

**SPEED POST/BY HAND**

**No.1-3/2016-SDF**

Government of India

Ministry of Consumer Affairs, Food & Public Distribution

Department of Food & Public Distribution

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Room No.476, Krishi Bhawan,  
New Delhi, the 31<sup>st</sup> March, 2016

**Office Memorandum**

**Subject: Minutes of the 129<sup>th</sup> meeting of the Standing Committee on SDF taken by Secretary (F&PD) as Chairperson on Wednesday, the 4<sup>th</sup> March, 2016.**

In continuation of this Ministry's O.M. of even number dated 10, February, 2016 on the above subject, a copy of the minutes of the 129<sup>th</sup> meeting of the Standing Committee held on 4<sup>th</sup> March, 2016 under the chairmanship of Secretary (F&PD) is enclosed for kind information and necessary action.

  
(Sunil Chauhan)

Under Secretary (SDF)  
Tel. 23385726

**Distribution:-**

1. Finance Secretary, Ministry of Finance, North Block, New Delhi (Member).
2. Secretary, Department of Agriculture, Cooperation & Farmers Welfare, Krishi Bhawan, New Delhi (Member).
3. Special Secretary & Financial Adviser, Department of Food & Public Distribution, Krishi Bhawan, New Delhi (as nominee of Secretary, Department of Expenditure-(Member).
4. Joint Secretary, Ministry of Finance (Department of Financial Services), Jeevan Deep Building, New Delhi (Member).
5. Joint Secretary (S&SA), Department of Food & Public Distribution, (Member).
6. Chief Director, Directorate of Sugar, Department of Food & Public Distribution, (Member) [to be represented by Director, S&VO].
7. Director, National Sugar Institute, Kanpur (Member)
8. Director General, Indian Council of Agricultural Research, Krishi Bhawan, New Delhi (Member)

**Special Invitee:-**

- |      |                          |                      |                   |
|------|--------------------------|----------------------|-------------------|
| (i)  | Representative from IFCI | Fax no. 011-26230201 | Expert on banking |
| (ii) | Representative from NCDC | Fax no. 011-26962370 | Expert on banking |

  
(Sunil Chauhan)  
Under Secretary (SDF)

**Copy for information:-**

- (i) PS to Hon'ble Minister of Consumer Affairs, Food & Public Distribution.
- (ii) PS to Secretary, Department of Food & Public Distribution.

## **Minutes of the 129<sup>th</sup> meeting of the Standing Committee held on 04<sup>th</sup> March, 2016**

The 129<sup>th</sup> meeting of the Standing Committee of the Sugar Development Fund (SDF) under the Chairpersonship of Secretary (F&PD) was held on 04<sup>th</sup> March, 2016. A list of Members and Special Invitees who attended the meeting is annexed. At the outset, the Member Secretary, welcomed all the Members and invitees. Following decisions were taken:

### **I. ACTION TAKEN REPORT OF 128<sup>TH</sup> MEETING OF THE STANDING COMMITTEE (AGENDA ITEM NO. 1A).**

The Action Taken Report on the decisions taken in the 128<sup>th</sup> meeting of the Standing Committee held on 06.01.2016 was considered and accepted.

### **II. MODERNIZATION CUM EXPANSION WITH BAGASSE BASED CO-GENERATION POWER PROJECT**

#### **i. Proposals of M/s Gobind Sugar Mills Ltd., Post Aira Estate, District Lakhimpur Kheri, U.P. for Modernization cum expansion and bagasse based co-generation power. (Agenda Items No. 1 & 2)**

1. The Standing Committee considered the loan application for **modernization cum expansion** of sugar factory at a cost Rs.14022.00 lakh. SDF assistance of Rs. 5344.00 lakh has been requested by the Sugar Factory and setting up of 30 MW bagasse based co-generation power project at cost of 17105.00 lakh. SDF assistance of Rs. 4356.00 lakh has been requested by the Sugar Factory.

