18. FREQUENTLY ASKED QUESTIONS

Question 1. What are the various types of loans given under the Sugar Development Fund?

Answer: Following types of loans can be given to the sugar factories from the Fund:

i) for the rehabilitation and modernization of any sugar factory or any unit thereof. .

ii) for the development of sugarcane in the area in which any sugar factory is situated.

iii) for bagasse based cogeneration power projects with a view to improving the viability of the sugar factory.

iv) for production of anhydrous alcohol or ethanol with a view to improving viability of the sugar factory.

v) for conversion of existing ethanol plant into zero liquid discharge (ZLD) plant by installing the required plant and machinery.

Question 2. What are the specific conditions governing loans for modernization/rehabilitation (Rule 16 and 16A)?

Answer: Conditions governing loans for modernization/rehabilitation are as follows:

i) The project should be approved by a scheduled bank/financial institution for assistance for modernization/rehabilitation.

ii) No loan for the above purpose can be given during the period in which the previous loan for the same is outstanding.

iii)The loan amount will not exceed the amount required by the bank/financial institution to be contributed by the sugar undertaking as promoter's contribution. The sugar factory will be required to contribute a minimum of 10% of the loan applied for from its own resources as promoter's contribution. SDF loan is given upto a maximum of 40% of eligible project cost.
[However as recommendation of the statutory Committee set up under the SDF Rules, where the owners' contribution / equity is increased beyond 10%, there must be corresponding decrease in the SDF component.]

iv) The sugar factory which is a defaulter in respect of any dues on account of Sugar Development Fund (SDF) and Levy Sugar Price Equalization Fund (LFPEF) is not eligible to apply for SDF loan.

v) The sugar factory shall also not be eligible to apply for a loan for the following purposes:

i. second hand project, equipment and machinery;
ii. refinancing;
iii. financing of cost over run;
iv. project commissioned prior to the date of application under these rules;

Question 3. What are the specific conditions governing loans for production of anhydrous alcohol or ethanol from alcohol or from molasses (Rule 22 and 22A) ?

Answer: Conditions governing loans for anhydrous alcohol or ethanol from alcohol or from molasses are as follows:

(a) The sugar factory shall be eligible for loan (a) if the project has been approved for financial assistance by a financial institution or a scheduled bank for production of anhydrous alcohol or ethanol from alcohol, and at least 10% of the project cost is being met by the sugar factory from its own resources as part of promoter's contribution, required by financial institution or scheduled bank.
[However as recommendation of the statutory Committee set up under the SDF Rules, where the owners' contribution / equity is increased beyond 10%, there must be corresponding decrease in the SDF component.]

(d) No loan for the above purpose can be given during the period in which the previous loan for the same is outstanding.

(e) The sugar factory should not be a defaulter in respect of any dues on account of Sugar Development Fund (SDF) and Levy Sugar Price Equalization Fund (LSPEF) failing which the sugar factory shall not be eligible to apply for the loan.

(f) The sugar factory shall also not be eligible to apply for a loan for the following purposes:

i. second hand project, equipment and machinery;
ii. refinancing;
iii. financing of cost over run;
iv. project commissioned prior to the date of application under these rules;

Question 4. What are the specific conditions governing loans for Bagasse based Cogeneration of Power Projects (Rule 23) ?

Answer: Conditions governing loans for bagasse based cogeneration power project are as follows:

(b) The sugar factory should have an installed capacity of 2500 TCD

(c) The project should have been approved for financial assistance by a Financial Institution or a Scheduled Bank.

(d) The project should envisage marketable surplus of cogenerated power.

(e) Greenfield projects for cogeneration of power can also be financed from SDF to the extent of exportable surplus. However, the funds will be released only after the sugar factory starts production of sugar.

(f) At least 10% of the project cost will be met by the sugar factory from its own internal generation of funds as part of promoter's contribution.
[However as recommendation of the statutory Committee set up under the SDF Rules, where the owners' contribution / equity is increased beyond 10%, there must be corresponding decrease in the SDF component.]

(g) No loan for the above purpose can be given during the period in which the previous loan for the same is outstanding.

(h) The sugar factory should not be a defaulter in respect of any dues on account of Sugar Development Fund (SDF) and Levy Sugar Price Equalization Fund (LSPEF) failing which the sugar factory shall not be eligible to apply for the loan.

(i) The sugar factory shall not be eligible to apply for a loan for the following purposes:

i. second hand project, equipment and machinery;

ii. refinancing;

iii. financing of cost over run;

iv. project commissioned prior to the date of application under these rules;

Question 5. What is the procedure for making and consideration of application for loan for Cane Development (Rule 17 and 17A) ?

