The Cabinet Secretariat in January, 2011 had called for details regarding discretionary powers of the Ministers and senior level officers in the Ministries/Departments, in response to which Sugar Division had informed about discretionary powers exercised at JS(Sugar) level with regard to validity of extension of Administrative Approvals and issue of NOCs for ceding charge in favour of other lenders. DOPT have desired that guidelines already framed/to be framed for exercising these discretionary powers may be furnished within 15 days/3 months. As no guidelines have been laid down as yet and cases are being processed as per norms , it was considered appropriate to formalize the guidelines after deliberation in the Standing Committee of the SDF and approval of the Government thereafter. The guidelines are proposed are as under:

(I) <u>Extension of validity of Administrative Approvals.</u>

SDF is concerned with sanction of loans for various purposes to the sugar factories. The Administrative Approvals are valid for a period of one year from the date of issue during which the sugar factory has to comply with the stipulated conditions and submit requests for disbursement of loans. In case, the loan is to be disbursed in two or more instalments, disbursement request is to be made within six months after utilizing the previous instalment. All cases of extensions, if any, requested by the sugar factories due to any reason are to be considered by the Screening/Sub Committee and the recommendation of the Committee are to be approved by the Secretary (F&PD) who is the chairman of the Standing Committee of SDF before the extension is granted. However, for smooth functioning two extensions of six months each can be granted by JS(Sugar) subject to the following guidelines:

(i) The request for extension should be received within the validity period of Administrative Approval.
(ii) The reason(s) for applying for extension should be justifiable warranting such extension.
(iii) The reason(s) preventing the sugar factories from taking disbursement within the stipulated time limit should normally be beyond the control of the applicant sugar factory.
(iv) The sugar factory should have shown due diligence in pursuing the matter with State Government/Financial Institutions/monitoring agencies etc.

(II) <u>Ceding of charge.</u>

SDF loans are given against security to the satisfaction of the Government which can be in the nature of Bank Guarantee from a scheduled bank or mortgage on all immoveable and moveable properties of the sugar factory on pari passu first charge failing which on the basis of an exclusive second charge. State Government Guarantee is acceptable from cooperative sugar undertakings for cane development loans. The following benchmarks have been prescribed by the Standing Committee of SDF for deciding the nature of security required:

(i) If the FACR (fixed asset coverage ratio) is 1.5 and above, the factory may furnish a security as exclusive second charge on the moveable &

immoveable assets of the factory.

(ii) If the FACR is below 1.5 but is 1.33 or above, the security can be in the form of first charge parri-passu.
(iii) If FACR is still below 1.33, the factory will be required to furnish a Bank Guarantee as the security.

- FACR both of the sugar factory and company as a whole will be considered as on date of creation of charge.
- Higher security than required as per the benchmark is acceptable.

If a loanee sugar factory wants to take any further secured loan from any other lender viz. Financial Institution/Scheduled Bank, NOC is required from the Government. The charge is ceded subject to following guidelines:

(i) All charge subservient to or lower than the charge of SDF on the assets of sugar factory can be ceded.
(ii) Charge equal to or higher than the 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 company as a whole meet the FACR based benchmarks for the charge held by SDF even after taking into account the proposed loan for which the charge is proposed to be ceded.
(iii) Comments/recommendations of the monitoring agencies i.e. NCDC for cooperative sugar factories and IFCI in respect of private sugar mills are obtained.
(iv) 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 also be called for.
(v) SDF does not have any of charge on current assets of a sugar factory and no NOC is considered necessary in such cases.