FAX/SPEED POST/BY HAND/E-MAIL

No.1-8/2018-SDF

Government of India
Ministry of Consumer Affairs, Food & Public Distribution
Department of Food & Public Distribution
www.dfpd.nic.in

Room No. 280 A, Krishi Bhawan
New Delhi, the 7th February, 2019

OFFICE MEMORANDUM

Subject: Minutes of 137th meeting of the Standing Committee on SDF presided over by Secretary (F&PD) as Chairman on Friday, the 21st Dec 2018– regarding

In continuation of this Ministry's O.M. of even number dated 07.12.2018 and 14.12.2018 on the above subject, a copy of minutes of 137th meeting of the Standing Committee held on 21.12.2018 under the Chairmanship of Secretary(F&PD) is enclosed for kind information and necessary action.

(R.K. Pandey)
Director (SDF)
Member Secretary
Tel.No.23073478

DISTRIBUTION:

1. Finance Secretary, Ministry of Finance, North Block, New Delhi (Member).
2. Secretary, Department of Agriculture & Farmers Welfare, Krishi Bhavan, New Delhi(Member)
3. Additional 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), Jeewan Deep Building, New Delhi (Member).
5. Joint Secretary (Sugar & Admn.), Department of Food & Public Distribution, (Member).
6. Director (S&VO), Directorate of Sugar, Department of Food & Public Distribution, [representing Chief Director (S&VO) (Member)]
7. Director, National Sugar Institute, Kanpur (Member)
8. Director General, Indian Council of Agricultural Research, Krishi Bhawan, New Delhi

Special Invitee:

(i) Representative from IFCI : Expert on banking
(ii) Representative from NCDC : Expert on banking

(R.K. Pandey)
Director (SDF)
Member Secretary

Copy for information to:

(i) PS to Hon'ble Minister of Consumer Affairs, Food & Public Distribution
(ii) PS to Secretary., Department of Food & Public Distribution
(iii) Chief Controller of Accounts, Department of Food & Public Distribution
(iv) NIC, DFPD for uploading the minutes on the website of the Department

Minutes of the 137th meeting of the Standing Committee of Sugar Development Fund held on 21st December, 2018, in the Department of Food and Public Distribution, Krishi Bhawan, New Delhi.

The 137th meeting of the Standing Committee of the Sugar Development Fund (SDF) was held on 21st December, 2018 at 12:00 PM under the Chairmanship of Secretary (F&PD). A list of participants is at Annexure.

Discussions held and decisions taken against each agenda item are as under:-

Agenda No. 137A: ACTION TAKEN REPORT OF 136th MEETING OF THE STANDING COMMITTEE

The Action Taken Report on the decisions taken in the 136th meeting of the Standing Committee held on 07.08.2018 was considered and accepted.

MODERNIZATION/EXPANSION

Agenda No.137.1: Proposal of M/s Chadha Sugars & Industries Pvt. Ltd., Village- Kiri Afgana, Tehsil- Batala, Distt.- Gurudaspur,Punjab for modernization, technology upgradation & steam balancing of sugar plant at present installed capacity of 335 TCH (7500 TCD) with cogeneration installed capacity of 23 MW and production of Refined sugar.

The Standing Committee considered the above loan application of the sugar factory. The estimated project cost is Rs. 3500.00 lakh and the sugar factory has requested for SDF assistance for Rs. 1400.00 lakh.

Brief facts of the case

2. The project has been appraised by PNB and technically evaluated by National Federation of Co-operative Sugar Factories Ltd. Technical specifications of the project has been vetted by NSI, Kanpur. The project is technically & financially viable.

3. No old plant and machinery has been considered in the project. NOC (Consent to Operate) from Punjab Pollution Control Board has been received. EIA clearance for 4500 TCD has also been received. Further, Sugar factory has submitted acknowledgement for EIA clearance of 7500 TCD.

4. There are no outstanding SDF dues, LSPEF dues against the Sugar factory, as on date. However, there are levy dues of 939.73 MT (on the basis of dispatch of levy) and 1156.73 MT (on the basis of lifting of levy) pending against the sugar factory.

