

# Govt Paves Way For Interest-Free Loans to Sugar Mills

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The government has notified the modalities for the beleaguered sugar industry to avail of interest-free loans to the tune of ₹6,600 crore from banks for payments to cane growers. The Cabinet Committee on Economic Affairs had approved the loans for the cash-starved sugar mills last month.

"The central government, with a view to improve liquidity position of sugar factories for enabling them to clear cane price arrears of previous seasons and timely settlement of cane price of current season, hereby notifies 'the scheme for extending financial assistance to sugar undertakings 2014,' according to the notification issued by the Food Ministry.

The interest burden on the loans is estimated at ₹2,750 crore over the next five years and will be borne by the Centre from the Sugar Development Fund.

"Interest subvention up to 12% or at actual rate charged by the banks, whichever is lower as per normal banking practice, shall be provided to sugar mills through participating scheduled commercial banks, regional rural banks and cooperative banks for five years," the notification said.

The loan will be disbursed through a separate bank account to ensure the utilisation of money is monitored and the government will release interest subvention amounts on a quarterly basis in advance to the nodal bank. Sugar mills should submit

a utilisation certificate, verified by the sugarcane commissioner, stating the loan has been used for the specified purpose, the notification said.

The state sugarcane commissioner should monitor utilisation of the loan.

"Any failure to submit the utilisation certificate shall lead to non-reimbursement of interest subvention by the central government," it said.

Mills have to repay the loans in five years and can avail of a moratorium on repayment for the first two years. According to the notification, loans will be given

to sugar mills that have been functional during the 2013-14 season (October-September) and the quantum of loan would be equivalent to the excise duty, cess and surcharge on

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sugar paid by the mills in the past three years.

Sugar mills with loans classified as non-performing assets by banks will be eligible for credit provided the state governments concerned guarantee their new loans.

Loans that sugar mills have already applied for and that are sanctioned by June 30, 2014, and disbursed by September 30, 2014, by the lending banks, pursuant to the notification, would also be covered under the interest subvention facility.

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