

Operational Guidelines

Scheme for Extending Financial Assistance to Sugar Mills for Enhancement and Augmentation of Ethanol Production Capacity - Operational Guidelines

In view of the bumper crop, large inventory of sugar stock, depressed prices of sugar and mounting arrears of sugarcane dues to the farmers, the Government of India has recently taken several policy measures to improve the liquidity with the sugar mills to enable them to make timely payment of sugarcane dues. The measures include creation of buffer stock, fixation of minimum selling price of sugar at mill gate and augmenting capacity of the distilleries attached to sugar mills for production of ethanol.

2. In this context, the Department of Food and Public Distribution, Ministry of Consumer Affairs and Food & Public Distribution vide Gazette of India notification F.No.1(10)2018-SP-I dated 19th July 2018 and subsequent revision vide notification F.No.1(10)2018-SP-I dated 9th August 2018 has approved the "Scheme for Extending the Financial Assistance to Sugar Mills for Enhancement and Augmentation of Ethanol Production Capacity". The Operational Guidelines for the same are given below:

(1) Objective of the Scheme

- (i) Increasing the ethanol production by enhancing the number of working days of existing distilleries in a year by installation of new incineration boilers or by adoption of any other method approved by the Central Pollution Control Board (CPCB) for Zero Liquid Discharge (ZLD) in a distillery.
- (ii) Augmentation of ethanol production capacity by setting up of new distilleries attached with sugar mills including expansion of the capacity of the existing distilleries attached with sugar mills.

(2) Eligibility:

- (i) Existing distilleries attached with the sugar mills are eligible for assistance for increasing ethanol production by enhancing the number of working days in a year by installation of new incineration boilers or by adoption of any other method approved by the Central Pollution Control Board (CPCB) for Zero Liquid Discharge (ZLD) in a distillery.
- (ii) All the sugar mills are eligible for assistance to set up new distilleries including expansion of capacity of existing distilleries attached with sugar mills.
- (iii) Assistance shall not be available to sugar mills which have availed benefits under any other scheme of Central Government for the same project.



- (iv) As the assistance is credit linked, the concerned sugar mill should be eligible to receive Bank loan for installing the projects at 2(i) and 2(ii).

(3) Assistance under the Scheme:

- (i) Interest subvention @ 6% per annum or 50% of rate of interest charged by banks, whichever is lower, on the loans to be extended by banks, shall be borne by the Central Government for five years.
- (ii) Interest subvention under the scheme in respect of 2(i) and 2 (ii) above shall be provided on the outstanding loan amount in respect of each project under which loan amount has been sanctioned and disbursed, based on the proposed capacity.

(4) Submission of application:

The sugar mills which desire to achieve Zero Liquid Discharge (ZLD) in their distillery by installation of new incineration boilers or by adoption of any other method approved by Central Pollution Control Board (CPCB) or to set-up new distillery plant including expansion of the production capacity of the existing plant would be required to submit an application-cum-proposal in the prescribed Proforma (Annexure-I) to the Chief Director (Sugar), Directorate of Sugar and Vegetable Oils, Department of Food & Public Distribution (DFPD), Krishi Bhawan, New Delhi within 30 days from the date of issue of these guidelines. DFPD will scrutinize the application on the following parameters:

- a) Performance of ethanol supply under Ethanol Blended with Petrol (EBP) Programme.
- b) Track record regarding payment of cane price dues of farmers.
- c) Timely filing of monthly on-line return in P-II (Proforma-II) as prescribed by the Directorate of Sugar and Vegetable Oils.
- d) Compliance of various Directives / Orders issued by DFPD after 06.06.2018.
- e) Availability of molasses for the project.
- f) Status of SDF/ LSPEF/ Levy dues, etc.

(5) Modalities of the Scheme:

- (i) After scrutinizing the applications cum proposals, DFPD will accord its in-principle approval and recommend such approved proposals to the lending banks for considering sanction of loan. Banks would be at liberty to sanction/release the loan as per their commercial norms/policies and in compliance with regulatory guidelines, including the restructuring guidelines, as notified by RBI from time to time.



