

SCHEME FOR SETTING UP OF PLASTIC PARKS

Preamble

The world trade in plastics is likely to reach 140MMT by 2012; however, India, at present, has a very low share of 1.5 %. 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 and Petrochemicals has formulated this scheme with a view to synergise and consolidate the capacities through cluster development. The scheme has the following objectives:

Objective

1. Increase the competitiveness, polymer absorption capacity and value addition in the domestic downstream plastic processing industry through adoption 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.

Scope

1. The scheme supports setting up of a need based ‘Plastic Parks’ 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.
2. The grant shall be by way of one time grant –in – aid to the special purpose vehicle (SPV) formed by cluster entrepreneurs and shall support the following components in a typical plastic park:

- 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 and 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 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 SPV.**

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 the **Grant in –aid**.
 - (c) Assistance for engaging engineers / architects / construction management / other experts for execution of civil works shall not exceed 5 % of the **Grant in Aid** .
2. Assistance for soft initiatives (as explained at pt. no (g) in the section above and as approved by SSC) shall be over and above the grant provision for infrastructure components and shall be to an extent of 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.
3. SPVs may dovetail funds from other sources as well for the project, provided there is no duplication of funding for the same component / intervention. However, in case of such dovetailing, it shall be ensured that the contribution of the participating units of SPV is at least 15 % of the overall project cost.

4. 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.

Implementation Framework:

1. Department of Chemicals and Petrochemicals will call for Expression of Interest / preliminary proposals from entities interested in setting up of Plastic parks. The preliminary proposals shall cover the following:
 - (a) Proposed location of the park.
 - (b) Background of the promoter and their financial strength.
 - (c) Conceptual background of the project.
 - (d) Proposed product mix.
 - (e) Broad cost estimates and proposed means of finance.
 - (f) Readiness for project execution.
2. At the time of submission of preliminary proposals as per the above mentioned parameters, the applicant may be an enterprise / group of enterprises / industry association / any Central or State Government agency.
3. Based on the merits of the preliminary proposals as per the above mentioned parameters, SSC shall accord “in-principle” approval to the project. Projects proposing to enter manufacturing of medium-high end products shall be given preference.
4. 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 Manger subject to the applicant complying with the following criteria:
 - (a) Establishment of SPV.
 - (b) Land in possession of SPV.
 - (c) Execution of share subscription agreements between the SPV and its members.
 - (d) Establishment of Escrow / Trust and Retention Account in Schedule A Bank.
 - (e) Willingness of the financial institution to lend to the project in case external funding is envisaged.

- (f) Mobilization of at least 20 % of equity contribution of the members including the cost of land by the SPV
5. The “in-principle” approval accorded by the SPV shall be valid for a period of six months, with-in which the SPV has to comply with the conditions and apply for final approval, failing which “in-principle” approval shall lapse, unless a specific extension is granted by the SSC against a specific request by the SPV justifying the extension.
6. **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.
7. **Special Purpose Vehicle (SPV)**
- (a) Assistance under the scheme will be available to a Special Purpose Vehicle (SPV) established for the purpose of setting up a plastic park.
- (b) The SPV should be a distinct legal entity formed by any of the following:
- i. Consortium of user enterprises representing the manufacturing value chain
 - ii. Mother/ anchor enterprise representing the plastic sector/ sub sector together with ancillary enterprises
 - iii. A large infrastructure developer/ financial investor in association with user enterprises representing the plastic sector / sub sector
 - iv. Any Central/ State Government agency in association with user enterprises representing the plastic sector/ sub sector.
- (c) The SPV will ordinarily be a Company registered under Companies act 1956. Any other structure will be subject to the approval by SSC.
- (d) 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
- iv. After developing the infrastructure, SPV would allocate sites to industry for setting up units.
- v. Own and maintain the assets created under the Scheme
- vi. Levy and collect service/ user charges form the member enterprises for the facilities created
- vii. Appoint Business Development Service (BDS) provider/ contractors/ consultants for technical/ financial/ managerial functions.
- viii. Get all statutory approval and clearances form Government/ other bodies
- ix. Furnish requisite information/ filling regular progress reports to the Department/ other institutions

8 Programme Manager (PM)

(a) Department shall avail of the service of a professional agency 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:

- i. Assisting the Department in:
 - Devising operational guidelines for the Scheme roll out.
 - Sensitisation of the industry/ potential beneficiaries on the scheme and its benefits through workshops/ roadshows/ 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
 - Monitoring the Scheme progress and furnishing regular reports

- 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 projects and **will be met from "New Schemes of Petrochemicals" Head**

Role of the Government:

1. The State Government is envisaged to play a pro-active role in the following areas:
 - (a) Providing the necessary assistance for external/ access infrastructure as roads, Power, Water supply etc.
 - (b) Providing requisite land to the project, wherever needed, in appropriate mode
 - (c) Providing necessary project related clearances on expeditious basis
 - (d) Providing flexible and conducive labour environment and consider special facilities like exemption of stamp duty etc. for the SPV/ units
 - (e) Extending the benefits of other related schemes to the SPV/ member enterprises for increasing viability of the projects
 - (f) Undertaking equity stake in the SPV, where there is a possibility of development of projects together with the user enterprises

Release of Funds

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 SSC.**
2. The following schedule shall be adopted for release of Grant-in-Aid to the SPV:
 - (a) 20% as mobilization advance, on Final Approval of the project, achieving the financial closure and getting the Bank guarantee as decided by SSC

- (b) 35% as IInd installment
- (c) 35% IIIrd installment
- (d) 10% as final installment

3. IInd 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. IIIrd installment would be released after the utilization of at least 100% of 1st and 60% of 2nd installments and after the proportionate expenditure has been incurred by the SPV
5. Final installment would be released after SPV has mobilized and spent its entire share in proportion to grant and after 25% of the units in the park have become operational

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 the 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 off without prior approval of the sanctioning authority