2. Deliberating on the financials of the Company, the IFCI representative mentioned that the sugar factory has been making continuous losses for the last 6 years and had also been referred to the BIFR in the past. The net worth of the company as on 31.03.2015 was only 13.38 crore which was due to the equity induced. It was observed by the Committee that the promoters' equity shown in the papers submitted by the sugar factory needs further clarifications. The funding pattern was also not found transparent. The SDF loan seems to be excessive given the other sources of finance. The net worth is less than the interest expenses.

3. **The Standing Committee directed to seek necessary clarifications from the sugar factory on their equity details and other financial issues and this may be**

examined further in the Deptt. Thereafter, on merits, proposal may be brought before the Standing Committee.

4. The Committee also observed that typically the funding pattern for a project is 10% promoters' equity, 40% SDF component and 50% from other institutional borrowings. In case of Greenfield projects for cogen and ethanol the SDF component is 20%. It was therefore felt by the Committee that in cases where the owners' contribution / equity is increased beyond 10%, there must be corresponding decrease in the SDF component. The committee, therefore, decided that these norms shall be observed for the funding pattern while deciding the SDF loan proposals.

ii. **Proposals of M/s. Bannari Amman Sugars Ltd., Kunthur village, Kollegal Taluk, Chamrajnagar district, Karnataka. (Agenda Item No. 3&4)**

**Modernization cum expansion (Agenda Item No. 3)**

1. The Standing Committee considered the loan application for modernisation cum expansion of sugar capacity from 2500 TCD to 3600 TCD at a cost of 14021.00 lakh. SDF assistance of Rs. 3600.00 lakh has been requested by the Sugar Factory.

2. The average DSCR of the sugar factory and the company as a whole is 1.91 & 3.66 respectively. FACR of the sugar factory and company as a whole as on 31.3.2015 is 1.58 & 4.17 respectively. IRR of the project is 22.26%.

3. The Committee observed that the project has been appraised by IFCI and technically evaluated by M/s Avant Garde Engineers and Consultants (P) Ltd and is financially viable and technically feasible. IFCI representative mentioned that the financials of the company were sound. The project has been completed on 27.08.2014. The project cost which was found to be on higher side earlier has now been reduced to Rs. 7600.00 lakh after re-working of the cost by NSI, Kanpur. IFCI representative recommended the project for SDF loan.

4. Director (Sugar & VO) mentioned that there were no levy defaults in respect of the sugar factory. There were no LSPEF dues against the sugar factory, as intimated by US (SPF) in the meeting.

5. **On the basis of available records and recommendations of the Sub-Committee, the Standing Committee recommended SDF loan of Rs. 3040.24 lakh.**

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### **Bagasse based co-generation power project (Agenda Item No. 04)**

1. The Standing Committee also considered the loan application for setting up 20 MW bagasse based co-generation power project at a cost of Rs.11794.00 lakh. SDF assistance of Rs. 2300.00 lakh has been requested by the Sugar Factory. IRR of the project is 25.09%.
2. **On the basis of available records and recommendations of the Sub-Committee, the Standing Committee recommended SDF loan of Rs. 2107.73 lakh.**

The sugar factory will give first pari passu charge on its assets or a higher security for SDF loan as per FACR benchmark on the date of creation of charge, in both the cases mentioned above.

### **III. BAGASSE BASED CO-GENERATION POWER PROJECT**

- (i) **Proposal of M/s Lokmanya Sakhar Udyog Ltd., At Post Kapshi Village, Tehsil Phaltan, District Satara, Maharashtra for bagasse based co-generation power. (Agenda Item No. 05)**

1. The Standing Committee considered the loan application for setting up of 30 MW Greenfield bagasse based co-generation power project (Greenfield project) at a cost of Rs. 12797.00 lakh. SDF assistance of Rs. 1435.00 lakh has been requested by the Sugar Factory.
2. The average DSCR of the sugar factory and the society as a whole is 1.89. FACR of the sugar factory and society as a whole is 1.57 as on 31.3.2015. IRR of the project is 27.49%.
3. The project is appraised by The Maharashtra State Cooperative Bank Ltd. (MSCB) and technically evaluated by MITCON Consultancy and Engineering Services Ltd. and is stated to be financially viable and technically feasible. The IFCI representatives recommended the project for the SDF loan during the meeting.
4. Director (Sugar &VO) confirmed that there were no outstanding Levy Sugar dues. US (SPF) confirmed that there were no outstanding LSPEF dues.
5. **On the basis of available records and recommendations of the Sub-Committee, the Standing Committee recommended SDF loan of Rs. 1178.14 lakh.**
6. The sugar factory will give first pari passu charge on its assets or a higher security for SDF loan as per FACR benchmark on the date of creation of charge.

