सत्यमेव जयते

INFORMATION BOOKLET 2020

SUGAR DEVELOPMENT FUND (SDF)

DEPARTMENT OF FOOD AND PUBLIC DISTRIBUTION

MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION

GOVERNMENT OF INDIA

Table of Contents

SUGAR DEVELOPMENT FUND: INFORMATION BOOKLET

1.0 Introduction

1.1. Under the Sugar Development Fund (SDF) Act, 1982, the SDF Rules, 1983 were framed which have been amended from time to time. The Sugar Development Fund consisted of the following:

a) The amount of Sugar Cess collected under the Sugar Cess Act, 1982 (as amended);

b) Money received by Central Government for purposes of SDF Act; and,

c) Any income from investment of such amounts.

1.2. The Sugar Cess was abolished with the introduction of GST w.e.f. 01.07.2017. At present, all fund requirements, including loan disbursed, are being met directly from the Consolidated Fund of India as per budgetary provisions each year.

2.0 Schemes

2.1 Under the Sugar Development Fund Act, 1982 and the Sugar Development Fund Rules, 1983 (as amended), loans are provided to a Sugar Factory for following five schemes:

a) Modernisation/Rehabilitation (Rule 16 and 16A).

b) Cane Development (Rule 17 and 17A).

c) Production of Anhydrous Alcohol or Ethanol from alcohol or from molasses (Rule 22).

d) Conversion of existing plant to Zero Liquid Discharge plant (Rule 22A).

e) Bagasse-Based Co-generation power projects (Rule 23).

2.2 SDF Loans are not available for working capital, creation of current assets or refinancing of a loan availed by the Sugar Factory.

General Eligibility Conditions

2.3 A Sugar Factory shall fulfil the following conditions for availing an SDF loan:

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

b) 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/margin money.

c) A sugar factory/undertaking which is a defaulter in respect of any dues on account of Sugar Development Fund (SDF), Levy dues, and Levy Sugar Price Equalization Fund (LSPEF) will not be eligible to apply for SDF loan.

d) The sugar factory shall not be eligible to apply for a loan [for Modernisation, Bagasse based co-generation, Production of Ethanol form Alcohol or Molasses, and conversion of existing plant to Zero Liquid Discharge plant] for the following purposes:

i. Procurement of second-hand equipment &machinery.
ii. Refinancing.
iii. Financing of cost overruns.
iv. Project commissioned before the date of application under these rules.

2.3.1 Modernisation/Rehabilitation: Specific Eligibility Conditions

Under the SDF Rules, 1983 (Rule 16 and 16A), a loan is provided for facilitating the modernisation of any sugar factory or any unit thereof. Conditions governing loans for modernisation are as follows:

a) The project should be approved by a scheduled bank/financial institution for assistance for modernisation.
b) The loan amount will not exceed the amount required by the bank/financial institution to be contributed by the sugar undertaking as the promoter's contribution.
c) In the case of application for loan for integrated project i.e., expansion of capacity along with cogeneration or ethanol project, expansion of project only up to 5000 TCD would be funded for getting the desired raw material/ achieving economic viability. However, application for the project for setting up/ expansion of capacity of bagasse-based cogeneration project or ethanol would be processed provided it is possible to segregate the cost of cogeneration/ ethanol project from capacity expansion.

2.3.2 Cane Development: Specific Eligibility Conditions

Under the SDF Rules, 1983 (Rule 17 and 17A), a loan is provided to a sugar factory for the development of sugarcane in the area in which the sugar factory is situated. SDF loan is provided to a sugar factory **on the recommendation of the concerned State Government** for one or more of the following purposes:

a) Setting up of Heat Treatment Plant.
b) Rearing of Seed Nurseries
c) Irrigation Schemes (Drip Irrigation only)

The conditions governing loans for cane development are as follows:

a) The Loan application is to be submitted to the State Government in which the sugar factory is located. The State Government may, after scrutiny of the application, forward the same along with its comments and recommendations to the Director (SDF).
b) The existing limit of loan amount under this scheme is ₹ 540 lakhs (90% of a maximum project cost of ₹ 600 lakhs).

