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No.1-7/2018-SDF
Government of India
Ministry of Consumer Affairs, Food & Public Distribution
Department of Food & Public Distribution
www.dfpd.nic.in

Room No.260, Krishi Bhawan,
New Delhi, the ~~#ApprovedDate#~~
22/11/2018

OFFICE MEMORANDUM

Subject: Meeting of Sub-Committee of SDF for considering loan applications of Sugar Factories for Modernization-Rehabilitation, Cogeneration and Ethanol /ZLD projects and other related issues held on Tuesday, the 30th October, 2018 under the Chairmanship of Joint Secretary (Sugar & Admn.) – regarding

In continuation of this Ministry's OM of even number dated 11.10.2018 on the subject, a copy of minutes of the meeting of Sub Committee held on 30.10.2018 at 11:00 AM under the Chairmanship of Joint Secretary (Sugar & Admn.) is enclosed for your kind information and necessary action.

(R.K. Pandey)
Director (SDF)
Member Secretary
Tel.No.23382338

DISTRIBUTION:

1. Chief Director (Sugar), [to be represented by Director (S&VO)], Directorate of Sugar, DFPD
2. Director (Finance), D/o Food & P.D.
3. Director, National Sugar Institute, Kanpur, Kalyanpur, Uttar Pradesh

Special Invitees

4. The President/Vice President/Director General, ISMA, New Delhi : Representative from sugar industry
5. The President/Vice President/Managing Director, NFCSF Ltd., New Delhi : Representative from sugar industry
6. Representative of Sugar Technologist's Association of India (STAI): Technical Expert
7. Representative of Horticulture Division, Department of Agriculture Cooperation and Farmers welfare, Ministry of Agriculture and Farmers Welfare, Krishi Bhawan, New Delhi
8. Representative from NCDC : Banking Expert
9. Representative from IFCI : Banking Expert

(R.K. Pandey)
Director (SDF)
Member Secretary

Copy for information to: PS to JS (Sugar & Admn.)/PS to Director(SDF)/US (SPF) /AD(Cost)

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Minutes of the meeting of the Sub- Committee under Sugar Development Fund (SDF) held on 30.10.2018

A meeting of the Sub- Committee for consideration of the loan applications under Sugar Development Fund (SDF) was held under the Chairmanship of Joint Secretary (S&A) on 30.10.2018 at 11:00 AM in Room No, 41, Ground Floor, Krishi Bhawan, New Delhi. A list of participants is at Annexure-I.

At the outset, the Chairman welcomed all the Members of the Sub-Committee. After that, the agenda item was taken up for discussion with the permission of the chair. The observations/ recommendations are as follows:

Agenda No. 1 : Proposal of M/s Chadha Sugars & Industries Pvt. Ltd., Village- Kiri Afgana, Tehsil- Batala, Distt.- Gurudaspur,Punjab for modernization, technology upgradation & steam balancing of sugar plant at present installed capacity of 335 TCH (7500 TCD) with cogeneration installed capacity of 23 MW and production of Refined sugar.

The Sub-Committee considered the loan application for Modernization, technology upgradation & steam balancing of sugar plant at present installed capacity of 335 TCH (7500 TCD) with cogeneration installed capacity of 23 MW and production of refined sugar at a cost of Rs.3500.00 lakh including SDF assistance of Rs.1400.00 lakh requested by the Sugar Factory.

2. It may be noted that the case was considered in the last Sub-Committee meeting held on 30.05.2018. It was noted that the Sugar factory applied for SDF loan vide their application dated 10.08.2017. However, vide Department's letter dated 08.09.2017, sugar factory's loan application dated 10.08.2017 was returned in original due to non receipt of Financial Appraisal Report with the SDF loan application. Consequently, sugar factory submitted fresh loan application, along with complete basic documents on 24.10.2017, along with the financial appraisal report of Punjab National Bank (PNB) dated 03.10.2017. However, in the meanwhile, the sugar factory availed a loan on 18.10.2017 from PNB amounting to Rs. 37 lakh against SDF assistance. During discussion on the proposal the Committee felt that it was a case of refinancing in terms of SDF Rules, for which SDF loans can not be granted. Accordingly the Sugar mill was informed about the decision of the Committee.

