

Scheme Guidelines

for the

Scheme of Setting up of Plastic Park

(November-2020)

SCHEME FOR SETTING UP OF PLASTIC PARKS

I. Preamble

The share of India in world trade of plastics is very low. The Indian Plastics industry is large but highly fragmented with dominance of tiny, small and medium units and thus lacks the capacity to tap this opportunity. Department of Chemicals & Petrochemicals has formulated this scheme with a view to synergize and consolidate the capacities through cluster development of Petrochemicals industry in the country.

II. Objective

The Scheme has the following objectives:

1. Increase the competitiveness, polymer absorption capacity and value addition in the domestic downstream plastic processing industry through adaptation of modern, research and development led measures.
2. Increase investments in the sector through additions in capacity and production, creating quality infrastructure and other facilitation to ensure value addition and increase in exports.
3. Achieve environmentally sustainable growth through innovative methods of waste management, recycling, etc.
4. Adopt a cluster development approach to achieve the above objectives owing to its benefits arising due to optimization of resources and economies of scale.

III. Scope

1. The scheme supports setting up of a need based “Plastic Parks’ an ecosystem with requisite state-of-the-art infrastructure and enabling common facilities to assist the sector move up the value chain and contribute to the economy more effectively. The scheme will be demand driven.
2. The grant shall be by way of one time grant –in – aid to the Special Purpose Vehicle (SPV) formed by the State Government or any of its agencies such as State Industrial Development Corporation (SIDC) in association with user enterprises representing the plastic sector / sub sector and shall support the following components in a typical plastic parks:

- a. Infrastructure, to support production units, like roads, water supply, drainage, electricity supply including captive power plant, effluent treatment plant, telecommunication lines, solid / hazardous waste management, incinerator, etc.
 - b. Buildings for support services like administrative buildings, crèche / canteen / hostel/ rest and recreation facilities, facilities for labour, marketing support system, etc.
 - c. Buildings and equipment / machinery for common facilities for characterization, prototyping & virtualization, non-destructive material testing, incubation, training, warehousing, plastic recycling, tooling, designing, Research & Development, etc.
 - d. Administrative and other management support including the salary of CEO for the project implementation period.
 - e. Assistance for engaging engineers/ architects / construction management / other experts.
 - f. Besides the above mentioned components aimed at creation of infrastructural facilities, the scheme shall also support initiatives which are soft in nature to ensure that the capacity of the beneficiary SPV and member enterprises is suitably strengthened in order to absorb, implement and sustain the proposed initiatives. These illustratively could include surveys / studies, sensitization / awareness generation, skill development / training at various levels, exposure visits, etc.
3. The above list of common facilities is illustrative and each park could have its own specific requirements based on the nature of units being set up and the products proposed to be manufactured in the parks. The Scheme Steering Committee (SSC) shall approve the project components and funding thereof depending upon the merits of the proposal.
 4. The project cost, for the purpose of this scheme, includes the cost of the above items but exclude the cost of land, subject to the condition that it shall be the responsibility of the SPV to bring in land as its contribution. In addition, plant & machinery for production purposes shall be the responsibility of the SPV / member units and shall not be funded out of the scheme.
 5. The ownership of the above components including individual production units, being funded out of the grant under the Scheme should rest with the SPV.
 6. The scope of the Grant in-aid shall only be for the development of common infrastructure facilities to be held with the SPV and shall not be available to production units, if any, owned by the SPV.

IV. Funding Pattern

Government of India would provide grant funding up to 50% of the project cost subject to a ceiling of Rs. 40 crore per project. The remaining contribution in the SPV will be from the State Government or State Industrial Development Corporation or similar agencies of State Government, beneficiary industries and loan from financial Institutions. *The equity contribution of the State Government or State Industrial Development Corporation or*

similar agencies of the State Government shall be at least 26% of the cash equity of the SPV(excluding value of any land given as equity).

