

FAX/SPEED POST/BY HAND

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Government of India
Ministry of Consumer Affairs, Food & Public Distribution
Department of Food & Public Distribution
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Room No.260, Krishi Bhawan,
New Delhi, the 13th October, 2016

Office Memorandum

Subject: Minutes of the 131st meeting of the Standing Committee on SDF taken by Secretary (F&PD) as Chairperson on Wednesday , the 14th September,2016 - reg.

In continuation of this Ministry's O.M. of even number dated 23.August, 2016 on the above subject, a copy of the minutes of the 131st meeting of the Standing Committee held on 14th September, 2016 under the Chairpersonship of Secretary (F&PD) is enclosed for kind information and necessary action.



(N.K. Kashmira)
Director (SDF)
Member Secretary
Tel. 23382338

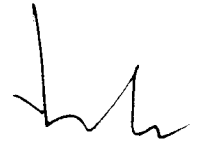
e-mail: nk.kashmira@nic.in

Copy to:

1. Finance Secretary, Ministry of Finance, North Block, New Delhi (Member).
2. Secretary, Department of Agriculture, Cooperation & Farmers Welfare, Krishi Bhavan, New Delhi (Member).
3. Special Secretary & Financial Adviser, Department of Food & Public Distribution, Krishi Bhavan, 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)[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 | Expert on banking |
| (ii) | Representative from NCDC | Expert on banking |



(N. K. Kashmira)
Director (SDF)
Member Secretary

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 131st meeting of the Standing Committee held on 14th September, 2016

The 131st meeting of the Standing Committee of the Sugar Development Fund (SDF) under the Chairpersonship of Secretary (F&PD) was held on 14th September, 2016. A list of Members/participants is annexed. At the outset, the Member Secretary, welcomed all the Members and invitees. Following decisions were taken:

I. ACTION TAKEN REPORT OF 130TH MEETING OF THE STANDING COMMITTEE (AGENDA ITEM NO. 1).

The Action Taken Report on the decisions taken in the 130th meeting of the Standing Committee held on 18.05.2016 was considered. In respect of item no. 13, the Committee was informed that in pursuance of the decision taken in the 130th Standing Committee held on 18.05.2016, a Sub-Committee for timely recovery of the SDF loan and improving default position under the chairmanship of AS & FA have been constituted and the first meeting of the committee was held on 30.08.2016.

As regards the point no. 9, in case of M/s Core Green Sugar & Fuels Pvt. Ltd., Yadgir Distt, Karnataka, for setting up of 50 KLPD ethanol plant, the Director, NSI, Kanpur informed that the query raised by NSI, Kanpur, as to how the factory shall be able to procure and crush sugarcane @ double the quantities it crushed during 2013-14 and 2014-15, remained unanswered. Besides, the inconsistencies in the data, the sugar factory has also not provided the information sought by NSI, Kanpur on cane crushing capacity of the sugar plant, molasses % cane, total sugar % in molasses etc. as well as the justification for increase in the expected cane crushing which the factory has not provided. Director, NSI, Kanpur, also mentioned that they had already advised that considering the track record of the factory with respect to sugarcane availability and crushing, the factory may not have adequate in house molasses for operating the 50 KLPD ethanol plant for 160 days. The Committee was further informed that SDF has also written to the sugar factory for providing the information to NSI, Kanpur failing which the case shall be processed for closure. **In view of the sugar factory's inability to provide desired /appropriate information to NSI, Kanpur, the Standing Committee recommended to reject / close the case. The Committee also recommended that in all such cases involving implementation of a decision of the Committee, instead of keeping the cases pending, time bound action should be taken to finalize the matter in consonance with the decision, including closure of the case due to lack of timely action on part of the sugar factory, well before the next meeting of the**



Standing Committee and the final status of the case may accordingly be placed before the Standing Committee during the next meeting.

II. SUGARCANE DEVELOPMENT

Proposal of M/s Vishwasrao Naik Sahakari Sakhar Karkhana Ltd., Yashwantnagar, Post- Chikhali, Tal. Shirala, Dist.- Sangli, Maharashtra under cane development scheme for Rs. 599.60 lakhs (Agenda Items No. 2).

