

F.No.3/77/2013-AC
Government of India
Ministry of Finance
Department of Financial Services
(AC Section)

3rd Floor, Jeevan Deep Building,
New Delhi, the dated 27th January, 2014.

To

Chief Executive
Indian Banks' Association
Mumbai.

Sub:- Guidelines on Scheme for Extending Financial Assistance to Sugar Undertakings, 2013-
regarding -

The undersigned is directed to refer to a communication dated 15th January, 2014 from Indian Sugar Mills Association (ISMA) addressed to Secretary (F&PD) with a copy endorsed to this Department (copy enclosed).

2. Indian Sugar Mills Association (ISMA) in their letter dated 15th January, 2014 have requested for four specific modifications as under :

- i. *"In order to make the sanction and disbursement of this loan mandatory for each sugar mill as per their entitlement prescribed in para 2(i), it may be necessary to revisit the provisions of para 2 (iii) and if possible delete the same, so that banks do not deny the loan to sugar mills. This is important especially because the loans will be exclusively utilized to clear cane price of farmers only."*

Clarification: The guidelines in para 2 (iii) are in accordance with the CCEA approval. The Scheme envisages repayment of proposed loan over 5 years' horizon i.e. moratorium of 2 years and repayment of 3 years and therefore, in view of the extant guidelines of RBI, all the lending banks will have to satisfy themselves with the sugar mill's capacity to service the debt as per the individual bank's loan policy.

In this regard, the total outstanding loan to sugar industry as on 31st December, 2013 is Rs.28463 Crore. It is important that banks take all necessary steps as required by RBI to ensure prudent lending. There is no question of bank's denying loan to sugar mills provided such units satisfy necessary conditions as laid down by the RBI and as per the individual bank's lending policy.

- ii. *"Para 3 (i) may be amended to exclude the requirement of other assets of promoters as security for the loan and instead residual charge (as allowed in December, 2007), may be considered and inserted in the guidelines."*

Clarification: The loans proposed to be sanctioned to the sugar mills will be as a working capital loan and, therefore, banks would need to maintain a security cover as per the sanctioned terms and loan policies. The units can not shy away by trying to segregate their operations under this proposed scheme from their regular functioning as one will have an overbearing impact on the other.

- iii. *"The period for creation of charge as provided in para 3 (iv) may be considered for increase from three months to six months."*

Clarification: The period for creation of charge as provided in para 3(iv) can be increased from three to six months and will be considered by individual banks based on a case to case basis. This is acceptable.

- iv. *"It may please be clarified under para 2 (v) that the loan would be sanctioned and disbursed by the working capital banker and if there is a consortium of bankers, it may be proportionately divided amongst them."*

Clarification: The loan sanction and loan disbursement in cases of a consortium shall be guided by the extant guidelines of RBI in this regard.


(Jitendar Kumar Mehan)
Under Secretary to the Govt. of India
Tel: 011-23748762

Copy for information and further necessary action to :

- i) Joint Secretary(SP.II), DFPD, New Delhi.
- ii) Chairperson, SBI-Nodal Bank