3. The Sugar factory thereafter made a number of representations to various authorities in the Department and submitted as under:-

"The facility got sanctioned was a Bridge Loan and a meager amount of Rs.37 lakhs out of the sanction of Rs. 14 Crores was availed which is hardly 2.65% of the sanctioned. Treating the meager amount of bridge Loan as a case of refinance may not be justified & will create a big

financial crisis for the company particularly when the industry is already passing through the crisis, The bridge loan availed if repaid by the company from its own sources will further add to the crisis faced by the sugar industry in general".

In view of the frequent representations of the Sugar Factory, it was decided to place this case before the Sub-Committee for reconsideration and decision.

4. Accordingly during the Sub Committee meeting on 30.10.2018, the issue of refinancing was discussed again. It was submitted by the representatives of the sugar factory that as per the minutes of the 92nd Standing committee meeting held in 2007, the definition of refinancing has been stated as under:-

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

It was brought to the notice of the Sub-Committee that SDF Rules, 1983 were amended vide SDF (Amendment) Rules, 2012 which were notified on 30.07.2012. According to the SDF (Amendment) Rules, 2012 the definition of refinancing is as follows:

"Refinancing: For the purpose of this clause, the term 'refinancing' includes availing of loan for repayment of loan taken from any financial institution or scheduled bank before applying to a financial institution or bank for appraisal in which Sugar Development Fund component is proposed, but shall not include a 'bridge loan' taken in lieu of Sugar Development Fund component after submitting an application to the Standing Committee on Sugar Development Fund".

After detailed discussion it was observed by the Committee that sugar factory vide their letter dated 28.11.2017 has confirmed that no refinancing is involved in the project which has been verified by the appraising bank (i.e. PNB) on 29.12.2017. Committee observed that the Sugar factory had indeed applied for SDF on 10-08-2017 but financial appraisal report was not enclosed. Complete application was submitted by the Sugar factory along with financial appraisal report only on 24-10-2017. Committee further observed that the Sugar Factory has availed loan amounting to Rs. 37 lakh which is only 2.65% of the total SDF loan request. On the basis of above observations, and after having the views of IFCI and NCDC in this regard the committee was of the view that the intent of the loan of Rs. 37 lakh availed by the sugar factory does not appear to be 'Refinancing'. However, the Committee decided to reduce the Loan component of Rs.37 lakh from the eligible SDF loan to be recommended.

5. The project has been appraised by PNB and technically evaluated by National federation of co-operative sugar factories Ltd. and appraised by NSI, Kanpur. On the basis of technical, financial and other data placed before it, the Committee was convinced that the project is technically & financially viable.

6. No old plant and machinery has been considered in the project. NOC (Consent to Operate) from Punjab Pollution Control Board has been received. EIA clearance for 4500 TCD has been received. Further, Sugar factory has submitted acknowledgement for EIA clearance of 7500 TCD. Accordingly, sugar factory is required to submit EIA clearance of 7500 TCD immediately.

7. There are no outstanding SDF dues, LSPEF dues dues against the sugar mill, as on date. **However, there are levy dues of 939.73 MT(Basis of dispatch of levy) and 1156.73 MT(Basis of lifting of levy) pending against the sugar mill. The Committee directed the Directorate of Sugar to quantify the levy amount within one month and ask the SF to clear the dues immediately or to submit the Bank Guarantee against the levy dues. Accordingly Sugar factory will obtain an NDC from Directorate of Sugar within a period of 45 days from the date of issue of the minutes of the sub-committee meeting.**

8. From the balance sheet and other financial details of the sugar mill, it was observed that the average DSCR of the sugar factory is 4.03 (projection basis) and 0.70 (for the past five years). FACR of the sugar factory is 1.66 as on 31.03.2017. IRR of the project is 31.56 %.