Answer: Procedure for making and consideration of application for loan for cane development is as follows:

i) Application for loan is required to be submitted to the State Government in which the sugar factory is located and the State Government may, after scrutiny of the application forward the same along with its comments and recommendations to the Member Secretary of the Standing Committee under the Sugar Development Fund. The application shall furnish such information and shall be accompanied by such documents as are referred to in the form and the check list.

ii) Loan for development of sugarcane in its area is permissible to a sugar factory for setting up of heat treatment plants, rearing of seed nurseries, pest control measures, incentive to cultivators to switch over to improved varieties of sugarcane, irrigation schemes and such other scheme or project as may be approved by the Central Government. The existing limit of loan amount is 90% of a maximum cost of Rs.6.00 crore for the schemes on the whole.

iii) No loan for the above purpose can be given during the period in which the previous loan for the same is outstanding.

iv) The sugar factory is required to contribute a minimum of 10% of the cost of the schemes from its own resources as margin money.

v) The sugar factory should not be a defaulter in respect of any dues on account of Sugar Development Fund (SDF) and Levy Sugar Price Equalization Fund (LSPEF) failing which the sugar factory shall not be eligible to apply for the loan.

Question 6. At present what is the rate of interest and penal interest for SDF loan (Rule 25) ?

Answer: Loan is advanced at a concessional rate of interest of 2% percent per annum below the bank rate from the date of release of amount.

Bank Rate: Bank rate means the standard rate as made public by the Reserve Bank of India under section 49 of the Reserve Bank of India Act, 1934 (2 of 1934) and prevailing on the date of disbursement of the instalment of the loan by the Government.

The present bank rate is 7.75% and interest on SDF loan is 5.75% (as on 30.06.2016).

In case of default of payment of any instalment or interest, an additional interest at the rate of 6.00% per annum on the amount of default is payable by the sugar factory.

Question 7. What is the security for SDF loan (Rule 25 and the guidelines) ?

Answer:

I. The SDF loan is secured by:

(a) Charge on the movable and immovable properties of the sugar factory on pari passu first charge basis for FACR (Fixed Assets Coverage Ratio)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.

II. Additional securities for securing SDF loans in case where financials of the sugar factory are weak despite adequate FACR & DSCR:

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

Post-dated cheques (PDCs) for repayment of Principle 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.

Security for SDF loan are decided/finalized on the basis of FACR at the time of charge creation.

Question 8. What is the procedure for disbursement of SDF loan ?

Answer: (A) For Cogeneration/ Ethanol/ Modernization: All loan applications are placed before the Sub Committee whose recommendations are placed before the Standing Committee. After approval of the Standing Committee recommendations by the Government, Administrative Approvals are issued stipulating conditions to be complied with. Loan sanctioned for can be disbursed in lumpsum or in two equal instalments. Second instalment of loan is disbursed only on submission of utilization certificate duly certified by Chartered Accountants and forwarded by the concerned Financial Institution.

(B) For Cane Development: Sugar factories are required to apply through the State Government. All loan applications are placed before the Screening Committee whose recommendations are placed before the Standing Committee. After approval of the Standing Committee recommendations by the Government, Administrative Approvals are issued stipulating conditions to be complied with. Loan for cane development schemes is disbursed normally in two/three annual instalments. Second and subsequent instalments of loans are disbursed on receipt of utilization certificate from the concerned State Government who acts as the monitoring agent for these schemes.

9. Question: What are the numbers of installments, schedule of repayment, moratorium period and maximum period of repayment of SDF lofor modernization/Cogeneration of power/production of ethanol/sugarcane development scheme:

Answer: The numbers of installments, schedule of repayment, moratorium period and maximum period of repayment of SDF loans is as under:

	Modernization / rehabilitation	**Bagasse Based cogeneration of power**	**Production of ethanol from molasses**	**Cane Development**
Repayment schedule	**Instalments** - Loan + interest in 10 (maximum) 1/2 yearly instalments. **Commencement of repayment-** after 1 year from the date of repayment/ payment of institutional loan and interest in full **OR** on the expiry of 5 years from the date of disbursement, whichever earlier.	**Instalments-** Loan in 10 (maximum) 1/2 yearly instalments. **Commencement of repayment-** Interest shall be paid ½ yearly for the first 3 years from the date of each disbursement after which it shall be paid 1/2 yearly along with principal. - repayment of the loan after 3 years from the date of each disbursement of the loan.	**Instalments-** Loan + interest in 8 (maximum) ½ yearly instalments. **Commencement of repayment-** after 1 year from date of each disbursement.	**(i) Instalments**- 8 (maximum) equal 1/2 yearly instalments & **Commencement of repayment-** after 3 years' moratorium from date of disbursement. Interest to be paid 1/2 yearly after 1 year from the date of drawal of loan. **(ii)** For purchase of seeds, fertilizers & purchase of pesticides - loans + interest in 8 equal ½ yearly instalments on expiry of 1 year from the date of disbursement
Moratorium period	5 years	3 years (principal)	1 year	**(i)** 3 years (principal) 1 year (interest) **(ii)** 1 year (principal + interest) for purchase of seeds, fertilizers & purchase of pesticides
Maximum Period of Repayment	9.5 years	7.5 years	4.5 years	6.5 years