5. From the balance sheet and other financial details of the sugar factory, it was observed that the average DSCR of the sugar factory is 4.03 (projection basis) and 0.70 (for the past five years basis). FACR of the sugar factory is 1.66 as on 31.03.2017. IRR of the project is 31.56%.

6. Since the promoter's contribution has increased from 10% to 16.00% (i.e. by 6.00%), the SDF component will be 34 % {40.00% - 6.00% = 34%} of the total eligible project cost. Eligible project cost after deducting ineligible items amounting to Rs. 714.00 lakh was found to be Rs. 2786.00 lakh. Therefore, eligible SDF loan amount has been calculated as Rs. 947.24 lakh (i.e.

34.00% of Rs. 2786.00 lakh). However, the sugar factory is eligible for the SDF loan of Rs. 909.67 lakh (Rs. 947.24 lakh - Rs. 37.57 lakh; Rs 37.57 lakh being bridge loan component from PNB against SDF assistance).

7. Recommendations of Sub-Committee- The Sub-committee, on the basis of technical and financial details, eligible project cost, and the loan applied for, recommended a loan of Rs. 1077.40 lakh (= Rs. 1114.40 lakh- Rs. 37 lakh) for consideration of the Standing Committee for modernization, technology upgradation & steam balancing of sugar plant at present installed capacity of 335 TCH (7500 TCD) with cogeneration installed capacity of 23 MW and production of Refined sugar subject to furnishing of EIA clearance for 7500 TCD and No levy dues certificate.

The aforesaid figures were based on DPR submitted by sugar factory. However, as per modified calculation based on financial appraisal by the bank, the proposal for loan amount of Rs. 909.67 Lakh was placed before Standing Committee.

8. Recommendations of the Standing Committee-

On the basis of available records and recommendations of the Sub-Committee, the Standing Committee recommended a loan of Rs. 909.67 lakh (= Rs. 947.24 lakh- Rs. 37.57 lakh) for modernization, technology upgradation & steam balancing of sugar plant at present installed capacity of 335 TCH (7500 TCD) with cogeneration installed capacity of 23 MW and production of Refined sugar, subject to furnishing of the following information/documents by the Sugar Factory:-(i) EIA clearance and NOC from PCB for 7500 TCD crushing capacity before issuing of AA (ii) An NDC from Directorate of Sugar before issuing of AA (iii) Adequate additional securities in view of DSCR being less than 1 for the past five years, as per SDF Guidelines (iv) details of means of financing the shortfall.

9. The sugar factory is required to offer either Bank Guarantee or first pari passu charge as security for SDF loan. However, security requirement will be decided by the Department as per extant rules/guidelines/requirement.

Agenda No.137.2: Proposal of M/s Bhalkeshwar Sugars Limited., Basaveshwar Chowk, Near IB Bhalki-585328 Distt.- Bidar, Karnataka for modernization cum expansion of sugar plant from 2500 TCD to 4000 TCD.

The Standing Committee considered the above loan application of the sugar factory. The estimated project cost is Rs. 2930.00 lakh. The sugar factory has requested for SDF assistance of Rs. 1037.00 lakh.

Brief facts of the case

2. The project has been appraised by KSC (Karnataka State Co-operative) bank Ltd., Bangalore and Detailed Project Report has been prepared by TECSOL Engineers Pvt. Ltd. The project is technically & financially viable.

3. No refinancing of project is involved. No old plant and machinery has been considered in the project. Consent for establishment from Karnataka Pollution Control Board has been received. EIA clearance has also been received.

4. There are no outstanding SDF dues, LSPEF dues and Levy sugar dues against the sugar mill, as on date.

5. From the balance sheet and other financial details of the sugar mill, it was observed that the average DSCR of the sugar factory is 2.22 (projection basis) and 0.73 (for the past five years). FACR of the sugar factory is 1.66 as on 31.03.2018. IRR of the project is 31.31 %.

6. During the meeting, Director NSI, Kanpur pointed out that the unit has not clarified whether they have any existing facility of Effluent Treatment Plant (ETP) or they propose to set up such facility. It was also noticed that a certificate regarding adequate availability of Sugarcane issued by Joint Director of Agriculture, Distt. Bidar Karnataka has been furnished. However, the same is still awaited from the Cane Commissioner.