9. The sugar factory is required to offer either Bank Guarantee or first pari passu charge as security for SDF loan. However, security requirement will be decided at the time of charge creation as per extant rules/guidelines/requirement.

10. The Sub-committee, on the basis of technical and financial details, eligible project cost, and the loan applied for, recommended a loan of Rs. 1077.40 lakh (= Rs. 1114.40 lakh- Rs. 37 lakh) for modernization, technology upgradation & steam balancing of sugar plant at present installed capacity of 335 TCH (7500 TCD) with cogeneration installed capacity of 23 MW and production of Refined sugar, **subject to the conditions as mentioned in para 6&7 above for consideration of the Standing Committee. The sugar factory will also provide details of means of financing the shortfall.**

Agenda No. 2 : Proposal of M/s Bhalkeshwar Sugars Limited., Basaveshwar Chowk, Near IB Bhalki-585328 Distt.- Bidar, Karnataka for modernization cum expansion of sugar plant from 2500 TCD to 4000 TCD.

The Sub-Committee considered the loan application for modernization cum expansion of sugar plant from 2500 TCD to 4000 TCD at a cost of Rs. 2930.00 lakh including SDF assistance of Rs. 1037.00 lakh requested by the Sugar Factory.

2. The project has been appraised by KSC (Karnataka State Co-operative) bank Ltd., Bangalore and technically evaluated by VSI, Pune. On the basis of technical, financial and other data placed before it, the Committee was convinced that the project is technically & financially viable.

3. No refinancing of project is involved. No old plant and machinery has been considered in the project. Consent for establishment from Karnataka Pollution Control Board is received. EIA clearance has also been received.

4. There are no outstanding SDF dues, LSPEF dues against the sugar mill, as on date. Dte of sugar informed during the meeting that there are no levy dues pending against the sugar mill. However, **Dte of Sugar will provide No Dues Certificate in respect of levy dues to SDF division.**

5. From the balance sheet and other financial details of the sugar mill, it was observed that the average DSCR of the sugar factory is 2.22 (projection basis). FACR of the sugar factory is 1.66 as on 31.03.2018. IRR of the project is 31.31 %. Sub-Committee observed that the financials are not reconciling with Audited Balance Sheet (ABS). **Sugar Factory is required to furnish the calculation sheets, duly certified, for Avg. DSCR of SF & Company as a whole based on projections & based on Avg. of past 5 years, calculation of Net Worth for immediate past 3 years, calculation Sheet, duly certified, for IRR of the project. Net profit/ (Loss) figures submitted by SF in additional information is also not reconciling with Audited Balance Sheet (ABS). The Sugar Factory is required to furnish clarification on the issue.**

6. During the meeting, matter regarding acceptability of financial appraisal report was discussed. It was informed in the meeting that the KSC bank Ltd. vide its letter dated 26.10.2018 has confirmed that as they do not have any in house technical expertise to make appraisal report, they have availed the services from their bank empanelled consultant M/s MITCOIN Consultancy & Engineering Services Ltd. for preparation of appraisal report. They have also approved the same. After due deliberations, the committee decided that the financial appraisal report can be accepted in this case in view of the above confirmation from KSC bank Ltd. and also the fact that the appraisal report has been signed by KSC(Karnataka State Co-operative) bank Ltd.

7. During the meeting, Director, NSI, Kanpur pointed out the discrepancies in the figures of Availability of sugarcane during the last four years. **The Sub-Committee accordingly, directed the sugar factory to furnish a certificate from the Cane Commissioner regarding adequate availability of sugarcane in regard to the aforesaid project.**

8. The sugar factory is required to offer either Bank Guarantee or first pari passu charge as security for SDF loan. However, security requirement will be decided at the time of charge creation as per extant rules/guidelines/requirement.

9. **The Sub-committee, on the basis of technical and financial details, eligible project cost, and the loan applied for, recommended a loan of Rs. 959.60 lakh for consideration of the Standing Committee subject to furnishing the information as sought vide para 5 & 7 above. The sugar factory will also provide details of means of financing the shortfall.**

Agenda No. 3: Proposal of M/s Chadha Sugars & Industries Pvt. Ltd. Vill-Kiri Afgana, Teh. Batala, Gurdaspur, Punjab for setting up of a 50 KLPD ethanol plant with modification of existing 30 KLPD ENA distillery.