(ii) The applicant should get the loan disbursed from the bank within one year from the date of in principle approval by DFPD, failing which the in-principle approval for the project will stand cancelled. Further, the project should be completed within two years from the date of disbursement of first instalment of loan from bank.

(iii) While implementing their respective projects, the sugar mills shall strive to seek convergence with the Make in India scheme of the Government for capacity addition/ up-gradation in ethanol production.

(iv) Disbursement of loan under the scheme shall be in a separate loan account so that the utilization of the money for the said purpose is easily monitored. The disbursement shall be reported to Head Office, NABARD & DFPD in the prescribed proforma (Bank Form -I)

(6) Modalities of payment of interest subvention

(i) Payment of interest subvention on loan amount under the scheme will be limited to 5 years only, including one year moratorium period. During the moratorium period the sugar mills will be required to pay interest to the banks. Bank will be eligible to claim subvention during the moratorium period from NABARD. Interest subvention released by NABARD should be credited to the borrower's loan account within one week from receipt thereof.

(ii) The benefit of interest subvention will be provided by the Government only if a sugar mill account is Standard and will not be available as long as account is NPA. The sugar mill will be responsible for repayment of interest including penal interest for the period of default along with the principal. Further, banks will be free to take necessary action against the defaulting borrowers as per banking norms and applicable regulatory guidelines. Loan accounts settled by borrowers under One Time Settlement scheme/ compromise, etc. will not be eligible for interest subvention.

(iii) In the event of surplus cash flow with the sugar mills, accelerated payments may be decided by the bank to reduce the interest liability of the sugar mill.

(7) Project Completion Certificate

(i) The concerned distilleries attached with sugar mills shall submit a certificate duly verified by the Central Pollution Control Board certifying that zero liquid discharge has been achieved through the method proposed at the time of submitting application for such purpose.

(ii) Sugar mills availing loan to establish new distilleries or expansion of the existing distilleries, shall submit a 'Completion & Commencement Certificate' duly verified by the Excise Commissioner of the State concerned and a Chartered Engineer certifying respectively that the new distillery has been installed and has commenced production



or the expansion of the existing distillery has been completed and enhanced production of ethanol has commenced. Any failure to submit such certificates shall lead to non-reimbursement of Interest Subvention by the Central Government.

- (iii) The 'Completion & Commencement Certificate' in the format prescribed at Annexure-III should be submitted within a period of 6 months from the date of completion and not later than 30 months from the date of disbursement of first instalment of loan by the Bank, to the Chief Director (Sugar), Directorate of Sugar and Vegetable Oils, Department of Food & Public Distribution (DFPD), Krishi Bhavan, New Delhi-110001 with a copy to the concerned financing Bank.

(8) Utilization Certificate:

The concerned sugar mills shall submit utilization certificate (Annexure II) for the sanctioned loan amount within three months of the completion of the project, duly verified by the respective sugar/cane commissioners certifying that the loan amount has been utilized for the purpose specified in the scheme. The State Govt. /Cane Commissioner shall also monitor the utilization of the loan in the prescribed proforma enclosed. Any failure to submit the utilization certificate shall lead to non-reimbursement of interest subvention by the Central Government.

(9) Instructions for lending banks

- (i) Lending bank branches through their controlling offices viz. Zonal Office or Regional Offices and Cooperative Banks through StCBs and RRB branches through their Head Office should submit the claims for interest subvention within two weeks of the close of the previous quarter to the Head Office of NABARD (Department of Refinance) in the format prescribed (Bank Form II).
- (ii) The lending bank branches shall obtain a certificate from the Chartered Accountant regarding the correctness of the claim made and submit it to the Head Office of NABARD along with the interest subvention claim (Bank Form-III).
- (iii) Each lending bank shall also satisfy itself by inspection of the financed units that the loan amount has been utilised for the purpose as specified in the scheme. Such inspection report will be preserved by the concerned Bank in its records and shall be made available to NABARD/ DFPD when required.
- (iv) Special calculation sheet in excel format with an inbuilt formula may be used for facilitating correct calculation of claim and made available to NABARD with the subvention claim.
- (v) The requisite data/information shall be provided by the controlling offices of lending bank to Department of Refinance, NABARD, Head Office, Mumbai.



