

Sugar Industry, Co-generation and Distillery Promotion Policy, 2013

Introduction:

Spread over an area of 2.43 lakh sq. km. and with a population aggregating 20 crore, Uttar Pradesh is one of the largest and most populous state of the country. It is also the principal sugarcane producer in the country in which sugarcane cultivation and sugar industry is the single largest contributor to the economy and industrial development of the state. With a predominantly rural economy, which is now becoming increasingly surplus, the state is also a major consumer market. Sugarcane being the major cash crop, it is an important source of livelihood and income for the farmers. Numerous industries based on sugar and its bye products provide opportunities of livelihood to a large multitude of people in the state. Out of India's total sugarcane area of 49.44 lakh hectares, Uttar Pradesh accounts for more than 21.25 lakh hectares (about 43 percent). The state's sugarcane productivity as well as sugar production is less than the national average. The average sugarcane productivity in the state was 59.34 tons per hectare in 2011-12. Several schemes launched by the Sugarcane Development Department of the State are under implementation to augment the average yield of sugarcane. This is expected to increase to 70 tons per hectare. During the season 2011-12, there were 124 operating sugar mills in the state (Cooperative Sector 23+Private Sector 101). The total crushing capacity of these sugar mills is 7.67 lakh T.C.D. During the season 2011-12, the sugar mills crushed 767.35 lakh tons of sugarcane to produce 69.58 lakh tons of sugar.

Need For New Sugar Mills

At present, most of the sugar cane-producing districts in the state have sufficient number of sugar mills, which ensure that the sugarcane produced is adequately procured. However, there is a need of sugar mills in some of the districts. In eastern Uttar Pradesh and some other areas for example, a number of mills have shut down or have low and uneconomic crushing capacities. Even though there exists excellent potential for sugarcane cultivation, farmers have been discouraged from sugarcane cultivation due to absence of sugar mills. On account of the above and other factors, the districts where there is a strong potential for setting up of new mills have been identified. There are: (1) Deoria, (2) Mau, (3) Azamgarh, (4) Jaunpur, (5) Amethi, (6) Rae Bareli, (7) Budaun, (8) Ghazipur, (9) Ballia, (10) Gorakhpur, (11) Siddhrathnagar, (12) Etah, (13) Etawah, (14) Kannauj, (15) Mainpuri,

(16) Farrukhabad, (17) Firozabad, (18) Banda, (19) Chitrakoot, (20) Hamirpur, (21) Mahoba, (22) Jhansi, (23) Jalaun and (24) Lalitpur.

The establishment of new sugar mills in these districts will provide green field areas for the new mills with sufficient cane areas as well as benefit to large number of farmers with the creation of growth centres in the hinterland. Apart from these districts, if a new sugar mill to be established under the policy in any other district prior permission of the State Government would be necessary.

The drawal of sugarcane by the sugar mills in the state is 57 percent i.e., 57 percent of the total sugarcane production goes to the mills, while the balance is being utilized by other traditional small scale industries like crushers, kolhus etc. In the last 6 years, the drawal has gone up from 47 percent to 57 percent, mainly because the farmers now prefer to sell sugarcane to the new sugar mills that have been set up on account of higher rates of sugarcane and prompt payment by sugar mills. The drawal by sugar mills is likely to go up to 70 percent, which would result in greater availability of sugarcane to the sugar mills.

The annual consumption of sugar in the country is 22 million tons as against production of 25 million tons. In the present scenario, the production of sugar in the country exceeds the domestic demand. However, with the rising trend of consumption, it is likely that availability of sugar against demand in the domestic market would become substantially constrained. In view of this, the establishment of new mills in the state is necessary and required. Sugar mills have adopted programmes in their respective areas for the development of sugarcane cultivation and establishment of new sugar mills will accelerate the progress of various sugar cane development schemes in the state.

A large percentage of sugarcane is consumed by the gur and khandsari industries in the state. If new sugar mills came up in the state, there would be no adverse impact on the gur and khandsari industries because the increased productivity of sugarcane resulting from various development programmes would be sufficient to meet the requirement of new sugar mills also.