7. After deducting an amount of Rs.531 lakh for ineligible items from the estimated project cost of Rs.2930 lakh, the eligible project cost works out to Rs.2399 lakh and SDF funding @ 40% of the eligible cost works out to Rs.959.60 lakh. The sugar factory has also provided details of means of financing the shortfall.

8. Recommendations of Sub-Committee- The Sub-committee, on the basis of technical and financial details, eligible project cost, and the loan applied for, recommended a loan of Rs. 959.60 lakh for consideration of the Standing Committee subject to furnishing of certain financials and a certificate from the Cane Commissioner regarding adequate availability of sugarcane.

9. Recommendations of the Standing Committee-

On the basis of available records and recommendations of the Sub-Committee, the Standing Committee recommended a loan of Rs 959.60 lakh for modernization cum expansion of sugar plant from 2500 TCD to 4000 TCD subject to furnishing of the following information/documents by the Sugar Factory:- (i) Adequate additional securities in view of DSCR being less than 1 for the past five years and continuous losses for past three years, as per SDF Guidelines. (ii) Details about Effluent Treatment Plant (ETP) and (iii) a certificate from Cane Commissioner about adequate availability of Sugarcane before issuing of AA.

10. The sugar factory is required to offer either Bank Guarantee or first pari passu charge as security for SDF loan. However, security requirement will be decided by Department as per extant rules/guidelines/requirement.

ANHYDROUS ALCOHOL OR ETHANOL FROM MOLASSES

Agenda No. 137.3: Proposal of M/s Chadha Sugars & Industries Pvt. Ltd. Vill-Kiri Afgana, Teh. Batala, Gurdaspur, Punjab for setting up of a 50 KLPD ethanol plant with modification of existing 30 KLPD ENA distillery.

The Standing Committee considered the above loan application of the sugar factory. The estimated project cost is Rs.1838.00 lakh. The sugar factory has requested for SDF assistance of Rs.735.00 lakh.

Brief facts of the case

2. The project has been appraised by PNB and technically evaluated by National Federation of Co-operative Sugar Factories Ltd. Technical specifications of the project has been vetted by NSI, Kanpur. The project is technically & financially viable.

3. No refinancing of project is involved. No old plant and machinery has been considered in the project. NOC (Consent to Operate) from Punjab Pollution Control Board for existing 30 KLPD ENA distillery has been received. EIA clearance for existing 30 KLPD ENA distillery has also been received. Sugar Factory has submitted that since distillery capacity is not being increased and already having EIA clearance when installed so a fresh clearance of ethanol project shall not be required.

4. There are no outstanding SDF dues, LSPEF dues against the Sugar Factory, as on date. However, there are levy dues of 939.73 MT (on the basis of dispatch of levy) and 1156.73 MT (on the basis of lifting of levy) pending against the Sugar Factory.

5. From the balance sheet and other financial details of the Sugar Factory, it was observed that the average DSCR of the sugar factory is 4.03 (projection basis) and 0.70 (for the past five years). FACR of the sugar factory is 1.66 as on 31.03.2017. IRR of the project is 31.56 %.

6. The issue of availability of molasses was also discussed in the meeting. It was brought to the notice of the Committee that grain based alcohol is not considered for production of Ethanol under SDF Rules. However, Director, NSI Kanpur pointed out that sufficient alcohol is available in the case even if alcohol from grain is not considered.

7. Since the promoter's contribution has increased from 10% to 16.05% (i.e. by 6.05%), the SDF component will be 33.95 % {40.00% - 6.05% = 33.95%} of the total eligible project cost. Eligible project cost after deducting ineligible item amounting to Rs. 681.32 lakh was found to be Rs. 1156.68 lakh. Therefore, eligible SDF loan amount has been calculated as Rs. 392.692 lakh (i.e. 33.95% of Rs. 1156.68 lakh).

8. Recommendations of Sub-Committee- The Sub-committee, on the basis of technical and financial details, eligible project cost, and the loan applied for, recommended a loan of Rs.392.692 lakh for consideration of Standing Committee for setting up of a 50 KLPD ethanol plant with modification of existing 30 KLPD ENA distillery subject to furnishing of No levy dues certificate.