*In the event of user enterprises/beneficiary industries/ private developers/JV partners not bringing in the required equity contribution within a period of one year from the date of final approval of the project, the deficit of cash equity (excluding value of land given as equity) shall be financed by the State Government or State Industrial Development Corporation or similar agencies of the State Government. Cost escalation due to any reason has to be borne by the State Government or its agency. **Interest earned on central grant by the SPV would be treated as a part of the central grant.***

V. Financial assistance

1. Each of the projects proposed to be implemented by a Special Purpose Vehicle (SPV) shall be eligible for grant funding under the scheme up to 50 % of the project cost (as mentioned in the previous section) not exceeding Rs 40.00 Crore per project subject to the following:
 - a. A minimum of 25 per cent of the Grant-in-aid should be earmarked for common enabling facilities dedicated to plastic processing industry like characterization, prototyping & virtualization, non-destructive material testing, incubation, training, warehousing, plastic recycling, tooling design, Research & development, etc.
 - b. Assistance for Administrative and other management support of SPV including the salary of CEO for the project implementation period shall not exceed 5 % of Grant-in-aid of the overall project cost.
 - c. Assistance for engaging engineers / architects / construction management / other experts for execution of civil works shall not exceed 5 % of Grant-in-aid of the overall project cost.
- Assistance for soft initiatives [as explained at pt. no (f) in the section above and as approved by SSC] shall be over and above the grant provision for infrastructure components and shall be restricted to 75 % of the cost of soft interventions not exceeding Rs 50 lakhs per project. This amount may be met from within the total grant to be given for each project.
- SPVs may dovetail funds from other sources as well for the project, provided there is no duplication of funding for the same component / intervention.
- The soft initiatives shall be funded during the project implementation phase. Subsequently, it will be the responsibility of the SPV to undertake such initiatives on its own.

VI. Implementation Framework

1. Department of Chemicals and Petrochemicals will call for preliminary proposals from State Governments interested in setting up of Plastic parks. The State Government or its agency such as State Industrial Development Corporation or any equivalent state entity as identified and recommended by the respective State Government, shall submit the preliminary proposals covering the following:
 - a. Proposed location of the park.
 - b. Background of the State agency and their financial strength.
 - c. Conceptual background of the project.
 - d. Proposed product mix.
 - e. Broad cost estimates and proposed means of finance.
 - f. Participation of the State Government or its agencies / undertaking with equity stake in the proposed SPV in addition to facilitation in terms of getting necessary assistance for external / access infrastructure.
 - g. Investment in infrastructure (project cost minus cost of land) per acre of proposed Plastic park.
 - h. Total project cost in terms of number of times of grant-in-aid of Government of India.
 - i. Readiness for project execution.
2.
 2. Based on the merits of the preliminary proposals as per the above mentioned parameters and commitment of the State Government, SSC shall accord “in-principle” approval to the project. Projects proposing to enter manufacturing of **medium-high end** products shall be given preference.
3. Upon getting the ‘in-principle’ approval, the applicant shall prepare a Detailed Project Report (DPR) and submit it to the Department. Final approval shall be accorded by the SSC based on the appraisal and recommendations of the DPR by the Programme Manager (PM) subject to the applicant complying with the following criteria:
 - a. Establishment of SPV.
 - b. Land in possession of SPV. Land should be procured and registered / transferred in the name of SPV.

- c. Quality of infrastructure, gauged by investment proposed in infrastructure (project cost minus cost of land) per acre of proposed in plastic park.
- d. Total Project cost in terms of **number of times of grant-in-aid** from the Government.
- e. Commitment of the State Government or its agency to bear the remaining project cost as detailed in para IV 'Funding Pattern'.
- f. Execution of share subscription agreements between the SPV and its members. Equity participation by the State Government or its agency is mandatory. Establishment of Escrow / Trust and Retention Account in Schedule A Bank.
- g. Willingness of the financial institution to lend to the project in case external funding is envisaged. A copy of the final sanction letter should be provided.
- h. Mobilization of at least 20 % of equity contribution of the members including the cost of land by the SPV.