2.3.3 Production of Anhydrous Alcohol or Ethanol from Alcohol or Molasses: Specific Eligibility Conditions

Under the SDF Rules, 1983 (Rule 22), a loan is provided to a sugar factory having an installed capacity of 2500 TCD or higher for the production of anhydrous alcohol or ethanol from alcohol or molasses to improve its viability. Conditions governing loans for anhydrous alcohol or ethanol from alcohol or molasses are as follows:

a) The project should be approved by a scheduled bank/financial institution for assistance for financial assistance for the production of anhydrous alcohol or ethanol from alcohol.
b) Further, modernisation-cum-expansion project integrated with cogeneration plant or ethanol plant of any sugar factory of an undertaking having an installed capacity of less than 2500 tones Crushed Per Day but not less than 1250 tones 50 TCD are also eligible, subject to following conditions:
    i. The application for such project is submitted to a bank or financial institution by the sugar factory.
    ii. In every such project, the appraising authority of the bank or financial institution certifies that the project submitted by the sugar factory is financially viable for such sugar factory of capacity less than 2500 TCD.
    iii. Such project shall be technically appraised by the National Sugar Institute, Kanpur or any other institute recognised by the Central Government and it has certified that the project is technically viable.
    iv. State Government guarantee is furnished by the sugar factory or sugar undertaking for Sugar Development Fund loan.

2.3.4 Conversion of existing Ethanol Plant into Zero Liquid Discharge (ZLD): Specific Eligibility Conditions

Under the SDF Rules, 1983 (Section 22A), a loan is provided to a sugar factory having an installed capacity of 2500 TCD or higher for the conversion of existing ethanol plant into Zero Liquid Discharge (ZLD) plant by installing the required plant and machinery. Conditions governing loans are the same as the scheme for Production of Anhydrous Alcohol or Ethanol from Alcohol or Molasses. Further, modernisation-cum-expansion project integrated with cogeneration plant or ethanol plant of any sugar factory of an undertaking having an installed capacity of less than 2500 tones Crushed Per Day but not less than 1250 tones 50 TCD are also eligible, subject to conditions mentioned in Para 2.3.3 (b) above.

2.3.5 Bagasse based Co-Generation Power Project: Specific Eligibility Conditions

Under the SDF Rules, 1983 (Rule 23), a loan is provided to a sugar factory having an installed capacity of 2500 TCD or higher to implement a project of bagasse-based co-generation of power. Conditions governing loans for bagasse-based co-generation power project are as follows:

a) The sugar factory should have an installed capacity of 2500 TCD or higher.
b) The project should be approved by a scheduled bank/financial institution for assistance for bagasse-based co-generation power project.
c) The project should envisage a marketable surplus of cogenerated power.

d) Greenfield projects for co-generation 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.

e) Further, modernisation-cum-expansion project integrated with cogeneration plant or ethanol plant of any sugar factory of an undertaking having an installed capacity of less than 2500 tones Crushed Per Day but not less than 1250 tones 50 TCD are also eligible, subject to conditions mentioned in Para 2.3.3 (b) above.**Error! Reference source not found.**

3 Check List for SDF Loans

3.1 The following conditions should also be fulfilled for all loan schemes under the SDF Act 1982:

a) Applications should be submitted online through SDF Portal (https://sdfportal.in).

b) There should not be any outstanding Levy Dues (as per records of Directorate of Sugar), SDF Dues or LSPEF Dues.

c) The applications should be submitted along with basic documents and additional information in the prescribed format. If an application is received without any of the requisite documents, the application will be returned.

3.2.1 Scheme wise basic documents required at the time of submission of applications for SDF loans are the following:

A. Modernisation/Rehabilitation:

a) Application Form-II with its annexure-I & II.

b) Detailed Project Report (DPR) with technical feasibility report.

c) Financial Appraisal Report by a Scheduled Bank/Financial Institution (FI).

d) Sanction letters (Letter of Intent) issued by Scheduled Bank/FI (English/Hindi).

e) Acknowledgements issued by competent authority for applying for NOC from Pollution Control Board (PCB) and Environment Impact Assessment (EIA) clearance.

B. Sugar Cane Development Scheme:

a) Application Form -III.

b) Scheme/Project Document.

c) Recommendation of the State Government and the letter of the State Government forwarding all the documents.