1. The Standing Committee considered the loan application **for rearing of nurseries, ratoon management and drip irrigation and use of bio control to control White Gurb, under cane development scheme** involving SDF assistance of **Rs.600.00 lakhs;**
2. The average DSCR of the sugar factory and the society as a whole is 2.0. FACR of the sugar factory and society as a whole is 2.50 as on 31.3.2015. IRR of the project is 68.17%.
3. The project has been appraised by VSI, Pune and recommended by the State Government Maharashtra.
4. As per the decision taken in the 129th meeting of the Standing Committee, giving priority to the drip irrigation as of now, the Screening Committee in its meeting held on 24.06.2016 had recommended the SDF loan of Rs. 270 lakh for drip irrigation only to be disbursed in two equal installments of Rs. 135 lakh for the first and second year. Secretary (F&PD) also mentioned that the State Governments may also be providing assistance for drip irrigation to the sugar factories. Therefore, information should be obtained from the respective State Government whether any financial assistance has been provided by them to the sugar factory for the drip irrigation scheme in such cases.
5. **Subject to the above and on the basis of available records and recommendations of the Screening Committee, the Standing Committee recommended the SDF loan of Rs. 270 lakh for drip irrigation to be disbursed in two equal installments of Rs. 135 lakh for the first and second year.**
6. The security, either first charge pari passu or bank guarantee or prescribed additional securities for the loan shall be decided at the time of charge creation.



III. BAGASSE BASED CO-GENERATION POWER PROJECT

(i) Proposal of M/s Dnyaneshwar Sahakari Sakhar Karkhana Ltd., Dnyaneshwarnagar-414605, Tal.- Newasa, Distt.-Ahamednagar, Maharashtra for setting up of bagasse based co-generation power project. (Agenda Item No. 03)

1. The Standing Committee considered the loan application for **setting up of 19.5 MW (Expansion from 12 MW to 31.5 MW) of bagasse based co-generation power project** at cost of 7285.00 lakh. SDF assistance of Rs. 2831.40 lakh has been requested by the Sugar Factory.
2. The average DSCR of the sugar factory and the society as a whole is 1.53 and the FACR of the sugar factory and society as a whole is 2.64 as on 31.3.2016. IRR of the project is 18.70%.
3. The project has been appraised by NCDC and technically evaluated by VSI, Pune and has been found financially viable and technically feasible.
4. NCDC representative informed that the Power Purchase Agreement (PPA) with the State Government was yet to be entered by the sugar factory and is likely to be signed by November, 2016. The copy of acknowledgement of the application for EIA clearance has been obtained
5. It was also observed that net profit during 2013-14 to 2015-16 was from 13.49 lakh to 24.00 lakh whereas in the assumptions taken in the project appraisal, net profit was being shown from 20.43 crore to 32.22 crore from 1st to the 4th year. NCDC representative clarified that increase in profit is due to increase in the power export from 8 MW to 18 MW. Further, as per the audited annual accounts for 2015-16 the profit from the distillery and cogeneration unit was Rs.1024.84 lakh and Rs.1301.49 lakh respectively, whereas the net profit of the society as a whole was only Rs.24.00 lakh. Thus, the loss of the sugar mill in previous years was compensated from the profit accrued from distillery and cogeneration units.
6. **On the basis of available records and recommendations of the Sub-Committee, the Standing Committee recommended SDF loan of Rs. 2422.80 lakh subject to submission of the PPA by the Sugar factory.**
7. The security, either first charge pari passu or bank guarantee or prescribed additional securities for the loan shall be decided at the time of charge creation.



