XXIII. "Setting up of New Distillery / Expansion of Existing Distillery for Production of Ethanol Using Sugarcane Juice / Sugar Syrup / B-Heavy Molasses / C-Heavy Molasses / Damaged Food Grains / Surplus Rice with FCI And Other feedstock such as Sorghum / Sugar Beet etc."

Scheme Objective: The main objective of the Scheme is to provide financial assistance for setting up of new Distillery or expansion of existing Distillery for manufacturing of Ethanol, which in turn promote blending of biofuel in petroleum for reduction in pollution levels and addressing the issues of sugar demand – supply chain.

I. Key Considerations:

- **i.** Preferably Project Finance solely available for ethanol production in line with project specific DFPD approval.
- **ii.** Distilleries are required to have a long term agreement (Greater Than IREDA Loan Tenor) to supply 100% of their ethanol production to Oil Marketing Companies (OMCs) for petrol blending.
- **iii.** A minimum internal rating of V is required.

II. Projects Eligible for the Assistance: All the commercially viable First-generation Ethanol Production/manufacturing plants either newly set up Distilleries (or) expansion, (enhancement of capacity) of existing Distilleries using 'Molasses / Sugar Syrup / Cane Juice / Damaged Food Grains / Surplus Rice with FCI' and other feedstock such as Sugar Beet / Sorghum, etc. as Raw Material.

Interest Rate: Interest rate may vary time to time as per IREDA policy. However, an additional rate of interest of 0.10% to be charged on the entire loan amount in case the loan amount exceeds 75% of the project cost.

III. Repayment Period & Moratorium: The repayment period shall be maximum of 10 years (including moratorium up to 12 months from COD) depending on the project cash flows & DSCR of the project and it shall be after the implementation period. In case of consortium/ co-financing, terms and conditions can be aligned with lead FI/Banks/Underwriters/ Syndicators.

IV. Base Case Financial Indicators: The Base case financials shall ensure compliance of following financial indicators: -

- Average DSCR > 1.20
- Minimum annual DSCR > 1.10
- FACR > 1.11 (For Loan Exposure 90% or above) & FACR> 1.17 For Loan Exposure 85% (preferably post-commissioning, once capitalization of fixed assets is completed.
- IRR (Post Tax) > Interest rate of project

V. **Promoter Contribution and Quantum of Loan:**

Quantum of loan from IREDA / Minimum Promoters Contribution shall be linked to eligibility of the Project for availing benefit of Interest Subvention as notified by Govt. of India:

Eligibility for availing Interest Subvention	IREDA Loan Amount (%) of the project cost	Minimum Promoters' Contribution (%)	Total Term Loan (%) of the project cost
For Ethanol Projects along with existing sugar mills			
If the Project is eligible	Upto 90%	10%	90%
If the Project is not eligible	Upto 70%	30%	70%
If the Project is not eligible. However, the project proposes use of 100% biomass and its derivatives in the boiler as fuel and air cooler system in place water cooler system	Upto 75%	25%	75%
For Stand-Alone Ethanol Projects			
If the Project is eligible	Upto 85%	15%	85%
If the Project is not eligible	Upto 70%	30%	70%
If the Project is not eligible. However, the project proposes use of 100% biomass and its derivatives in the boiler as fuel and air cooler system in place water	Upto 75%	25%	75%

In case interest subvention is available

a) Borrower is eligible for loan up to DFPD interest subvention amount available.

However, in case the loan availed is equivalent to interest subvention, then following STANDARD securities shall be applicable:

- First charge/first pari passu charge on Land & Buildings, Plant & Machinery, other Fixed assets. The charge shall be created by way of mortgage of immovable assets/ hypothecation of movable assets, or any other mode accepted/stipulated by IREDA. In case of the project land not mortgageable, assignment of leasehold rights / substitution rights of the project land may be stipulated as security condition.

- Revenue from sale of Ethanol to Oil Marketing Companies through TRA / Escrow Account and provide exclusive/first/first -passu charge on TRA / Escrow account, as applicable. IREDA may allow Working Capital Banker to have charge on current and fixed assets on reciprocal basis, as per the requirements.
- DSRA formation will be regulated as per prevalent DSRA guidelines.

