The Standing Committee considered the proposal for linking of release of various financial assistance under SDF Rules-1983(as amended) to the sugar factories with the clearance of over dues of SDF and LSPEF for the effective recovery of the SDF loan over dues / default.

The Committee observed that the increasing amount of default in SDF loans is an issue which needs to be addressed. Therefore, it is also expected that all the important stakeholders also play their part in better recovery of SDF loan and reduce default.

After detailed deliberations, the Committee recommended the following: -

"Before providing any incentives/ financial assistance/ clearances from the Department to various sugar factories, SDF loan default position may be verified by Directorate of Sugar etc. and no incentive / clearance may be given to the concerned sugar factory in case there is an SDF loan default against sugar factory and its other units, unless and until there are specific provisions preventing such action. The position regarding the SDF default is available at Department's website i.e. www.dfpd.nic.in. A 'No Dues Certificate' may be obtained from the SDF Division of the Department before providing such assistance/incentive/clearance."

(Source 134th Standing Committee held on 04.07.2017)

<u>Water conservation guidelines:</u>

the AS & FA opined that Zero Liquid Discharge and Drip Irrigation system may be made essential for all projects funded under SDF loan schemes and Borewell under Cane Development scheme may be discouraged to promote water conservation and detailed guidelines may be formulated in consultation with NSI, Kanpur in view of the Central Pollution Commission guidelines. The Committee directed to form a Sub-Committee to be chaired by AS&FA and Director (NSIK) and Director (SDF) as members to examine the proposal and formulate the guidelines, if any.

(Source 133rd Standing Committee held on 21.02.2017)

<u>Making Zero Liquid Discharge and Drip Irrigation mandatory in the projects funded under SDF and delinking recommendation of the State Government from the proposals for loan under the Cane Development Scheme</u>

The Standing Committee considered the proposal for making Zero Liquid Discharge (ZLD) and Drip Irrigation mandatory in the projects funded under Sugar Development Fund and delinking recommendation of the State Government from the proposals for loan under the Cane Development Scheme

In the 133rd meeting of the Standing Committee AS & FA opined that Zero Liquid Discharge and Drip Irrigation system may be made essential for all projects funded under SDF loan schemes and Borewell under Cane Development scheme may be discouraged to promote water conservation and detailed guidelines may be formulated in consultation with NSI, Kanpur in view of the Central Pollution Commission guidelines. The Committee directed to form a Sub-Committee to examine the proposal and formulate the guidelines, if any. Accordingly, a Sub-Committee was constituted under the Chairmanship of AS & FA and Director (NSIK) and Director (SDF) as Member of the Committee. The Committee in its first meeting held on 19.04.2017 made recommendations on the subject. After consideration of these recommendation, the Standing Committee accepted the same. The recommendations are as under:

(i) The sugar factories and molasses-based distilleries should be motivated to adopt means of water conservation so as to reduce fresh water consumption and generation of waste water discharge.

(ii) The Guidelines for waste water discharge in terms of quality and quantity have been issued by the CPCB in January 2016. SDF may seek an undertaking from the sugar factory applying for SDF loan regarding strict compliance of CPCB guidelines.

(iii) The proposal for modernization and expansion of sugar factories should also be tagged with drip irrigation. The sugar factory will use drip irrigation whether on its own or apply for SDF loan for the same. The monitoring agencies will give a report on this before the SDF loan application is considered. The system may be adopted initially for sugar producing states of Maharashtra and Karnataka, two major sugar producing states, having paucity of water due to draught conditions.

(iv) The Committee also decided to explore the possibility of delinking the need of recommendation of the State Government from the proposals for loan under the Cane Development Scheme.

The Committee also directed NSI, Kanpur to devise a format of declaration in this regard which will be furnished by the sugar factory at the time of applying loan application under SDF.

(Source 134th Standing Committee held on 04.07.2017)

<u>Guidelines on ceding and vacation of charge:</u>

The Committee was apprised that the guidelines for Ceding of charge as approved by the 112th Standing committee dated 13.08.2012, which are currently being followed are as under:

i. All charge subservient to or lower than the charge of SDF on the assets of sugar factory can be ceded.

ii. Charge equal to or higher than the charge held by SDF for loans granted by it can be ceded in favour of lender for the proposed loans if the FACR both of the sugar factory and company as a whole meet the FACR based benchmarks for the charge held by SDF even after taking into account the proposed loan for which the charge is proposed to be ceded.

iii. Comments/recommendations of the monitoring agencies i.e. NCDC for cooperative sugar factories and IFCI in respect of private sugar mills are obtained.

iv. In case of any doubt about the financial health of any sugar factory, further information on their assets & liabilities, profit & loss, DSCR, IRR and balance sheet may also be called for.

v. SDF does not have any of charge on current assets of a sugar factory and no NOC is considered necessary in such cases.