ANHYDROUS ALCOHOL OR ETHANOL

(i) Proposal of M/s Jakraya Sugar Ltd. (JSL), at Watwate, Taluka Mohol, District Solapur, Maharashtra for setting up plant for production of 30 KLPD anhydrous alcohol or Ethanol from molasses. (Agenda Item No. 04)

1. The Standing Committee considered the loan application M/s Jakraya Sugar Ltd. (JSL), at Watwate, Taluka Mohol, District Solapur, Maharashtra for setting up plant for production of 30 KLPD anhydrous alcohol or Ethanol from molasses at cost of 4000.00 lakh. SDF assistance of Rs. 1500.00 lakh has been requested by the Sugar Factory.
2. The average DSCR of the sugar factory and the society as a whole is 2.25 respectively and the FACR of the sugar factory and society as a whole is 1.82 respectively as on 31.3.2016. IRR of the project is 29.65%.
3. The project has been appraised by Indian Overseas Bank and technically evaluated by MITCON Consultancy and Engineering Service Ltd and is financially viable and technically feasible.
4. Director, NSI mentioned that evaluation is done based on the capacity to run the sugar plant for 160 days and operation of distillery for 270 days. The sugar factory will be able to meet the required quantity of steam and power to run the plant and distillery and the factory also seem to have an arrangement with the Maharashtra State Electricity Distribution Company Limited (MSEDCL) for ensuring efficient generation of power during the off season.
5. **On the basis of available records and recommendations of the Sub-Committee, the Standing Committee recommended SDF loan of Rs. 1076.74 lakh.**
6. The security, either first charge pari passu or bank guarantee or prescribed additional securities for the loan shall be decided at the time of charge creation.



(ii) Proposal of M/s Madhucon Sugar And Power Industries Limited, Rajeshwarapuram, Ammagudem Post, Nelakondapalli Mandal, Khammam Distt. Andhra Pradesh for setting up of plant for production of 65 KLPD ethanol from molasses and extra neutral alcohol (ENA) from grain. (Agenda Item No. 06).

1. The Standing Committee considered the loan application **for setting up of plant for production of 65 KLPD ethanol from molasses from grain** at cost of 9360.43 lakh. SDF assistance of Rs. 2803.09 lakh has been requested by the Sugar Factory.
2. The proposal was deferred by the Standing Committee in its 130th meeting held on 18.05.2016 on the issue of shortage of molasses and directed for scaling down the project by the sugar factory in consultation with NSI, Kanpur. Director, NSI, mentioned that plant was proposed to be run for 65 KLPD on a 3500 TCD basis. He further mentioned that till date the sugar factory has also not indicated any procurement of molasses from nearby sugar factories. He therefore mentioned that it will not be possible for the sugar factory to run the distillery at 65 KLPD. IFCI Ltd. has informed that the Company is default in repayment of loan of its other project financed by the IFCI Ltd..
3. **On the basis of observations made by NSI, Kanpur and the IFCI Ltd, the Standing Committee, observed that the project was not viable and therefore recommended to reject the case.**

IV. MODERNIZATION CUM EXPANSION WITH ANHYDROUS ALCOHOL OR ETHANOL PROJECT

Proposals of M/s Sonhira Sahakari Sakhar Karkhan Ltd., Mohanrao Kadamnagar, Tal. Kadegaon, Distt.-Sangli, Maharashtra for setting up plant for production of 60 KLPD anhydrous alcohol or Ethanol project with expansion of distillery 30 KLPD to 60 KLPD and modernization cum expansion (Agenda Items No. 5 & 7)

2. The Standing Committee considered the loan application for modernization cum expansion of sugar factory at a cost Rs.4700.00 lakh including SDF assistance of Rs. 1880.00 lakh and setting up of plant for production of 60 KLPD anhydrous alcohol or Ethanol project with expansion of distillery 30 KLPD to 60 KLPD at cost of 4407.00 lakh including SDF assistance of Rs. 1762.80 lakh requested by the Sugar Factory.

