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**MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION  
(Department of Food and Public Distribution)**

**NOTIFICATION**

**New Delhi, the 2<sup>nd</sup> March, 2019**

**No. 1(4)/2019-S.P.-I.**—The Central Government, with a view to facilitate payment of cane dues of the farmers for the current sugar season 2018-19 hereby notifies the scheme for extending soft loan to sugar mills as under:

**1. Purpose of loan:** The loan is to be used for payment of cane price arrears of farmers for the sugar season 2018-19 relating to the Fair and Remunerative Price (FRP) of sugarcane fixed by the Central Government for that sugar season.

**2. Modalities and Extent of loan:**

- (i) The banks will provide, after due diligence, soft loan to sugar mills to facilitate payment of cane dues of farmers for the current sugar season 2018-19 equivalent to 85% of stock value of 40 Lakh MT @ Rs. 31000/- per MT. The maximum loan that can be advanced under the scheme shall be about Rs.10540 crore.
- (ii) The Bank will consider the loan application of only those sugar mills which would have cleared at least 25% of the cane price payable for current sugar season 2018 –19 calculated on the basis of FRP as on 28.02.2019.
- (iii) The lending will be subject to all relevant banking norms including restructuring guidelines as notified by RBI for the sugar industry from time to time. The loans will be backed by security and collateral of the sugar mill availing the loan including personal guarantees and other assets of promoters which are free from encumbrances to be decided by the individual banks.
- (iv) The NPA units are also covered under the scheme provided the State Government concerned gives guarantee for their new loans.
- (v) The mill-wise quantum of soft loan shall be determined by taking into account 10.55 % of their reported production of white sugar in sugar season 2017-18 and this loan will be available to those mills which have undertaken sugar production in the sugar seasons 2017-18 and 2018-19.
- (vi) The sugar mills shall furnish to the banks a certificate from respective sugar/cane commissioner relating to the quantity of white sugar

production during sugar season 2017-18 and certifying that the mill has undertaken sugar production in the sugar seasons 2017-18 and 2018-19.

- (vii) The sugar mills shall also furnish to the banks a certificate from respective sugar/cane commissioner indicating that the mill has cleared at least 25% of the cane price payable on the basis of FRP for current sugar season 2018-19 as on 28. 02.2019.
- (viii) Once the loan is sanctioned and necessary formalities for disbursement are completed, the Bank will obtain from the respective sugar mill the list of farmers along with bank account details, borrowable account numbers of farmers who have availed credit facility from the banking system, and regular saving bank or current account numbers in respect of farmers who have not availed any credit facility, and the extent of cane dues to be paid computed on the basis of FRP and shall directly remit the funds allocated into the accounts of farmers on behalf of the sugar mill.
- (ix) The loan amount available to a sugar mill shall be apportioned on a pro-rata basis in accordance with outstanding arrears of the farmers whose dues are pending with the mill.
- (x) All loans which are sanctioned and disbursed by 31<sup>st</sup> May, 2019 by the lending banks, pursuant to this notification, would be covered under the interest subvention scheme.
- (xi) The Department of Financial Services (DFS) will issue suitable instructions to the banks to operationalise the scheme including appointment of a nodal bank.

**3. Extent of Interest Subvention:**

- (i) The Government will bear interest burden by way of interest subvention @ 7% simple interest or actual rate of interest charged by the bank, whichever is less for maximum of one year from the date of disbursement of the loan. Thereafter, sugar mills will be responsible for repaying the loan advanced by the banks under this scheme along with the interest amount.
- (ii) If a sugar mill fails to submit the utilization certificate, the benefit of interest subvention will not be available as long as the utilisation certificate is not submitted by the mill.
- (iii) Pre-payment during the period of one year commencing from 1st June, 2019, will be considered to be decided by the bank and the interest subvention liability of DFPD towards loan account would accordingly get reduced.



**4. Modalities of payment of interest subvention amount by Central Government:**

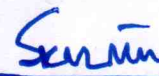
- (i) The Department of Food and Public Distribution (DFPD) will release the interest subvention amount on quarterly basis in advance to the nodal bank as appointed by DFS.
- (ii) The amount shall be released as advance subject to furnishing of disbursement particulars as well as interest earned by the bank on the amount released in the previous quarter. The interest earned on the subvention advance shall be adjusted in the quarterly instalments from 2nd quarter onwards.
- (iii) Funds released by DFPD in advance towards interest subvention shall be parked in interest bearing accounts so that interest is accrued on this amount for the entire period commencing from the date of its release and till it is credited into the account of the respective sugar mills.
- (iv) The expenditure on interest subvention would be entirely met from Consolidated Fund of India (CFI).

**5. Utilization certificate:**

The sugar mill concerned shall submit utilization certificate duly counter-signed by the respective sugar/cane commissioner certifying that the loan amount has been utilized for the purpose specified in the scheme. The State sugar/ cane commissioner shall also monitor the utilization of the loan.

6. Where the Central Government is of the opinion that it is necessary or expedient to do so, it may, relax / modify any of the provisions of this Scheme.

**F.No. 1(4)/2019-SP-I**



**Suresh Kumar Vashishth, Jt. Secy.**