Additional guidelines (i.e. in addition to guidelines already issued by 112th Standing Committee) for considering sugar mill's request for issuance of NOC for ceding of the charge:

(i) A "No Dues Certificate" in respect of Levy Dues, SDF Dues and LSPEF Dues of sugar mill as well as its group units from the concerned authorities before considering the request of sugar mill for issuance of NOC for ceding of the charge will be sought.

(ii) An Undertaking in respect of Group Units, on Rs. 100 Stamp Paper (also mentioning the plant code) along with request of NOC will be sought.

Guidelines for Vacation of Charge:

Ceding of charge per se implies sharing of charge with other charge holders. Vacation of charge on the other hand implies altogether surrender of charge on the assets of company.

The existing guidelines for ceding of charge will apply mutatis mutandis to the vacation of charge. Further, the following additional guidelines shall be followed for considering sugar mill's request for vacation of the charge:

i. Nodal agency (IFCI/NCDC) will confirm that vacation of charge will not affect security on all the existing SDF loans of the sugar undertaking.

ii. For calculation of FACR, the value of specific assets on which charge is to be vacated should be deducted and only the balance assets be considered for FACR calculation.

iii. The value of specific assets on which charge is to be vacated should be certified by a Certified Valuer (copy of such certificate will also be required).

iv. A "No Dues Certificate" in respect of Levy Dues, SDF Dues and LSPEF Dues of sugar mill as well as its group units from concerned authorities before considering the request of sugar mill for vacation of the charge will be sought.

v. An Undertaking in respect of Group Units, on Rs. 100 Stamp Paper (also mentioning the plant code) along with request of NOC will be sought.

Note: condition no.(i) to(iii) will not be applicable in cases where the sugar mill has requested for vacation of charge/surrender of charge after 100% repayment of SDF loans in respect of sugar mill as well as its group units.

(Source 137th Standing Committee held on 21.12.2018)

Revised policy with regard to additional security against SDF loan by taking into consideration profitability, net worth etc.

The Standing Committee recommended the revised policy with regard to additional security for SDF loan which is as under:

A. **Criteria based on which the sugar factory/society to be declared financially weak:**

I. Profit after Tax (PAT)/Net Profit is negative in any year during the preceding 3 years for the sugar factory or company as a whole.

II. Net Worth is negative in any year during the preceding 3 years for the sugar factory or company as a whole.

III. Retained earnings are negative at the time of charge creation or at any other point of time as per extant rules/guidelines/requirement.

IV. Average DSCR for past five years of the sugar factory or Company as a whole is less than one.

B. **Additional securities to be obtained if the sugar factory/ society falls in any category mentioned in "A' above (except where bank guarantee is obtained):**

(1) Post dated cheques (PDCs) for repayment of Principal and Interest of Borrower Company shall be obtained invariably in all cases.

(2) Besides PDCs, at least two of the following securities shall be obtained from the Sugar Factory:

(I) Personal Guarantee of Promoters in respect of private sugar factories and Personal Guarantee of the Chairman in respect of Co-operative Sugar Factory.
(II) Corporate Guarantee of Holding Company.
(III) Pledge of company's listed shares of Holding Company/Borrower
(IV) Assignment of Fixed Deposits of Holding/Borrower Company
(V) Mortgage of third party assets viz. personal properties of borrower or holding/ Subsidiary company.

C. In case of the Co-operatives, since it would not be feasible to obtain other securities mentioned above, only PDCs and Personal Guarantee of the Chairman may be obtained as additional securities.

D. These conditions shall apply at the time of creation of charge, henceforth. In cases where it is decided to obtain bank guarantee, the above additional securities shall not be obtained.

E. Besides above additional securities, in case of Ethanol and Cogeneration projects, ESCROW Account Agreement shall be executed amongst Sugar Factories/Societies, SDF/NCDC/IFCI and the Bank in which sale proceeds of Cogeneration/Ethanol projects are deposited for repayment of principal and interest of the SDF loan.