4. The "in-principle" approval accorded by the SSC shall be valid for a period of six months, within which the SPV has to comply with the conditions and apply for final approval, failing which "in-principle" approval shall lapse, unless a specific extensions is granted by the SSC against a specific request by the SPV justifying the extension.

5. The DPR should have detailed plan to achieve the target of establishing of Plastic Park along with populate it with operational units by defining milestones - 20%, 40%, 60%, 80% and 100% physical progress etc.

VII. Scheme Steering Committee (SSC)

- a. The Department of Chemicals and Petrochemicals will be the coordinating Department providing overall policy, coordination and management support to the scheme.
- b. A Scheme Steering Committee (SSC) will be constituted under the Chairmanship of Secretary (Chemicals and Petrochemicals).
- c. The SSC may induct representatives of the industry associations, R & D institutions and other expert/ technical agencies as members or special invitees.

VIII. Special Purpose Vehicle (SPV)

- a. Assistance under the scheme will be available to a Special Purpose Vehicle established for the purpose of setting up a Plastic park.

- b. The SPV should be a distinct legal entity formed by the State Government or its agency such as State Industrial Development Corporation or any equivalent state entity as identified and recommended by the respective State Government in association with user enterprises representing the plastic sector / sub sector. The SPV will ordinarily be a Company registered under Companies Act 1956. Any other structure will be subject to the approval by SSC.
- c. The SPV as the implementing agency under the Scheme shall perform the following functions:
 - i. Preparation of the DPR with complete technical and financial details
 - ii. Procure land for the project.
 - iii. Achieve financial closure for the project including equity and debt; arrange additional funds, if required, to meet time and cost overruns.
 - iv. After developing the infrastructure, SPV would allocate sites to industry for setting up units on sale as well as on long term lease basis (as per State Govt. policy). Units should have option to get the site either on **purchase or lease / rent basis**.
 - v. Own and maintain the assets created under the Scheme.
 - vi. Levy and collect service / user charges from the member enterprises for the facilities created. It has to be so structured as to be self-sustaining with a positive revenue stream.
 - vii. Appoint Business Development Service (BDS) provider / contractors/ consultants for technical / financial / managerial functions.
 - viii. Get all statutory approval and clearances including environmental from Government / other bodies.
 - ix. Furnish requisite information / filling regular progress reports to the Department / other institutions.
 - x. Utilize GOI grant only for the components mentioned in the sanction letter; any deviation would require prior approval of Government of India in writing.
 - xi. *SPV shall complete the setting up of the Plastic Park in a period of **five** years from the date of final approval.*

IX. Programme Manager (PM)

- a. Department shall avail of the service of a professional agency/Autonomous Body/PSU of DCPC with appropriate expertise and competence to assist in effective implementation of the Scheme. This agency, termed as Programme Manager (PM), shall perform the following functions: Assisting the Department in:

Devising operational guidelines for the Scheme roll out.

- Sensitization of the industry/ potential beneficiaries on the scheme and its benefits through workshops/ road shows/ campaigns.
 - Formulating evaluation criteria for selection of Projects based on expression of Interest/ Preliminary Proposal and evaluating the received proposals.
 - Appraisal of the DPRs indicating financial viability, commercial sustainability and socio-economic impact for according final approval to the projects.
 - The Programme Manager will visit the site at least once in a quarter and will submit quarterly report to DCPC in a prescribed format duly signed by him and SPV for monitoring of project and release of fund.
 - Programme Manager, on behalf of DCPC will show-case all Plastic Parks in the events organized by plastic industry associations.
 - Release of grant to the SPVs based on achievement of milestones along with time lines as approved by SSC.
- ii. Programme Manager's association with the Special Purpose Vehicle (SPV), in terms of handholding and contributing for making the contract effective and enforceable, will be such, so as to ensure that there will be no conflict of interest.
 - b. The fee payable to the PM for the said period of handholding shall be separate from the grant being given to the projects.