This case was earlier considered by the Sub-Committee on 30.05.2018 but was deferred due to certain environmental issues. The Sub Committee had directed to obtain a report from Director National Sugar Institute Kanpur in this regard. Director NSI, after visiting the sugar mill, has submitted his report in this regard.

The Sub Committee discussed the report of Director NSI and considered the loan application for setting up of a 50 KLPD ethanol plant with modification of existing 30 KLPD ENA distillery at a cost of Rs.1838.00 lakh including SDF assistance of Rs.735.00 lakh requested by the Sugar Factory.

2 The project has been appraised by PNB and technically evaluated by National federation of co-operative sugar factories ltd. and appraised by NSI, Kanpur. On the basis of technical, financial and other data placed before it, the Committee was convinced that the project is technically & financially viable.

3. No refinancing of project is involved. No old plant and machinery has been considered in the project. NOC (Consent to Operate) from Punjab Pollution Control Board for existing 30 KLPD has been received. EIA clearance for existing 30 KLPD has also been received.

4. There are no outstanding SDF dues, LSPEF dues dues against the sugar mill, as on date. **However, there are levy dues of 939.73 MT(Basis of dispatch of levy) and 1156.73 MT(Basis of lifting of levy) pending against the sugar mill. The Committee directed the Directorate of Sugar to quantify the levy amount within one month and direct the SF to clear the dues immediately or to submit the Bank Guarantee against the levy dues. Accordingly Sugar factory will obtain an NDC from Directorate of Sugar within a period of 45 days from the date of issue of the minutes of the sub-committee meeting.**

5. From the balance sheet and other financial details of the sugar mill, it was observed that the average DSCR of the sugar factory is 4.03 (projection basis) and 0.70 (for the past five years). FACR of the sugar factory is 1.66 as on 31.03.2017. IRR of the project is 31.56 %.

6. The issue of availability of molasses was also discussed in the meeting. It was brought to the notice of the Committee that grain based alcohol is not considered for production of Ethanol under SDF Rules. However, Director, NSI Kanpur pointed out that sufficient molasses are available in the case even if alcohol from grain is not considered. Regarding

environmental issues against sugar factory (because of which the case was deferred by previous sub-committee), the committee accepted the report of NSI Kanpur.

7. Since the promoter's contribution has increased from 10% to 16.05% (i.e. by 6.05%), the SDF component will be 33.95 % {40.00% - 6.05% = 33.95%} of the total eligible project cost. Eligible project cost after deducting ineligible item amounting to Rs. 681.32 lakh was found to be Rs. 1156.68 lakh. Therefore, eligible SDF loan amount has been calculated as Rs. 392.692 lakh (i.e. 33.95% of Rs. 1156.68 lakh).

8. The sugar factory is required to offer either Bank Guarantee or first pari passu charge as security for SDF loan. However, security requirement will be decided at the time of charge creation as per extant rules/guidelines/requirement.

*9. **The Sub-committee, on the basis of technical and financial details, eligible project cost, and the loan applied for, recommended a loan of Rs.392.692 lakh*** **for setting up of a 50 KLPD ethanol plant with modification of existing 30 KLPD ENA distillery** ***subject to the conditions as mentioned in para 4 above for consideration of the Standing Committee. The sugar factory will also provide details of means of financing the shortfall.***

Agenda No. 4: Proposal of M/s Bhalkeshwar Sugars Ltd., Bajolga, Tal-Bhalki, Dist-Bidar, Karnataka for Setting up of 60 KLPD anhydrous alcohol or ethanol plant from molasses.

The Sub Committee considered the loan application for Setting up of 60 KLPD anhydrous alcohol or ethanol plant from molasses at a cost of Rs.11220.00 lakh including SDF assistance of Rs.3698.00 lakh requested by the Sugar Factory.