3. The average DSCR of the sugar factory and the society as a whole is 3.53 and the FACR of the sugar factory and society as a whole is 2.18 as on 31.3.2016. IRR of the modernization and cogen project is 31.88% & 22.67% respectively.
4. The project has been appraised by Bharati Sahakari Bank Ltd., Pune, and technically evaluated by VSI, Pune and was found to be financially viable and technically feasible.
5. Director, NSI, mentioned that as per their evaluation, the shortage of molasses of 1251 MT was meager and consequently the respective capacity of the distillery works out to 58.16 KLPD. But since the distilleries are set up for standard configurations of 30-45-60 KLPD, the proposal could be considered for 60 KLPD. NCDC representative also mentioned that it is a financially strong mill. Regarding, modernization project, Director, NSI, mentioned that the plant seem to have the achievable capacity of 4600 TCD only. Further, the cost of plant and machinery may be considered at Rs. 2840.00 lakh against the projected Rs. 3155.00 lakh
6. **On the basis of available records and recommendations of the Sub-Committee, the Standing Committee recommended SDF loan of Rs. 885.984 lakh for the modernization and RS. 1361.07 lakh for ethanol project.**
7. The security, either first charge pari passu or bank guarantee or prescribed additional securities for the loan shall be decided at the time of charge creation.

V. MISCELLANEOUS

- (i) **Request of M/s Indreshwar Sugar Mills Limited (ISML), Bhagvant Nagar, Post: Uplate tonge, Tal: Barshi, Dist. Solapur, Maharashtra, for reconsideration of nature of security for SDF loan from Bank Guarantee to 1st pari-passu charge. (Agenda Item No. 8).**

M/s Indreshwar Sugar Mills Limited, Bhagvant Nagar, Post: Uplate tonge, Tal: Barshi, Dist. Solapur, Maharashtra was sanctioned SDF loan of Rs.23,29,57,000/-, for setting up 45 KLPD ethanol project vide this Ministry's sanction dated 04.04.2016 subject to furnishing of bank guarantee from a scheduled bank in pursuance of the decision of 129th minutes of Standing Committee. The decision to seek bank guarantee was based on the FACR of 1.16 as on 31.03.2015, as reported by IFCI during the 129th Meeting. However, the sugar factory has contested the low FACR projected by the IFCI. Therefore, the sugar factory have requested for change in security for their sanctioned SDF loan from bank guarantee to 1st pari-passu charge stating that the FACR is 1.50 based on audited balance sheet as on 31.03.2015.

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2. IFCI representative mentioned that they have examined the audited balance sheet of the sugar factory as on 31.03.2015 and worked out the FACR as 1.43 which is the above the benchmark level of 1.33 for acceptance of 1st pari-passu charge. IFCI representative further explained that while calculating of the FACR as 1.16 earlier, proposed assets of the ethanol project were not taken into account. The sugar factory has further submitted detailed expenditure incurred on the project including proposed enhanced/additional long term borrowings as well as proposed assets along with supporting Chartered Accountant Certificate which were not available earlier. IFCI representative further mentioned that March 2016 balance sheet of the sugar factory was not ready as yet and therefore FACR may be finalized after the same is made available by the sugar factory. The Committee was also informed that FACR is considered at the time of charge creation and security is decided accordingly.

3. **The Committee recommended for finalizing the FACR based on the Audited Balance Sheet for 2015-16 and the corresponding security (1st pari passu or bank guarantee), at the time of charge creation.**

(ii) **Reconsideration of decision of Standing Committee taken in 128th meeting held on 6.1.2016 in case of M/s. NSL Sugars Ltd. - Unit-II, (Lessee of Sahakare Sakkare Karkhane Niyamit, Aland), Village Bhusanoor, Taluk Aland, District Gulbarga, Karnataka for modernisation cum expansion of sugar unit from 1250 TCD to 5000 TCD (Agenda Item No. 9)**

(iii) **Reconsideration of decision of Standing Committee taken in 128th meeting held on 6.1.2016 in case of M/s. NSL Sugars Ltd. - Unit-II, (Lessee of Sahakare Sakkare Karkhane Niyamit, Aland), Village Bhusanoor, Taluk Aland, District Gulbarga, Karnataka for setting up 28 MW bagasse based cogen power project. (Agenda Item No. 10)**

The Standing Committee re-considered its decision taken in the 128th meeting held on 06.01.2016 on proposals of M/s NSL including the above two proposals. After detailed deliberation, it was decided that since the cases have already been rejected by the Government, the sugar factory will have to submit fresh application conforming to the SDF Act/Rules.