C. Setting up bagasse-based co-generation power project:

a) Application Form-VIII with its annexure.

b) Detailed Project Report (DPR) with technical feasibility report.

c) Financial Appraisal Report prepared by Scheduled Bank/FI.

d) Sanction letters (Letter of Intent) issued by Scheduled Bank/FI (English/Hindi).

e) Acknowledgements issued by competent authority for applying for NOC from PCB and EIA clearance.

f) Power Purchase Agreement (PPA) with concerned State Governments, if any.

D. Setting up anhydrous alcohol or ethanol plant from alcohol or molasses:

a) Application Form-VII with its annexure.

b) Detailed Project Report (DPR) with technical feasibility report.

c) Financial Appraisal Report prepared by Scheduled Bank/FI

d) Sanction letters (Letter of Intent) issued by Scheduled Bank/FI (English/Hindi).

e) Acknowledgements issued by competent authority for applying for NOC from PCB and EIA clearance.

E. Conversion of existing ethanol plant into ZLD:

a) Application Form-VIIA with its annexure.

b) Detailed Project Report (DPR) with technical feasibility report.

c) Financial Appraisal Report prepared by Scheduled Bank/FI.

d) Sanction letters (Letter of Intent) issued by Scheduled Bank/FI (English/Hindi version).

e) Acknowledgements issued by competent authority for applying for NOC from PCB and EIA clearance.

4 Rate of Interest for SDF Loans

4.1 The SDF loans carry a concessional rate of interest of 2% below the Bank Rate (as amended from time to time). Rate of interest at the time of disbursement remains fixed and do not change with the change in bank rate. Bank rate is considered on the date of disbursement of the loan. Rate of interest may change in case of restructured loans. In case of any default in repayment of the amount of loan or payment of any instalment thereof or interest thereon, an additional interest, over and above the interest charged for SDF loan, at the rate of 4% per annum (@4% w.e.f 07.08.2020; earlier @6%) will be payable by the defaulting sugar factory. The rate of additional interest may change without prior notice as per the decision of the Central Government.

5 Funding Pattern

5.1 The typical funding pattern of SDF loans for all types of loans (except Cane Development Loan) for Brownfield project, is as per following funding pattern:

a) Scheduled Bank/Financial Institution – 50% of the total project cost.

b) Promoters’ contribution – 10% of the total project cost.

c) SDF component – 40% of the eligible project cost.

5.2 However, where the owner’s contribution/ equity is increased beyond 10%, there will be a corresponding decrease in the SDF loan component. In respect of

Greenfield projects for Co-generation and Ethanol Projects, the SDF contribution is 20% of the eligible project cost.

5.3 In respect of Cane Development, the provisions are as follows:

a) SDF: 90% of the total cost of the scheme subject to a maximum project cost of ₹600 lakhs.

b) Sugar Undertaking: Minimum of 10% of the total cost of the scheme.

6 Calculation of the Eligible Amount of SDF Loan:

6.1 Modernization / Rehabilitation Loans

6.1.1 Initially, the eligible project cost is calculated by deducting the cost of ineligible items from the Total Project Cost. (Refer to Section 0 below)

6.1.2 The total eligible loan amount is the lowest of the estimated loan amount of the following three cases:

As per eligible Project Cost	Amount of loan Sought by the Sugar undertaking	As per the percentage of Promoters Contribution
SDF loan is 40% of the eligible project cost (20% in the case of Greenfield projects)	The total amount of loan requested by the Sugar undertaking.	Promoters contribution as per actual is calculated based on the eligible cost. The excess of Promoters contribution is deducted out of the SDF loan component (40% in case of Brownfield and 20 % in the case of Greenfield).

6.2 Cane Development Loan

6.2.1 The total eligible loan amount is the lowest of the estimated loan amount of the following two cases:

As per eligible Project Cost	As per the quantum limits
90% of the total cost of the scheme subject to a maximum project cost of ₹ 6.00 crore	The total loan amount is calculated as per the quantum limits mentioned below.