Need for Co-generation Units

The installed capacity of power generation by the sugar mills in the country is 3,090 MW, out of which the installed capacity of the 58 sugar mills (with installed co-gen. units) in the state is 1,254 MW. Nearly 800 MW of electricity is being supplied to the state electricity grid by these co-generation units. By the setting up of

new co-generation plants in the existing sugar mills, an additional 750 MW of power could be generated. In view of the pressing need for energy in the state, it is imperative to establish these co-generation plants for 750 MW of additional electricity. Besides, co-generation plants in sugar mills add to the overall profitability of the mills.

Need for Distilleries

There are 61 distilleries in the state with a total capacity of 135.06 crore litres per year. The sugarcane productivity in the state which is at present 59.34 tons per hectare is expected to increase to 70 tons per hectare. There will also be an increase in the recovery of sugar. Consequently, the production of molasses will register a sharp rise. With a higher production of molasses, there would be a great potential for setting up of new distilleries. Production of ethanol and alcohol would not only improve the profitability of sugar mills, but also strengthen the programme of ethanol blending with petrol.

At present, an amount of more than Rupees 18,000 crores flows into the rural economy in the form of payments for sugarcane. The establishment of new sugar mills will further enhance the cash flow and improve the economic condition of the farmers. The government is committed to strengthen the rural economy. This can only be done by strengthening the sugar industry so that they serve adequately the interest of the farmers in terms of payment of cane price and development of the area concerned.

The new Sugar Industry, Co-generation and Distillery Promotion Policy 2013 is being launched to attract private capital for setting up of new sugar mills, co-generation plants and distilleries in the state.

Concessions and Exemptions under the Policy

As per the new policy, in the event of establishment of new sugar mills, expansion of the capacity of existing sugar mills, setting up of co-generation plants and distilleries, the unit/company will be allowed the following exemptions and concessions for a maximum period of five years :-

1- On establishing a new sugar mill

- i. Re-imburement at the rate of five percent on the interest payable on the loans obtained from banks/ financial institutions/SDF on account of plant and machinery.

- ii. Exemption from purchase tax on sugarcane.
- iii. Exemption from reservation of molasses for country liquor.
- iv. From the date of the first sale of molasses, an amount equivalent to the VAT deposited over five years along with the Central Sales Tax or 10 percent of the annual sales revenue whichever is less will be provided as interest-free loan payable after five years from the date of distribution of the loan.
- v. Exemption from administrative charge on molasses.
- vi. Exemption from stamp duty and land registration fee.
- vii. Re-imburement of society commission to the extent of 75 percent.

2- On installing Co-generation plant in an existing Sugar Mill

- i. Re-imburement at the rate of five percent on the interest payable on the loans obtained from banks/financial institutions/SDF on account of plant and machinery.
- ii. Exemption from stamp duty and land registration fee if additional land is purchased for installing co-generation equipment.

3- On setting up a Distillery in an existing Sugar Mill

- i. Re-imburement at the rate of five percent on the interest payable on the loans obtained from banks/financial institutions/SDF on account of plant and machinery.
- ii. From the date of the first purchase of molasses, an amount equivalent to the VAT paid on molasses over five years along with the Central Sales Tax or 10 percent of the annual purchase amount, whichever is less, will be provided as interest-free loan payable after five years from the date of disbursement of the loan.
- iii. Exemption from administrative charge on molasses.
- iv. Exemption from stamp duty and land registration fee if additional land is purchased for setting up a distillery.

4- On setting up of a Distillery and Co-Generation unit in an existing Sugar Mill

- i. Re-imburement at the rate of five percent on the interest payable on the loans obtained from banks/financial institutions/SDF on account of plant and machinery.
- ii. From the date of the first purchase of molasses, an amount equivalent to the VAT paid over five years along with the Central Sales Tax or 10 percent of the

annual purchase amount, whichever is less, will be provided as interest-free loan payable after five years from the date of disbursement of the loan.

- iii. Exemption from administrative charge on molasses.
- iv. Exemption from stamp duty and land registration fee if additional land is purchased for setting up the distillery and/or co-generation unit.