(10) Where the Government of India is of the opinion that it is necessary or expedient to do so, it may by order and for reasons to be recorded in writing modify any of the provisions of this Scheme.

Encls:

Annexure-I - Application from Sugar Mill for Financial Assistance

Annexure-II - Utilisation certificate format

Annexure-III- Completion & Commencement Certificate

Bank Form No-I: Intimation of disbursement of term loan

Bank Form No-II: Interest Subvention claim

Bank Form No-III: Certificate from Chartered Accountant



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ANNEXURE- I

APPLICATION FROM THE SUGAR FACTORY FOR FINANCIAL ASSISTANCE FOR INSTALLATION OF NEW INCINERATION BOILER OR ADOPTION OF ANY OTHER METHOD APPROVED BY CPCB FOR ZERO LIQUID DISCHARGE IN THE EXISTING DISTILLERY OR SETTING UP OF NEW DISTILLERY OR EXPANSION OF EXISTING DISTILLERY FOR ETHANOL PRODUCTION TO BE SUBMITTED TO DFPD.

A. Brief details of the sugar factory

1	Name of the sugar factory/undertaking/society/company	
2	Short name & plant code of the factory	
3	Installed crushing capacity of the factory	
4	Date of commencement of sugar production in the sugar factory	
5	Production capacity of the existing distillery attached with sugar mill, if any	
6	Does the undertaking have any other sugar factory (indicate short name and capacity of other group factories)	
7	Performance of ethanol supply during current and last two ethanol years under Ethanol Blended with Petrol Programme (EBP) :	
	(i) Quantity of ethanol indented by OMCs (year-wise)	
	(ii) Quantity of ethanol supplied against indented quantity (year-wise)	
8	Performance of cane price payment :	
	(i) Total cane price payable against purchase of cane during 2017-18 SS.	
	(ii) Total cane price paid against cane purchased in 2017-18 SS.	
	(iii) Pending cane arrears for 2017-18 SS and earlier seasons, if any (Please indicate arrear amount season-wise)	
9	Whether monthly Proforma P-II filed online (If yes, upto which month)	
10	Whether directives/orders issued by DFPD on or after 06.06.2018 have been complied	
11	Status of SDF/LSPEF outstanding dues, if any.	

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B. Information relating to existing distillery attached with the sugar mill for installation of incineration boiler or adoption of any other method approved by CPCB for ZLD in a distillery.

1	Capacity of the proposed incineration boiler/details of any other method proposed for adoption as approved by CPCB for ZLD.	
2	Working pressure of the proposed incineration boiler.	
3	Whether permission of CPCB has been obtained, if yes, number of operating days in a year for existing distillery.	
4	Financial assistance requested for installation of incineration boiler/adoption of any other method as approved by CPCB for ZLD. (including duties, surcharge & erection cost etc). Please indicate item-wise break up.	
5	Name of the lending bank.	
6	Whether SDF assistance has been availed for similar project.	
7	Proposed days of operation after installation of incineration boiler/adoption of any other method as approved by CPCB for ZLD.	
8	Additional production of ethanol after installation of new incineration boiler / adoption of any other method as approved by CPCB for ZLD.	
9	Production of molasses in the existing sugar mills of the group company (Please indicate unit-wise)	
10	Proposed time line for installation of new incineration boiler/adoption of any other method as approved by CPCB for ZLD.	
11	Expected date of commencement of ethanol production after installation of incineration boiler/adoption of any other method as approved by CPCB for ZLD.	
12	Whether proposed incineration boiler / equipment for adoption of any other method as approved by CPCB for ZLD are procured from indigenous source (if not, reasons for the same)	