2 The project has been appraised by KSC (Karnataka State Co-operative) bank Ltd., Bangalore and technically evaluated by VSI, Pune. On the basis of technical, financial and other data placed before it, the Committee was convinced that the project is technically & financially viable.

3. No refinancing of project is involved. No old plant and machinery has been considered in the project. Consent for establishment from Karnataka Pollution Control Board for setting up 60 KLPD distillery is received. EIA clearance has also been received.

4. There are no outstanding SDF dues, LSPEF dues dues against the sugar mill, as on date. Dte of sugar informed during the meeting that there are no levy dues pending against the sugar mill. **However, Dte of Sugar will provide No Dues Certificate in respect of levy dues to SDF division**.

5. From the balance sheet and other financial details of the sugar mill, it was observed that the average DSCR of the sugar factory is 2.22 (projection basis). FACR of the sugar factory is 1.66 as on 31.03.2018. IRR of the project is 31.31 %. Sub-Committee observed that the financials are not reconciling with Audited Balance Sheet (ABS). **Sugar Factory is required to furnish the calculation sheets, duly certified, for Avg. DSCR of SF & Company as a whole based on projections & based on Avg. of past 5 years, calculation of Net Worth for immediate past 3 years, calculation Sheet, duly certified, for IRR of the project. Net profit/ (Loss) figures submitted by SF in additional information is also not reconciling with Audited Balance Sheet (ABS). The Sugar Factory is required to furnish clarification on the issue.**

6. During the meeting, matter regarding acceptability of financial appraisal report was discussed. It was informed in the meeting that the KSC bank Ltd. vide its letter dated 26.10.2018 has confirmed that as they do not have any in house technical expertise to make appraisal report, they have availed the services from their bank empanelled consultant M/s MITCOIN Consultancy & Engineering Services Ltd. for preparation of appraisal report. They have also approved the same. After due deliberations, the committee decided that the financial appraisal report can be accepted in this case in view of the above confirmation from KSC bank Ltd. and also the fact that the appraisal report has been signed by KSC (Karnataka State Co-operative) bank Ltd.

7. Director, NSI Kanpur pointed out that the sugar mill has provided different figures for capacity of boiler. **Accordingly, sub-committee directed the sugar mill to submit clarification to SDF in this regard.**

8. Sub-Committee was informed that appraising bank (KSC), vide its letter dated 23-10-2018 has provided revised detailed item break up of Building & Civil Works amounting to Rs. 985.00 Lakh and Misc Fixed assets amounting to Rs. 378.00 lakh. According to it, the eligible project cost calculated amounting to Rs. 9247.17.

9. In regard to availability of molasses, the committee was informed that the company has given undertaking that they will make agreements with nearby factories to avail the required molasses apart from own molasses to keep in operation of the 60 KLPD Distillery/Ethanol plant for 160 days. Sub Committee also observed that use of B-heavy molasses for production of ethanol can also be accepted. On the basis of technical, financial and other data placed before it, the Sub-Committee was convinced that the project is technically & financially viable.

10. The sugar factory is required to offer either Bank Guarantee or first pari passu charge as security for SDF loan. However, security requirement will be decided at the time of charge creation as per extant rules/guidelines/requirement.

11. *The Sub-committee, on the basis of technical and financial details, eligible project cost, and the loan applied for, observed that since the promoter's contribution has increased*

from 10% to 10.50% (i.e. by 0.50%). Therefore, as per decision of 136th Standing Committee, factory will be asked to submit revised funding pattern for the eligible items amounting to Rs. 9242.17 lakh and thereafter final eligible SDF loan amount will be calculated by SDF division. However, in the absence of furnishing of any details of revised funding pattern of the eligible items amounting to Rs. 9242.17 lakh, the SDF component would be 39.5% (40.00%-0.50%) of the total project cost in view of decision taken on the recommendations of 129th Standing Committee. 39.50% of eligible project cost will be 3650.65 lakh. ***Accordingly, the Sub-Committee recommended SDF loan of Rs. 3650.65 lakh or such amount calculated after receipt of details of revised funding pattern of the eligible items amounting to Rs. 9242.17 lakh subject to furnishing the information as sought in para 5 & 7 above.*** The sugar factory will also provide details of means of financing the shortfall.