Sl. No.	Scheme	Financial Limit
1	Setting up of Heat Treatment Plant	2.50 lakh
2	Rearing of Seed Nurseries	
	a) Foundation seed through Convention Sugarcane Sets	First year: At the rate of ₹30,000.00 per ha subject to a maximum of 5 ha. Second year: At the rate of ₹30,000.00 per ha with multiplication factor of 8 for Northern States and 10 for Southern States.
	b) Rearing of Seed Nurseries from Tissue Culture Plantlets	First year: At the rate of ₹80,000.00 per ha subject to a maximum of 2 ha. Second year: At the rate of ₹80,000.00 per ha with multiplication factor of 40. Seeds shall be procured from the

		Government recognised institutions – VIS, Pune, SBI, Coimbatore, Universities, and their affiliates.
	c) Certified Seed	₹26,000.00 per ha.

SDF letter 1-8/2007-SDF dated 26.05.2009.

6.3 Ethanol and Zero Liquid Discharge Loans

6.3.1 Initially, the eligible project cost is calculated by deducting the cost of ineligible items from the Total Project Cost.[Refer to Section 0 below]

6.4 The total eligible loan amount is the lowest of the estimated loan amount of the three cases mentioned above at Para 6.2.2.**Co-generation Loans:**

6.4.1 Initially, the eligible project cost is calculated by deducting the cost of ineligible items constituting the Total Project Cost. (Refer to Section 0 below)

6.4.2 The total eligible loan amount is the lowest of the estimated loan amount of the following four cases:

As per eligible Project Cost	As per Normative Project Cost	Amount of loan Sought by the Sugar undertaking	As per the percentage of Promoters Contribution
SDF loan is 40% of the eligible project cost (20% in the case of Greenfield projects)	As per normative cost per MW mentioned below.	The total amount of loan requested by the Sugar undertaking (after adjusting the CENVAT credit in proportion to SDF loan)	Promoters contribution as per actual is calculated based on the eligible cost. The excess of Promoters contribution is deducted out of the SDF loan component (40% in the case of Brownfield and 20 % in the case of Greenfield).

Boiler Pressure (ata)	Normative Cost per MW Generation (₹ lakh/MW)
Below 67	Not Eligible
67 to 86	385.00
87 to 109	442.00
110 and above	543.00

SDF letter 7-14/2015-SDF dated 23.02.2016.

6.5 An illustrative list of ineligible items for grant of SDF loans for Modernisation/Expansion, Cogeneration, Ethanol and ZLD projects is placed as Annexure I.

7 Evaluation Criteria for SDF Loans:

7.1 General criteria for SDF loans for schemes under Rule 16, 16A, 17, 17A, 22, 22A and 23 are as under:

a) The cooperative society or the firm should either have plant code for the sugar factory or have applied for the IEM No. In the case of Greenfield projects, the loan will be disbursed only on the allotment of plant code and the start of sugar production in the factory.

b) No levy sugar dues, LSPEF dues and SDF dues are outstanding.

c) No loans are outstanding under the same rules of SDF. Two loans for one sugar factory under the same rule at one point of time will not be sanctioned.

d) Detailed Project Report (DPR) of the project confirms unconditionally that the project is technically and financially viable. Due justification for the projected physical and financial parameters should be given and should be comparable with industry standards.

e) Clearance Certificate from the respective Pollution Control Board and EIA clearance must be applied for. The clearance certificate must be submitted before disbursal of the loan amount.

f) All the assets including land, building, plant & machinery etc. which are to be mortgaged need to be free from litigation and the sugar factory/undertaking must have clear title to the asset.

g) The sugar factory/undertaking should not be financially weak. For provisions of loans for financially weak sugar factories/undertaking, please refer Para 8.2 below. In other words, the SF should not be having any of the following financial constraints:

   i. Profit after Tax (PAT) is negative in any of the last three years.
   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 Debt Service Coverage Ratio (DSCR) for the last five years should be more than 1.0.
   v. Fixed Asset Coverage Ratio (FACR) of the SF and Sugar Undertaking as a whole should be more than 1.33. [Refer to Section9 below].
   vi. Compliance with the financial laws and the Companies Act, 2013 (as amended) or the Co-operative Societies Act as the case may be.
   vii. Any other factor reflecting the financial status of the Sugar Factory/undertaking.