**(ii) Proposal of M/s Lokshakti Sugar & Allied Industries Ltd., Village-Ahad (Mandrup), South Solapur Taluk, Solapur District, Maharashtra for bagasse based co-generation power. (Agenda Item No. 06)**

1. The Standing Committee considered the loan application for setting up **14 MW Greenfield bagasse based co-generation power project** (Greenfield project) at a cost of Rs. 5684.00 lakh. SDF assistance of **Rs. 550.00** lakh has been requested by the Sugar Factory.
2. Director (Sugar &VO) mentioned that as per the provisions of the Sugar Cane Control Order, the mill is required to commence commercial production within a stipulated period of 5 years after issue of IEM which has not been done. Director(Sugar & VO) further intimated that the sugar mill had also not been allotted the requisite Plant Code and the Short Name.
3. **On the basis of the information made available by Director (S&VO), the Standing Committee rejected the proposal for grant of loan to the sugar factory.**

**IV. ANHYDROUS ALCOHOL OR ETHANOL**

**Proposal of M/s Indreshwar Sugar Mills Ltd., Bhagawantnagar, Uplai (T), Tal. Barshi, Dist. Solapur, Maharashtra for Setting up plant for production of 45 KLPD anhydrous alcohol or Ethanol from molasses. (Agenda Item No. 07)**

1. The Standing Committee considered the loan application for **setting up plant for production of 45 KLPD anhydrous alcohol or Ethanol from molasses** at a cost of Rs. 7800.00 lakh. SDF assistance of Rs. 2730 lakh has been requested by the Sugar Factory.
2. The average DSCR of the sugar factory and the company as a whole is 2.19. FACR of the sugar factory and company as a whole as on 31.3.2015 is 2.02. IRR of the project is 30.68%. However, the IFCI representatives mentioned that though the DSCR was good, but the FACR was only 1.16, in which case BG would be required from the Sugar Factory.
3. The project is appraised by The Maharashtra State Cooperative Bank Ltd. (MSCB) and technically evaluated by MITCON Consultancy and Engineering Services Ltd. and is financially viable and technically feasible.

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4. On the basis of available records and recommendations of the Sub-Committee, the Standing Committee recommended SDF loan of Rs. 2329.57 lakh subject to furnishing of Bank Guarantee by the sugar factory.

5. The sugar factory will furnish Bank Guarantee as security, in view of the low FACR.

**V. CONVERSION OF EXISTING ETHANOL PLANT INTO ZERO LIQUID DISCHARGE (ZLD) PLANT**

**Proposal of M/s Balrampur chini Mills Ltd., Unit- Balrampur, P.O.-Balrampur, Dist.-Balrampur, Uttar Pradesh for conversion of existing Ethanol plant into Zero Liquid Discharge plant. (Agenda Item No. 08).**

1. The Standing Committee considered the loan application for conversion of existing 160 KLPD Ethanol plant into Zero Liquid Discharge plant at a cost of Rs. 6500 lakh. SDF assistance of Rs. 2600.00 lakh has been requested by the Sugar Factory.

2. The average DSCR of the sugar factory and the company as a whole is 7.48 and 1.55 respectively. FACR of the sugar factory and company as a whole as on 31.3.2015 is 3.04 and 3.46 respectively. IRR of the project is 35.83%.

3. The project is appraised by the **HDFC Bank Ltd** and technically evaluated in house by the sugar company itself with the DPR vetted by the NSI, Kanpur and is stated to be financially viable and technically feasible. The plant had commenced operations after conversion of the existing plant in to ZLD plant w.e.f. 10.02.2016.