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C. Information relating to setting-up of new distillery/expansion of existing distillery with the existing sugar mill

1	Capacity of the proposed distillery in KLPD (new/expansion)	
2	Whether the new distillery/expansion of the existing distillery is proposed to be installed with zero liquid discharge system.	
3	Financial assistance requested for new distillery/expansion of the existing distillery project including basic price and applicable taxes etc.	
4	Name of the lending bank.	
5	Whether SDF assistance has been availed for similar project.	
6	Proposed days of operation on setting up of new distillery/expansion of the existing distillery.	
7	Production of molasses in the sugar mill where proposed distillery is to be set up/expanded (If group company, please indicate unit-wise)	
8	Proposed time line for installation of new plant/expansion of existing plant.	
9	Expected date of commencement of ethanol production.	
10	Whether proposed new distillery/plants and machineries for expansion of the existing distillery are procured from indigenous source (if not, reasons for the same).	

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ANNEXURE II

Utilization certificate to be submitted by Sugar Factory duly verified by the concerned Sugar Commissioner within three months of completion of project

Name of Sugar Factory & Address :

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Short Name of Sugar Factory :- Plant Code :-

This is to Certify that an amount of Rs..... was disbursed in Account No..... maintained by (Bank Name with branch name) on (Date) towards the term loan raised by the Sugar Factory under the "Scheme for Extending Financial Assistance to Sugar Mills for enhancement and augmentation of ethanol production capacity". The entire amount has been utilized by the Sugar Factory, for installation of new incineration boilers or adoption of any other method approved by the Central Pollution Control Board (CPCB) for Zero Liquid Discharge (ZLD) in a distillery/ setting up of new distilleries/expansion of existing distilleries attached with the sugar mills, as specified in the scheme guidelines.

Authorized Signatory of the Sugar Factory

Name -

Designation -

Date -

Place -

Statutory Auditor of the Factory

Name -

Designation -

Date -

Place -

Regional Joint Director (Sugar)

Name -

Designation - Regional Joint Director

Date -

Place -

Commissioner of Sugar

Date -

Place -

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ANNEXURE III

COMPLETION AND COMMENCEMENT CERTIFICATE

(This has to be submitted within a period of 6 months from the date of completion and not later than 30 months from the date of disbursement of first instalment of loan by the Bank)

- (i) Name of the sugar mill/distillery;
- (ii) Plant code:
- (iii) Project for which financial assistance has been taken (Tick the right option):
 - (a) To establish a new distillery;
 - (b) For expansion of the existing distillery
- (iv) Date of installation of the new distillery/Date of completion of expansion of existing distillery:
- (v) Capacity of new distillery/expanded distillery (capacity addition to be mentioned)
- (vi) Date of commencement of production of ethanol:

This is to certify that the distillery, details of which have been given above has been commissioned successfully for ethanol production.

(Seal and Signature of Chartered Engineer)
Details of the Chartered Engineer

This is to certify that installation/expansion of distillery, details of which have been given above has been completed and production of ethanol has commenced w.e.f.....

(Seal and Signature of Excise Commissioner of the State)
Details of the concerned officer

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Bank Form – I

Scheme for extending financial assistance to sugar mills for enhancement and augmentation of ethanol production capacity

(To be submitted to DFPD* and NABARD by concerned bank branch, through its Controlling Office immediately after each disbursement)

(Amount in Rs. Lakhs)

Individual Loan Account details			
Name of Bank, Branch and Code			
Name of Sugar factory with plant code			
Date on which DFPD has accorded in principle approval			
Date of sanction of Term Loan			
Term Loan Account No.			
Amount of sanctioned loan			
Interest rate contracted			
Disbursements			
Date	Amount	Cumulative Disbursement	O/s loan amount
Repayment Schedule			