Agenda No. 5 : Revival of Administrative Approval in respect of SDF loan sanctioned to M/s Ghodganga SSK Ltd., Raosahebnagar, Nhavare, Tal-Shirur, Dist. Pune, Maharashtra

The case was earlier considered by 136th Standing Committee and Committee directed ***the Sub Committee to examine the case in detail and furnish its recommendations to Standing Committee. Committee also directed SDF to obtain comments of State Govt. in the matter of PPA through NCDC.***

2. The Sub-Committee accordingly considered the proposal for revival of Administrative Approval to M/s Ghodganga SSK Ltd., Raosahebnagar, Nhavare, Tal-Shirur, Dist. Pune, Maharashtra.

3. **Brief of the Case :** SDF loan of Rs. 2400.42 lakh was sanctioned to M/s Ghodganga SSK Ltd., Raosahebnagar, Nhavare, Tal-Shirur, Dist. Pune, Maharashtra for setting up 18 MW bagasse based co-generation power project, vide Administrative Approval dated 18.03.2013. The validity of AA expired on 17.03.2014. Since the sugar mill could not provide EIA clearance, NOC from PCB and PPA, the case was closed on 16.05.2016. 133rd Standing Committee ratified the same on 21.02.2017.

4. The sugar mill vide its letter dated 03.07.2018 again requested to revalidated/extend the validity period of AA up to 31.03.2019.

5. During the meeting, NCDC explained the chronological status of the case:

(i) On 18.03.2013: SDF sanctioned Rs. 2400.42 lakh for the project. Sugar factory applied on 31.10.2013 for EIA clearance to State Level Environment Impact Assessment Authority.

(ii) On 27.02.2014: Requested for release of 1st installment of SDF loan *except PPA, PCB (NOC) and EIA clearance.* On 17.03.2014: Validity of the Sanctioned letter expired on 17.03.2014. Sugar factory could not avail the assistance due to non-availability of EIA. On 30.08.2014: Target for procurement of 1000 MW cogen power, announced vide Maharashtra State Govt. Resolution dated 14.10.2008 was fulfilled. Hence, the Maharashtra State Govt. announced for procurement of additional 1000 MW cogen power.

(iii) On 20.07.2015: Govt. of Maharashtra issued notification for procurement of additional 1000 MW Cogen Power. However, MSEDCL refused to execute PPA for this additional procurement of Power. Maharashtra Energy Development Authority (MEDA) has also stopped issuing Infrastructure clearance during financial year 2014-15 to 2016-17 due to achievement of target of 1000 MW capacity. Infrastructure clearance is mandatory for executing PPA with MSEDCL.

(iv) On 20.11:2015: Govt. of Maharashtra vide GR dated 20.11.2015 appointed a Committee to review the proposal for additional procurement of power. The Committee recommended the proposal for procurement of additional 1000 MW Cogen power. On 29.01.2016: sugar factory received NOC from Maharashtra PCB to establish the Cogen Power and received on 19.10.2016 EIA clearance. The SF can apply for infrastructure clearance only after receiving Environment clearance.

(v) On 07.05.2018: On recommendation of the Committee, tender was again floated for procurement of 200 MW bagasse based Co-generation power on reverse auction basis. After that, sugar factory participated on 29.05.2018 in the tendering process and qualified technically and financially.

(vi) Accordingly, on 26.07.2018: Sugar factory executed PPA with the MSEDCL.

6. In this regard, O/o Sugar Commissioner, Pune, Maharashtra, vide its letter dated 25.10.2018 has also intimated that sugar mill has applied for Infrastructure clearance from Maharashtra Energy Development Agency (MEDA). Government of Maharashtra had policy for Non-conventinal Energy to the tune of 1000 MW in 2015. Sugar mills from Maharashtra had applied for PPA with Maharashtra State Electricity Distribution Company (MSEDC) and MSEDC subsequently achieved target of 1000 MW. Afterwards Government of Maharashtra issued new policy for first 100 MW and afterwards for 200 MW in 2018. Sugar mill got Infrastructure Clearance on dated 28.11.2017. Then MSEDC executed the PPA on dated 26.07.2018. There was no policy for purchasing Non-conventional Energy from sugar mills, between 2015 to 2017.