5- On capacity-expansion of an existing Sugar Mill

- i. Re-imburement at the rate of five percent on the interest payable on the loans obtained from banks/financial institutions/SDF on account of plant and machinery.
- ii. Exemption from cane-purchase tax on expanded capacity.
- iii. From the date of the first sale of molasses, on account of capacity- expansion, an amount equivalent to the VAT deposited over five years along with the Central Sales Tax or 10 percent of the annual sale revenue of expanded capacity, whichever is less, will be provided as interest-free loan payable after five years from the date of distribution of the loan.
- iv. Exemption from administrative charge on molasses on the expanded capacity.
- v. Exemption from stamp duty and land registration fee if additional land is purchased for capacity expansion.
- viii. Re-imburement of society commission on expanded capacity to the extent of 75 percent.

6- On capacity expansion of an existing Co-Generation unit

- i. Re-imburement of five percent interest, payable on the loans obtained from banks/financial institutions/SDF on account of plant and machinery.
- ii. Exemption from stamp duty and land registration fee if additional land is purchased for capacity- expansion of the co-generation unit.

7- On capacity expansion of an existing Distillery in Sugar Mill

- i. Re-imburement at the rate of five percent on the interest, payable on the loans obtained from banks/financial institutions/SDF on account of plant and machinery.
- ii. From the date of the first purchase of additional molasses, on account of capacity-expansion of the distillery, an amount equivalent to the additional VAT paid/deposited over five years along with the Central Sales Tax or 10 percent of the additional annual purchase amount, whichever is less, will be

provided as interest-free loan payable after five years from the date of disbursement of the loan.

- iii. Exemption from administrative charge on the additional consumption of molasses due to capacity expansion.
- iv. Exemption from stamp duty and land registration fee if additional land is purchased on account of capacity expansion of the distillery.

8- On capacity-expansion of existing Distillery and Co-Generation units in Sugar Mill

- i. Re-imburement at the rate of five percent on the interest payable on the loans obtained from banks/financial institutions/SDF on account of plant and machinery.
- ii. From the date of the first purchase of additional molasses, on account of capacity- expansion of the distillery, an amount equivalent to the additional VAT paid over five years along with the Central Sales Tax or 10 percent of the annual purchase amount, whichever is less, will be provided as interest-free loan payable after five years from the date of disbursement of the loan.
- iii. Exemption from administrative charge on the additional consumption of molasses on the expanded capacity.
- iv. Exemption from stamp duty and land registration fee if additional land is purchased for the purpose of capacity expansion of distillery and co-generation units.

9- On establishing a new Sugar Mill, Distillery and Co-Generation unit

- i. Re-imburement at the rate of five percent on the interest payable on the loans obtained from banks/financial institutions/SDF on account of plant and machinery.
- ii. Exemption from purchase tax on sugarcane.
- iii. Exemption from reservation of molasses for country liquor.
- iv. From the date of the first purchase/sale of molasses, an amount equivalent to the VAT paid/deposited over five years along with the Central Sales Tax or 10 percent of the annual purchase/sale revenue, whichever is less, will be provided as interest-free loan payable after five years from the date of disbursement of the loan.
- v. Exemption from administrative charge on molasses.
- vi. Exemption from stamp duty and land registration fee.
- ix. Re-imburement of society commission to the extent of 75 percent.

The above mentioned concessions and exemptions will be subject to the following conditions:-

- i.** While new sugar mills shall be established in the districts as identified above, Co-generation plants and Distilleries may be set up in already existing units.
- ii.** For establishing a sugar mill, commercial production must commence in the unit/company concerned within three years of the announcement of the Promotion Policy. In the event of setting up of a co-generation unit or distillery or both, commercial production shall be started by the unit/company within two years of the commencement of the Policy.
- iii.** Re-imburement of amount paid as interest on the loan obtained from SDF on account of plant and machinery shall not exceed the amount of interest payable to SDF.
- iv.** To determine the level of capacity expansion, the maximum production recorded in any single year during the last five years or 80 percent of the installed capacity whichever is higher will be treated as production base. Any expansion above this base only will be regarded as capacity expansion.
- v.** The company/unit must have made full and timely payment of the cane price of sugarcane to the farmers.
- vi.** Concessions and exemptions granted over a period of five years shall not exceed the value of Rs. 75 crore per unit.

Concessions and exemptions obtained by a company/unit by providing wrong information/documents shall be recoverable as arrears of land revenue.