* **Chief Director (Sugar)**, Directorate of Sugar and Vegetable Oils, Department of Food and Public Distribution, Krishi Bhawan, New Delhi 110001 [Tele : 011- 23383760; Fax : 011-23382373; Email : ddcost.fpd@nic.in]

\$The Chief General Manager, Department of Refinance, NABARD, Head Office, Plot No. C-24, 'G' Block, Bandra-Kurla Complex, Bandra (E), Head Office, Mumbai-400 051. {Tel. 022-26524926; Fax: 022-26530090, email: dor@nabard.org}

Undertaking/Certificate

Certified that:

(a) The term loan has been sanctioned after due vetting of the proposal submitted by the Sugar Mill, taking into account the installation of new incineration boilers/new distilleries and the capacity proposed to be created as approved by DFPD.

(b) The loan amount was disbursed within one year from the date of in principle approval of DFPD.



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- (c) The disbursement of the loan was made in a separate project specific loan account.
- (d) While communicating the sanction the sugar mill has been advised that utilisation Certificate as specified in the guidelines of the scheme would be submitted within three months of completion of the project.
- (e) While communicating the sanction the sugar mill has been advised to comply with all the terms and conditions of the scheme of Government of India for capacity addition/ up-gradation in ethanol production.
- (f) Interest subvention Payable has been calculated on outstanding amount reckoning the actual date of repayment or prescribed date of payment whichever is earlier.
- (g) The loan account of the sugar mill is standard.

(Signature of the Branch Manager)

Date.....

Name.....

Place.....

Designation.....

Ph. No.....

FAX

Email-Id.....

(Affix Official Stamp)



Bank Form-II

Scheme for Extending Financial Assistance to Sugar Mills for enhancement and augmentation of ethanol production Capacity

(To be submitted by Branch of lending banks through its controlling office to NABARD* by 14 July, 14 October, 14 January and 14 April for quarters ended June, September, December and March)

Interest Subvention claim for the quarter ended (Lending Bank)

(Amount in Rs.)

Name and Branch of the lending Bank							
Loan Account details						Interest	
Sr. No.	Name & Code of lending Branch	Name of the Sugar Factory	Loan Account No.	Loan Sanctioned	Loan disbursed	Rate of Interest (d)	Amount of Interest Claim

* the Chief General Manager, Department of Refinance, NABARD, Head Office, Plot No.C-24, 'G' Block, Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051 {Tel. 022-26524926; Fax: 022-26530090; e mail: dor@nabard.org}

Certified that:

- 1) The loan amount has been utilized for the purpose as specified in the guidelines of the Scheme.
- 2) No interest has been claimed for the accounts which have gone into default and interest amount claimed as advance for the accounts, which have subsequently gone into default, has been adjusted (by the way of refund) in the present claim submitted.

(Signature of the Branch Officer)

Date

Name.....

Place

Designation.....

Ph No.....

Fax.....

Email -Id.....

(Affix Official Stamp)

- Encls. 1. Certificate Issued by Chartered Accountant
2. Calculation sheet in excel format



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Bank Form III

CERTIFICATE OF CORRECTNESS OF INTEREST SUBVENTION CLAIMS FROM THE INDEPENDENT CHARTERED ACCOUNTANT ENGAGED BY THE BANK

(To be furnished with each quarterly claim of the branch.)

Reference No.:.....

I / We (Name of Chartered Accountant / Firm of Chartered Accountant) on verification of claim of (Name of the branch) of (name of the bank) under the Scheme for Extending financial Assistance to sugar mills for enhancement and augmentation of ethanol production capacity, for the quarter ended has been checked and found correct in respect of the following sugar factories –

Sr. No.	(Name of the Sugar Mill)	Sugar(Ethanol) loan A/c. No.	Term	Amount of interest Claimed
	Total			

Signature

Membership No.....

Name of Chartered Accountant.....

(Affix Seal)

Place

Date



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