8 Procedure for granting SDF loan

8.1 Broadly, the procedure for granting SDF Loan is as follows:

a) Application for a loan complete in all aspects will be submitted by the Applicant firm on the SDF Portal (https://sdfportal.in).

b) The SDF Division will scrutinise the loan application for its completeness and basic compliance with the established parameters.

c) The loan application will be considered by the Sub-Committee/Screening Committee (for cane development loan applications) chaired by the Joint Secretary (Sugar), Department of Food and Public Distribution (DFPD), Government of India. The committee shall meet at least once in each quarter of a year, if applications are there to be considered.

d) The recommendations of the Sub Committee/Screening Committee are considered by the Standing Committee chaired by the Secretary, DFPD. The committee shall meet at least once in each quarter of a year, if applications are there to be considered. The recommendations are placed for approval of the competent authority.

e) **Administrative Approval (AA)** of the sanction communicated to the concerned Sugar Factory. 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, will be permitted within which the sugar factory is 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 will be placed before the Standing Committee for further necessary action in the matter.

f) The AA is valid for one year (for Brownfield projects) and one and a half year (for Greenfield projects).

g) **Extension of validity of Administrative Approval:** Request for an extension of validity of AA, received within validity period for justifiable reasons, will be considered at the level of the Joint Secretary (Sugar) for granting an extension (two extensions of three months each). After two such extensions granted by the Joint Secretary (Sugar), a further request for an extension (maximum six months) will be considered at the level of Secretary(F&PD). After giving one year of such extension, in cases wherein the further extension is requested, the cases are placed before the Standing Committee, and the Standing Committee will have the power to grant a further extension on case-to-case basis on merits of the case.

h) Tripartite Agreement among SDF/GoI, Nodal Agency (IFCI for the non-cooperative sector and NCDC for Co-operative Societies) is executed. In the case of Cane Development loans, the Tripartite Agreement is executed between SDF/GoI, the State Government, and the Sugar Factory.

i) The Sugar Factory has to furnish security against the Sanctioned SDF loan either in the form of Bank Guarantee from a scheduled bank or a mortgage on all immovable and movable properties of the sugar factory on pari-passu first charge basis. The security shall cover the amount of loan and interest thereon for the full period of repayment as provided in the Rules. In certain cases, a sugar undertaking can furnish the security in the form of a State Government Guarantee.

j) Additional securities are furnished if required.

k) The sugar factory has to register on the PFMS website (https://pfms.nic.in/).

l) **Disbursement of Loan:** Request for the disbursement of the loan is submitted through Nodal Agencies. After approval of the Competent Authority, disbursement of the loan is made as per budget availability.

m) **Furnishing of Utilisation Certificate (UC):** The sugar factory shall furnish a UC with the time specified in the Sanction order and Disbursement order. In cases where the loan has been disbursed in instalments, the sugar factory should submit the UC for the previous instalment before the disbursement of subsequent instalments.

n) The loan amount will be disbursed to a sugar factory, through PFMS, into their no-lien bank account. The sugar factory shall make expenditure / utilise the loan through PFMS-EAT module. They shall also submit the UC through PFMS-EAT module.

o) NCDC & IFCI act as a Nodal Agency/Agent to the Government for disbursement of loans, monitoring of the implementation of projects, recovery of a loan including legal proceedings in consultation with Government. The Central Government may nominate any other company/organisation as Nodal Agency for this purpose.

8.2 Additional securities:

8.2.1 Additional securities are required for securing SDF loans in cases where the financials of the sugar factory are considered weak. These securities are in addition to security mentioned above (i.e., 1st pari-passu charge on all immovable and movable assets). Criteria for financially weak companies/co-operative societies are given in (Refer to Section 7.1 above). The requirement of Additional securities will be decided at the time of the creation of charge.

8.2.2 In case additional securities are to be obtained in view of the financial position of the sugar factory/undertaking/society, three additional securities shall be obtained (DC + Any two mentioned at point (b) below):

a) Post Dated Cheques (PDCs) for repayment of Principal and Interest of Borrower SF shall be obtained invariably in all cases.

b) 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 the borrower or holding/Subsidiary Company.

c) In the 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 shall be obtained as additional securities.

d) 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 Co-generation/Ethanol projects are deposited for repayment of principal and interest of the SDF loan.