4. Director, NSI, Kanpur, further mentioned that the project would reduce the fresh water consumption and the spent wash generation would also be less. No liquid would come out from the distillery. The norms of the Central Pollution Control Board (CPCB) would also be fulfilled. IFCI representative mentioned that the financials of the company were good. Director (Sugar & VO) mentioned that there were no levy sugar dues in respect of the sugar factory.

5. As informed by the US (SPF), there are LSPEF dues pending against the sugar factory as the sugar factory has only made part payment to the tune of Rs. 37 lakh (approx.). The balance LSPEF dues are to be finalized by SPF Division. US (SPF) has to ensure to finalise

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the calculation of LSPEF dues within a period of one month from the date of submission of requisite documents by the sugar factory.

6. **On the basis of available records and recommendations of the Sub-Committee, the Standing Committee recommended SDF loan of Rs. 2101.00 lakh. However, sanction will be issued only after clearance of LSPEF dues.**

7. The sugar factory will give first pari passu charge on its assets or a higher security for SDF loan as per FACR benchmark on the date of creation of charge.

## **VI. MISCELLANEOUS**

### **(i) Limiting the period of extension in Administrative Approval for SDF loans to sugar factories and review of requirements of clearances before disbursement of SDF loans. (Agenda Item No. 9)**

It has been a matter of discussion in the Department on exploring the possibility of reducing the frequency of cases seeking extension in validity of Administrative Approvals (AAs) issued to sugar factories for SDF loans. One way of doing it would be to do away with requirements of documents / clearances before disbursement of the installments. In this regard, comments were also obtained from IFCI and NCDC. The matter was deliberated during the Standing Committee meeting wherein the two agencies mentioned that they were not seeking PCB / EIA clearances before grant of loan to the sugar factories, as these were the statutory requirements to be met by the sugar factories themselves. IFCI representative mentioned that it takes 9-10 months for installation for a Greenfield project and the EIA/PCB clearances take about one and a half year. Therefore, it would be appropriate to extend the validity of AA from the existing one year to one and a half year. Further, the requirement of EIA / PCB clearance was not provided in the SDF rules. The Committee after deliberating on the issue, decided that, henceforth, all administrative approvals shall be subject to following conditions:

#### **A. For brownfield projects:**

- a. The validity of the Administrative Approval would be one year only.
- b. There shall be no extension in validity period of the Administrative Approval.
- c. The Sugar factory shall apply to the concerned authorities for EIA/PCB clearances. The Sugar factory at the time of applying for the SDF loan will also provide a copy of the acknowledgement by the concerned authorities. The furnishing of such acknowledgement shall be sufficient for approval/disbursement of SDF loans

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**B. For greenfield projects:**

- a. The validity of the Administrative Approval shall be one and a half year and may be extended for a period of six months in extraordinary circumstances only with the approval of Secretary (F&PD).
- b. The Sugar factory shall apply to the concerned authorities for EIA/PCB clearances. A copy of the acknowledgement by the concerned authorities, of the application of the Sugar factory for EIA/PCB clearances, shall be furnished by the sugar factory at the time of applying for the SDF loan.
- c. However, before disbursement of the SDF loans the Sugar factory shall furnish all the EIA / PCB clearances.

**(ii) Extension of validity period of Administrative Approval in respect of sanction of SDF loan to M/s Shree Basaveshwar Sugars Ltd. at NH-218, Karjal village, Bijapur Taluk & District Karnataka for financial assistance for setting up 26 MW Greenfield bagasse based co-generation power project (Agenda Item No. 10)**

The matter was discussed by the Standing Committee and it was decided to first seek the reasons from the Sugar factory for delay in issuance of NOC by the Bankers for creation of charge and after examination of the same, the case may be brought to the next Standing Committee meeting.

**(iii) Review of Recoveries of SDF loans.**

At the end of the meeting, it was also decided to include the review of recoveries of SDF loans in old cases (at least 5 oldest cases) as one of the agenda for every Standing committee meeting.

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