7. On the basis of records produced by the sugar mill and details furnished by NCDC, the Committee was convinced that the delay was due to non execution of PPA by State Govt.

8. There are no outstanding SDF dues, LSPEF dues dues against the sugar mill, as on date. **However, during the meeting, the representative of Directorate of Sugar informed that there are levy dues pending against the sugar mill. The Committee directed the Directorate of Sugar to quantify the levy amount within one month and accordingly, Dte of sugar may direct the SF to clear the dues immediately or to submit the Bank Guarantee against the levy dues. Sugar factory will have to obtain an NDC from Directorate of Sugar within a period of 45 days from the date of issue of the minutes of the sub-committee meeting.**

9. Since the case is old and financial aspects like FACR, DSCR and IRR was checked during FY 2013-14. Hence, the above financial aspect will be re-assessed during further

processing of the case. After examination of the same, SDF loan will be recalculated as per the present norms.

10. After due deliberations, the Sub-Committee recommended ***for revival of AA up to 31.12.2018 subject to above conditions mentioned in para-8 and 9.***

Agenda No. 6: Guidelines on ceding and vacation of charge.

136th Standing Committee held on 07-08-2018 considered the proposal for prescribing additional guidelines to be followed while dealing with cases of NOC for ceding and vacation of charge and Standing *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.*

2. In view of above directions of Standing Committee, the case was placed before the Sub-Committee after examination in detail. The Sub- Committee considered the proposal for prescribing additional guidelines to be followed while dealing with cases of NOC for ceding and vacation of charge.

3. The Committee was apprised that the additional guidelines have been proposed in view of the decision of 118th Standing Committee not to accept 2nd exclusive charge as security of SDF loan.

4. 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) Sugar factory will furnish 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.

(ii) Sugar factory will submit an Undertaking in respect of Group Units, on 100 Rs. Stamp Paper (mentioning the plant code) along with request of NOC.

<u>VACATION OF CHARGE:</u>

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.

Presently there are no guidelines available for vacation of charge before 100% repayment of SDF loan. Therefore it is proposed that the guidelines for ceding of charge may apply *mutatis mutandis* to the vacation of charge. Further, the following additional guidelines may be issued for considering mill's request of vacation of the charge:

i. Nodal agency 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. Sugar factory will furnish "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.

v. Sugar factory will furnish an Undertaking in respect of Group Units, on 100 Rs. Stamp Paper (mentioning the plant code) along with request of NOC.

5. After due deliberations, the Sub-Committee recommended ***the proposal as mentioned para-4/above*** for consideration of Standing Committee after obtaining the views/concurrence of the IFD on file.

Additional Agenda No. 1: Guidelines for calculating FACR

This matter was earlier placed before the 136th standing committee for consideration. However the Committee directed the Sub -Committee to re-examine the matter in consultaion with the IFD. Accordingly the matter has been examined in consultation with IFD.

Background

The present formula for FACR calculation is as follows:

(Net value of Fixed Assets + Work in progress)/
(All secured loans, including the proposed one)

2. As there are number of loans availed by the sugar mills which are secured on different type of assets (Fixed & Current Assets), a need was felt by the 134th standing committee to specify the value of secured loans to be considered for FACR Calculation. The 134th Committee accordingly had directed to obtain the opinion of monitoring agencies i.e. IFCI & NCDC in this regard and had directed the SDF Division to formulate the principles of calculation of FACR.

3. After consultation with IFCI and NCDC and concurrence of IFD a proposal to define FACR was submitted before 136th Standing Committee. The Committee directed that the proposal may be re-examined by the Sub-Committee in consultation with IFD.