- Submission of ECS/NACH before first disbursement and activation within 45 days of first disbursement for interest and principal repayments.
- Pledge of shares (minimum 51%) of the applicant company in case of new companies/SPVs. Apart from the above, following additional securities, may be considered for inclusion to the satisfaction of IREDA:

a) BG/FDR for not less than 10% of loan amount lien marked to IREDA$

b) Collateral security equivalent to 10% of the loan amount mortgaged to IREDA$

c) Combined BG/FDR/Collateral security (as above) equivalent to 10% of the loan amount$

d) Corporate Guarantees of promoters till the entire loan tenure

e) Personal Guarantees of promoters till the entire loan tenure

f) Any other security feasible like cross charges from other IREDA funded projects, charges on non-IREDA funded/debt free projects etc.

In case of collateral security, valuation from bank empaneled valuers is to be provided before signing of loan agreement.

a) For loan applications where loan amount requested is more than the DFPD interest subvention amount. The following scenarios shall apply:

Interest Subvention amount (in terms of % of project cost)	IREDA Loan Amount (% of the project cost)	Minimum Promoters' Contribution (% of project cost)
For Ethanol Projects along with existing sugar mills		
Upto 50%	Upto 75%	25%
More than 50% and upto 75%	Upto 85%	15%
More than 75%	Upto 90%*	10%
For Stand-Alone Ethanol Projects		
Upto 50%	Upto 70%	30%
More than 50%	Upto 85%*	15%

*However, loans upto 95% may be provided in case of projects with existing sugar mills and 90% in case of standalone projects subject to enhanced securities provided below.

For loans exceeding 75% of the project cost, the project Average DSCR>1.25

VI. **Securities**: – As per IREDA norms.

VII. **General Conditions:**

- Letter of Intent (LOI) for supply of raw material shall be a sanction Condition. Firm raw material contracts (to contain at least clause related to liquidated damage/penalty clause for non-supply of feedstock adequately covering IREDA term loan repayment) for a tenure more than IREDA's loan tenure including moratorium period (door to door) shall be a pre- disbursement condition for stand-alone and dual feed (including sugar) based distilleries
- The borrower shall provide all information and documents reasonably required in connection with the procurement, of any goods, services and works to be financed by IREDA, as per the established commercial practices.
- The subsidy/grant, if any given by the Central Government/ State Governments shall be adjusted against loan sanctioned by IREDA.
- The interest subvention/interest subsidy, if any given by State/Central Govt., will be passed on to the project after adjustment against overdue of IREDA/ Consortium Lenders.
- The Company/Borrower shall bring-in minimum 75% promoters' contribution upfront, as per approved means of finance, before the release of first disbursement.
- The Company/Borrower shall submit Techno-Economic Valuation (TEV) Study Report by empanelled organization with any Bank, along with the loan application.
- The borrower shall provide a copy of signed Long Term purchase agreement with OMCs (IOCL/BPCL/HPCL etc.) to IREDA before release of first disbursement.
- The Company shall ensure that the FACR shall not fall below '1.0' at any point of time and minimum DSCR shall not fall below 1.10 during the currency of IREDA loan.
- Revenue from the by products such as Distiller's dried grains with solubles (DDGS) etc. may also be considered as part of the cash flow calculations during the appraisals subject to Borrower submitting agreement for sale of DDGS for IREDA loan tenor. However, annual and average DSCR of at-least 1.0 and 1.10 respectively, be maintained for loan tenure without considering revenue from uncontracted by-products.
- Working Capital tie up to the satisfaction of IREDA be obtained before final disbursement.
- In projects, wherein borrower is a standalone SPV not having associated Sugar mill and ethanol is proposed to be manufactured from molasses/sugar syrup-based projects/damaged food grains etc., agreement(s) pertaining to supply of raw material for entire raw material requirement to be provided for tenor more than IREDA loan tenor.
- Base case calculations to not include interest subvention amount.
- Other terms and conditions shall be as per prevailing Financing Norms / Guidelines of IREDA