X. Role of the State Government

Promotion of the industrial infrastructure is normally done by the State Government, industry being the State subject. Accordingly, the State Government is envisaged to play a proactive role in the following areas:

- a. State Government shall nominate and recommend the state agency such as State Industrial Development Corporation (SIDC) for execution of the project.

- b. State Government or its agency shall share the project cost in setting up of the Plastic Park in the State by the SPV as indicated in para IV 'Funding Pattern'.
- c. Mandatory equity participation in SPV by State Government or its agency.
- d. Providing the necessary assistance for external/ access infrastructure as roads, Power, Water supply etc.
- e. Providing requisite land to the project, wherever needed, in appropriate mode
- f. Providing necessary project related clearances on expeditious basis.
- g. Providing flexible and conducive labour environment and consider special facilities like exemption of stamp duty etc. for the SPV/ units.
- h. Extending the benefits of other related schemes to the SPV/ member enterprises for increasing viability of the projects.

XI. Release of Funds

- a. 20% as mobilization advance, on Final Approval of the project, achieving the financial closure and getting the bank guarantee as decided by the SSC.
 - b. 35% as 2nd installment
 - c. 35% 3rd installment
 - d. 10% as final installment
1. The release of Grant-in-aid will be subject to the identification of milestones and time limits for each milestone to be decided by the SSC.
 2. The following schedules shall be adopted for release of Grant-in-aid to the SPV:
 3. Second installment would be released after the utilization of at least 60% of the 1st installment and after the proportionate expenditure has been incurred by the SPV.
 4. Third installment would be released after the utilization of at least 100% of the 1st and 60% of the 2nd installments and after the proportionate expenditure has been incurred in each case by the SPV and at least minimum 25% plots are allotted.
 5. Final installment would be released after the SPV has mobilized and spent its entire share in proportion to the Grant and after 50% of the units in the park have become operational.
 6. The central Grant-in-aid installments may be released only on production of audited accounts and UC's, in the prescribed formats and in original.

7. The terms and conditions as envisaged in the GFRs 2017 as amended from time to time and other rules and regulations applicable to such Grant-in-aids shall be invariably indicated in the Sanction Orders releasing the Grant-in-aid and complied with by the SPV/authorities concerned.

xii. Brownfield Projects/ Plastic Recycling Cluster etc

- a. Brownfield projects, wherein the infrastructure has already been developed to some extent and has greater chance of attracting projects would also be considered under the scheme. However, only the cost of additional infrastructure to be created will form part of the project cost.
- b. Assistance may be extended to existing plastic/ polymer industry clusters in State Government industrial estate for focus interventions such as building and equipment/ machinery for common facilities (characterization, proto typing incubation, ware housing, plastic recycling, tooling, testing, designing, R&D) only.
- c. Such proposal has to be forwarded by the State Government or the SPV running the industrial estates. There should be minimum 50 units dealing with plastics. The details of the same would be worked out in detail in consultation with industry association and CIPET.
- d. The plug-in & play model should be explored and the financial projections for this model and the governance structure for the same needs to be worked out in detail in consultation with industry associations.
- e. A cluster where Plastic recycling units are operational, may also be considered for this scheme and proportionate grant may be provided for creation of suitable common facilities centres provided the State Govt applies for it following all formalities. However only additional infrastructure cost will form the part of the project cost.

O&M of Assets

1. SPV should be responsible for O&M of assets created under the scheme by way of collecting user charges from the members/ user
2. SPV should ensure that the services of the Common Facility Centres (CFCs) created under the scheme are extended to the cluster in general, in addition to the member enterprises
3. The assets acquired/ created wholly or substantially out of Government grant except those declared as obsolete and unserviceable or condemned as the procedure laid down in

General Financial Rules (GFR) shall not be disposed of without prior approval of the sanctioning authority.

Recall of the Central grant

The Scheme Steering Committee retains the right to recall the Central grant along with applicable penal interest in case of unsatisfactory use of the grant including compromise with the quality envisaged, or partial / incomplete implementation of the project.