(iv) M/s Bhima Sahakari Sakhar Karkhana Ltd. Takali, Sikandar, Tal Mohol, District Solapur, Maharashtra- Ex-post-facto approval of the Standing Committee on extension in the validity of Administrative Approval issued for SDF loan for Modernization - cum- expansion and Cogen project and for vesting the powers with Secretary (F&PD) to relax the condition of receipt of request for Extensions of validity of Administrative Approval should be within validity period (Agenda Item No. 11)

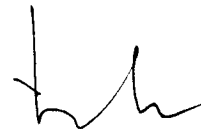
The Standing Committee considered the matter. NCDC representative mentioned that the sugar factory had sent its request within the validity period though the same was not received in the Department. NCDC representative also pleaded that the society would not be able to complete the project and will be in a financial crisis. Therefore, the request of the society for AA extension may be considered favorably.

The Committee therefore ratified the decision to grant extension in the AA validity up to 01.02.2017 (for Cogen) and up to 02.02.2017 (for Modernization) respectively in this case as an exception keeping in view the mitigating factors. NCDC was asked to send a Special Report on the cooperative society within six months including the issues like status of the project, functioning of the society, its technical and financial health, and benefits accrued from the SDF loan etc. The report shall also be placed before the Standing Committee.

The proposal for vesting the power with Secretary (F&PD) to relax the condition of receipt of request for extension of validity of AA within validity period was dropped.

(v) Delinking disbursement of SDF loan from the clearance of levy sugar dues (Agenda Item No. 12)

The Committee did not agree with the proposal to delink the disbursement of SDF loan from the recovery of levy sugar dues, and directed that henceforth in respect of sugar Mills with levy sugar dues, a NO Dues certificate from Directorate of sugar will be necessary before consideration of the case for SDF loan by Sub Committee/Standing Committee.



**ATTENDANCE SHEET OF PARTICIPANTS OF 131TH MEETING OF
STANDING COMMITTEE OF SDF HELD ON 14th September, 2016 AT 3:00 P.M.**

Sl. No.	Name, Designation & Organization	Name of Department/Organization
1.	Ms. Vrinda Sarup, Secretary & Chairperson	Department of Food and Public Distribution
2.	Shri. Nikhilesh Jha, Additional Secretary and Financial Advisor	Department of Food and Public Distribution
3.	Shri Subhasish Panda, Joint Secretary (Sugar & Admin)	Department of Food and Public Distribution
4.	Shri N.K.Kashmira, Director (SDF) & Member Secretary	Department of Food and Public Distribution
5.	Shri G.S. Sahu, Director (Sugar Policy) Directorate of Sugar	Department of Food and Public Distribution
6.	Shri Manish Gupta, Director (Agricultural credit)	Department of Financial Services
7.	Shri Narendra Mohan, Director	NSI, Kanpur
8.	Dr. R.P. Singh, Assistant Director (crops)	Ministry of Agriculture Co-operative & Farmer Welfare
9.	S.N. Jha, Assistant Director General (PE)	Ministry of Agriculture Co-operative & Farmer Welfare
10.	Shri R.K. Pandey, Director (Finance)	Department of Food and Public Distribution
11.	Shri Sunil Chauhan Under Secretary (SDF)	Department of Food and Public Distribution
12.	Shri Sudesh Kumar Under Secretary (SPF)	Department of Food and Public Distribution
13.	Shri Manmohan Kumar, Section Officer (SDF)	Department of Food and Public Distribution
14.	Shri R.C. Meena, Section Officer (SDF A/cs)	Department of Food and Public Distribution
SPECIAL INVITEES		
15.	1 Shri M.P. Sethi, General Manager	IFCI Limited, New Delhi
	2 Shri S. Chandrasekaran, Asst. General Manager	
	3 Ms. Anju Dosija, Manager	
16.	1 Shri A.K. Singh, Chief Director (Sugar)	NCDC, New Delhi
	2 Shri R.K. Mangla, Dy. Director (Sugar)	

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