8.2.3 In cases where it is decided to obtain a bank guarantee, the above additional securities shall not be obtained.

9 Fixed Assets Coverage Ratio (FACR)

9.1 Guidelines/Principles of calculation of FACR are as follows:

9.1.1 Fixed Assets Coverage Ratio (FACR) for the purpose of security of SDF loans, and the issue of NOC is calculated for the Sugar Factory and Company as a whole in the following manner:

FACR= {Value of fixed assets to be mortgaged (existing assets and assets to be created under the project)} / {(Existing loans*** secured against the first charge on the assets proposed to be mortgaged including SDF loans secured against the exclusive second charge if any) + (loans for the proposed project including SDF loan)}.

9.1.2 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 utilised for the intended purpose, FACR at the time of disbursement of final instalment (Lump sum or 2nd instalment) of SDF loan is calculated for the Sugar Factory and Company as a whole in the following manner:

FACR= {Value of fixed assets mortgaged + CWIP, if any} / {(Existing Loans*** secured against the first charge on the assets including SDF loans secured against the exclusive second charge if any) + (Loans for the proposed project including SDF loan)}.

9.1.3 In case of FACR thus calculated is less than the benchmark of 1.33, the Sugar factory will be asked to provide a Bank Guarantee as a security against the SDF loan.

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

10 Debt Service Coverage Ratio (DSCR)

10.1 DSCR is calculated in the following manner:

$$DSCR = \frac{\text{Net Profit/Loss after tax + Depreciation + Interest on Term Loans + Interest on SDF Loans}}{\text{Debt to be serviced i.e. (Term loan repayment from Banks/FI + SDF loan repayment +Interest on Term loan + Interest on SDF loan)}}$$

10.2 The projected DSCR and average DSCR for the past 5 years should be at least 1. In case, Average DSCR for past 5 years is less than benchmark of one, additional securities shall be obtained.

10.3 However, DSCR for the past 5 years is not applicable for new sugar companies which are putting up a Greenfield project. In that case DSCR is considered for the future for which the loan is availed.

11 Norms for Disbursement of SDF Loans

11.1 Norms for Disbursal of SDF Loan in Instalments:

11.1.1 1st instalmentof the SDF loan up to 50% of the approved loan will be released subject to the following (for all loans except Cane Development loan):

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.

11.1.2 2nd instalment / 50% of the approved loan may be released subject to following conditions:

a) Furnishing of Utilisation 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.

11.2 Norms for disbursement of loans on Lump-sum basis:

a) 100% of the SDF loan to be disbursed if 90% work of the project has been completed;

b) Total expenditure incurred is at least 90% of the project cost;

c) After physical verification and submission of progress report of the project and based on 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.

11.3 In the case of Cane Development, the loan will be disbursed only in two instalments.

12 Repayment Schedule of SDF loans

12.1 Repayment Schedule of SDF loans is as follows:

Scheme	Moratorium	Repayment
Modernisation/ Expansion	1-3years	The loan along with interest shall be recoverable in half-yearly instalments not exceeding ten. Commencement of repayment: after one year from the date of repayment/ payment of the institutional loan and interest in full or on the expiry of 3 years from the date of disbursement, whichever earlier.
Cane Development	3years on Principal and one year on Interest	The loan along with interest shall be repaid in equal half-yearly instalments not exceeding eight in number, and the interest on the loan shall be paid half-yearly from the date of drawl of loan. Commencement of repayment: after the expiry of a moratorium of 3 years (only on principal).
Co-generation	3years on Principal only	The loan along with interest shall be repaid in half-yearly instalments not exceeding ten in number. The interest on the said loan shall be paid half-yearly for the first three years from the date of each disbursement of the loan after which it shall be paid half-yearly along with the instalment of the repayment of the principal.
Ethanol	1 year	The loan along with interest shall be repaid in half-yearly instalments not exceeding eight in number. Commencement of repayment: after the expiry of one year reckoned from the date of each disbursement of the loan.

13 Default and Recovery

13.1 As per the SDF Rule 25 (as amended), in case of any default in repayment of the amount of loan or payment of any instalment thereof or interest thereon, an additional interest, over and above the interest charged for SDF loan, at the rate of 4% per annum (@4% w.e.f. 07.08.2020; earlier @6%) will be payable by the defaulting sugar factory.