F. IFCI/NCDC, the nodal agencies will ensure compliance of these guidelines.

(Source 138th Standing Committee held on 09.07.2019)

<u>Reviewing the policy of ceding of charge in favor of other lenders subject to the up gradation of the charge held against SDF loans granted to the sugar factories.</u>

The Standing Committee considered the proposal regarding reviewing the policy of ceding of charge in favor of other lenders subject to the up gradation of the charge held against SDF loans granted to the sugar factories.

2. In this regard, the 136th Standing Committee on SDF, in its meeting, observed as follows:

" The Committee observed that while 2nd charge for new SDF should not be accepted however insisting upon upgrading the security from 2nd charge to 1st charge for all previous SDF loans secured on 2nd charge, whenever a sugar mill approaches SDF for NOCs, may not be fair and therefore Standing Committee directed that the matter may be re-examined by the Sub Committee in detail. "

3. The Standing Committee recommended as follows:

In case the FACR of the sugar factory or Company as whole is less than 1.50, the sugar factory shall upgrade the charge for existing SDF loans from second charge to first pari passu charge. In those cases, where FACR of the sugar factory or company as a whole is above 1.50, the proposal of NOC for ceding of charge may be decided on case to case basis.

(Source 139th Standing Committee held on 08.11.2019)

Revised policy with regard to additional security against SDF loans by taking into consideration profitability, net worth, etc. – Clarification regarding personal guarantee Chairman

The 138th Standing Committee had recommended that Personal Guarantee of Chairman shall be obtained as one of additional security in case of Co-operative sugar factories found to be financially weak on prescribed criteria.

2. It was brought to the notice of the Committee that clear recommendations (for disbursal of SDF loan) from the Nodal Agency have not been received in few cases as there is no mention of the value of assets of the Chairman or of creating security over the assets of the Chairman in the above recommendations of 138th Standing Committee.

3. After due deliberations***, the Committee recommended the following:***

Wherever necessary, Personal Guarantee of Chairman in case of Co-operative sugar factories may be obtained along with the details of all movable and immovable properties of the Guarantor. However, value of the assets or creating securities over it may not be necessary as security has to be created over the movable and immovable properties of the sugar factories on the basis of the prescribed criteria.

(Source 139th Standing Committee held on 08.11.2019)

To Fix a time limit so as to compress the total time taken in issuing of AA after issue of the minutes

The 138th Standing Committee had observed that there was delay in issuing of AA due to non submission of requisite documents by the sugar factories in few cases. The Committee had directed that for all cases, some time limit should be enforced so as to compress the total time taken in issuing of AA after issue of the minutes.

2. The Committee directed that in all such cases (wherein conditions are set by Standing Committee for issuing of AA), a time limit of six months from issuing of minutes of Standing Committee, may be fixed within which the sugar factories are required to submit the documents required for issuing of AA as per minutes. If a sugar factory fails to comply with the conditions, the case may be placed before Standing Committee for further necessary action in the matter.

(Source 139th Standing Committee held on 08.11.2019)

Fixing of FD amount in case where "Assignment of FD of holding/Borrowing Company" is obtained as additional security.

The Committee accepted the proposal to obtain FD @3.73% of the loan amount wherein, "Assignment of Fixed Deposits of Holding/Borrower Company" is offered as one of the additional security by sugar factories having weak financials in all future cases.

(Source 140th Standing Committee held on 08.07.2020)

Review of policy regarding issue of NOC for creating first pari passu charge in favour of other lenders

The Standing Committee noted the following further notifications to the policy of ceding of charge;

(i) In cases, wherein, FACR is below 1.50, sugar factories may be asked to upgrade security of existing SDF loans to Bank Guarantee/State Govt. Guarantee.

(ii) In cases, wherein, FACR is 1.50 or above, but the sugar factory comes under weak financial category as per criteria already decided by 138th Standing Committee, additional securities as per guidelines of 138th Standing Committee are required to be obtained.

(iii) In cases, wherein, FACR is 1.50 or above, but the sugar factory is not financially weak as per criteria already decided by 138th Standing Committee, NOC may be issued with the approval/concurrence of competent authority.

(Source 140th Standing Committee held on 08.07.2020)

Last updated on 20.10.2020