4. Accordingly after obtaining concurrence of IFD the following formulae was brought before the Sub-Committee for consideration:

Proposal

(a) FACR for the purpose of the security of SDF loans / issue of NOC etc , may be worked for the sugar factory and company as a whole as under:-

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

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

(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, FACR at the time of disbursement of final installment (Lump sum or 2nd installment) of SDF loan may also be worked for the sugar factory and company as a whole as under:-

FACR = Value of fixed assets + CWIP, if any

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

And, in case the 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.

5. The previous AS&FA at the time of concurring with the aforesaid proposal had desired to know as to why the FACR benchmark has been kept at 1.33. In this regard, Committee was informed that this practice is being followed in the SDF for years and 1st Pari-Passu charge is created if FACR is greater than 1.33 and bank guarantee is obtained from the Sugar mill if FACR is lower than 1.33. This is to ensure adequate security for SDF loan. IFCI further clarified that as per the banking norms, FACR benchmark is kept at 1.25 for adequate security of the loan and as per Financial Institutes norms, FACR benchmark is kept at 1.50. Therefore the FACR benchmark of 1.33 (between 1.25 and 1.50) is a balancing figure which adequately secures the SDF loans. IFCI further informed that FACR benchmark of 1.33 has been kept on the assumption of Debt-Equity ratio of 75:25. This will ensures that there are sufficient fixed assets to cover the SDF loan. This essentially means that the security for SDF loan is taken at least 1.33 times of the loan.

6. The Sub-Committee recommended ***the proposal as mentioned in para-4(a) & (b)/above*** for consideration of the Standing Committee.

Annexure-I

ATTENDENCE SHEET of the SCREENING-COMMITTEE/SUB-COMMITTEE MEETING held on 30.10.2018 at 11:00 AM, Room No. 41, Krishi Bhawan, New Delhi			
S.NO.	**NAME of the MEMBER**	**DESIGNATION**	**SIGNATURE**
1	Shri Suresh Kumar Vashishth Joint Secretary (S & A)	Chairman	
2	Shri G.S. Sahu Director (Sugar Policy) Directorate of Sugar	Member	US(CA) DSPD
3	Shri R.K. Pandey Director (Finance)	Member	
4	Representative of ICAR (Sugarcane expert) (For Screening Committee)	Member	
5	Director, National Sugar Institute, Kanpur	Member	
6	Shri N.K. Kashmira Director (SDF)	Member Secretary	
SPECIAL INVITEES			
7	Agriculture Commissioner, Department of Agriculture (For Screening Committee) Dr. A.P. Singh Addl. Com	for Ag. Com	30/X
8	Commissioner (CAD), Ministry of Water Resources (For Screening Committee)	T. D. Sharma Director R.K. Tiwari Consultant CAD	
9	Director, Indian Institute of Sugarcane Research, Lucknow (For Screening Committee)		
10	Director General, Vasantdada Sugar Institute, Pune (VSI, Pune) (For Screening Committee)	P.P. Shinde Head, Ag. Engg. VSI, Pune	
11	The President/Vice President /Director General, Indian Sugar Mills Association (ISMA)	Dy. Hd. (TVS) Director - Policy	
12	The President/Vice President /Managing Director, National Federation of Co-operative Sugar Factories Ltd. (NFCSF)	MD	30/10.
13	Representative from Sugar Technologist's Association of India (STAI)	President	
14	Representative from Horticulture Division, D/o Agriculture Cooperation and Farmers Welfare	Asstt. Commr.	
15	Representative from NCDC R K MANGLA GIRRAJ AGNIHOTRI	DD (Sugar) DD - Hort	
16	Representative from IFCI V. Subramanian – GM Jagdish Garwal – DGM Manoranjan Sarma – Mgr Rashi Bhatnagar – Mgr.	~~V. Subramanian~~ GM DGM Manager Manager	
17	Shri Dilip K. Jha	Under Secretary (SDF)	
18	Shri Kanav Dua	Asst. Director (Cost)	
19	Shri Jitendra Kumar Agrawal	Section Officer (SDF)	
20	Shri Sushil Kumar	Section Officer (SDF A/c)	