13.2 In the case of two consecutive defaults – entire amount (balance loan amount + interest + additional interest) will be realised from the security or any claim of the Sugar factory/undertaking against the Central Government. IFCI & NCDC will monitor the performance and recovery of loans as well as legal proceedings to realise the loan amount in case of default.

13.3 *In case of two consecutive defaults in repayment of the loan or instalment thereof, the Central Government may initiate proceedings as per Rule 25 of the SDF Rules 1983 (as amended from time to time*).

14 NOC for ceding of charge

14.1 The charge, created to secure the SDF loan, is ceded subject to the following: -

a) 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 the company as a whole meet the FACR benchmarks for charge held by SDF even after taking into account the proposed loan for which the charge is proposed to be ceded.

b) Comments/recommendations of the monitoring agencies, i.e., NCDC for cooperative sugar factories and IFCI in respect of private sugar mill, are obtained.

c) 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 be obtained.

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

e) A "No Dues Certificate" in respect of Levy Dues, SDF Dues and LSPEF Dues of sugar mill as well as its group units will be sought from the concerned authorities.

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

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

h) In cases, wherein, FACR is 1.50 or above, but the sugar factory comes under weak financial category (Refer to Section 7.1 above) additional securities (Refer to Section 8.2 above) are obtained.

i) 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 the competent authority.

15 No Dues Certificate and Vacation of Charge

15.1 The charge, created to secure the SDF loan, is vacated subject to the following: -

a) Repayment of the entire outstanding amount of a loan(s) will be ascertained from the Chief Controller of Accounts, Department of Food and Public Distribution.

b) Comments/recommendations of the monitoring/nodal agencies, i.e. NCDC for cooperative sugar factories and IFCI in respect of other than cooperative sector sugar mills are obtained.

c) A 'No Dues Certificate' (NOC) in respect of Levy Dues, SDF Dues and LSPEF Dues of sugar mill as well as its group units will be sought from the concerned authorities.

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

Annexure I

Illustrative list of ineligible items for grant of SDF loans for Modernisation/Rehabilitation, Cogeneration, Ethanol and ZLD projects

Sl. No.	Ineligible Items
1.	GST/CENVAT/Tax credit
2.	Additional working capital, Margin money towards working capital, Preliminary and Pre-operative expenses, Interest during construction period, Miscellaneous fixed assets, Engineering consultancy except for plant & machinery equipment
3.	Rationalization of manpower/PF arrears and pressing creditors' dues etc./ Supervision charges
4.	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
5.	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.
6.	Drawings/Land Levelling and Site Development/ Road fencing and related items/ Architect fee except for machinery foundations/ Shifting of site to the new location
7.	Officers Dormitory/Executive Quarters/Residential Quarters/Staff or Labour Quarters or Guest Houses/Security Posts/ Compound wall/Excise office/ Time Office
8.	Purchase of old plant and machinery/ Dismantling and storage expenses/Control Room Shifting of old boiler
9.	Cane Office/Laboratory/Toilets/Restrooms/ Air conditioning & ventilation system other than control rooms/ Workers canteen and farmers restrooms/ Earthly fencing from Civil work/ Drainages/Admin buildings from Civil works/DG Set Rooms
10.	Light and Heavy vehicles, Lighting & illumination other than factory shed, Spares, Control/Meter room, Fencing, Molasses & other sludge pumps
11.	Purchasing of existing 2500 TCD sugar plant/ Expansion component above 10,000 TCD
12.	General store/ Gunny Bag store/Water gutter/ Distillery stores
13.	Powerhouse building civil work, weigh bridge civil works, Biogas civil & foundation work, Miscellaneous foundations except machinery foundations, Miscellaneous Structure/ utilities, Misc. civil works, Stores/workshop building, Miscellaneous modifications other than workshop equipment
14.	Office equipment, furniture & fixtures, IT Equipment, EPABX system etc./Communication or Plant Communication System/Gallery & ladders

Note: For further information regarding SDF Loans, please visit https://sdfportal.in or contact us at sosdf.fpd@gov.in.