9. Recommendations of the Standing Committee-

On the basis of available records and recommendations of the Sub-Committee, the Standing Committee recommended a loan of Rs 392.692 lakh for setting up of a 50 KLPD ethanol plant with modification of existing 30 KLPD ENA distillery subject to furnishing of following information/documents by the Sugar Factory:-(i) No levy dues certificate (NDC) from Directorate of Sugar before issuing of AA (ii) Adequate additional securities in view of DSCR being less than 1 for the past five years, as per SDF guidelines. Regarding environmental issues against sugar factory, the committee accepted the report of NSI Kanpur. However, NOC from State Pollution Control Board to establish/operate the Sugar Factory and Ethanol Plant is required before issuing of AA.

RK

10. The sugar factory is required to offer either Bank Guarantee or first pari passu charge as security for SDF loan. However, security requirement will be decided by Department as per extant rules/guidelines/requirement.

Agenda No.137.4: Proposal of M/s Bhalkeshwar Sugars Limited., Basaveshwar Chowk, Near IB Bhalki-585328 Distt.- Bidar, Karnataka for Setting up of 60 KLPD anhydrous alcohol or ethanol plant from molasses.

The Standing Committee considered the above loan application of the sugar factory. The estimated project cost is Rs.11220.00 lakh. The sugar factory has requested for SDF assistance of Rs.3698.00 lakh.

Brief facts of the case

2. The project has been appraised by KSC (Karnataka State Co-operative) bank Ltd., Bangalore and technically evaluated by VSI, Pune. The project is technically & financially viable.

3. No refinancing of project is involved. No old plant and machinery has been considered in the project. Consent for establishment from Karnataka Pollution Control Board for setting up 60 KLPD distillery has been received. EIA clearance has also been received.

4. There are no outstanding SDF dues, LSPEF dues and Levy sugar dues against the Sugar Factory, as on date.

5. From the balance sheet and other financial details of the Sugar Factory, it was observed that the average DSCR of the sugar factory is 2.22 (projection basis) and 0.73 (for the past five years). FACR of the sugar factory is 1.66 as on 31.03.2018. IRR of the project is 31.31 %.

6. During the meeting, Director (S&VO) pointed out that the Sugar Factory has also applied for financial assistance under scheme launched by the Central Govt. regarding financial assistance for enhancement in the production capacity of Ethanol. The sugar factory is required to furnish an undertaking to avail the financial assistance from any one of the two schemes.

7. Director, NSI Kanpur raised the issues of as to how do they propose to achieve ZLD. It was also pointed out that the Sugar Factory has not submitted agreement for supply of molasses. However, as per practice, the Sugar Factory is required to submit agreement of 10 years with other sugar factory for availability/ supply of molasses.

8. Recommendations of Sub-Committee- The Sub-Committee recommended SDF loan of Rs. 3650.65 lakh or such amount calculated after receipt of details of revised funding pattern of the eligible items amounting to Rs. 9242.17 lakh for consideration of Standing Committee subject to furnishing of clarifications regarding certain financials and capacity of boiler.

There was no consistency in the figures provided time to time by sugar factory and bank. As per the revised funding pattern submitted by the Sugar Factory, total admissible amount of SDF loan was worked out as Rs. 3696.868 lakh. Therefore, the proposal for SDF loan amount of Rs. 3696.868 lakh was placed before the Standing Committee.

9. Recommendations of the Standing Committee-

On the basis of available records and recommendations of the Sub-Committee, the Standing Committee recommended a loan of Rs 3696.868 lakh for Setting up of 60 KLPD anhydrous alcohol or ethanol plant from molasses subject to furnishing of following

information/ documents by the Sugar Factory:- (i) Adequate additional securities in view of DSCR being less than 1 for the past five years and continuous losses for the past three years, as per SDF Guidelines (ii) An undertaking to avail the financial assistance under SDF and not the other Scheme as the Sugar Factory has also applied for financial assistance under scheme launched by the Central Govt. regarding financial assistance for enhancement in the production capacity of Ethanol, (iii) Before issue of AA (a) an agreement of 10 years to be made by the sugar factory regarding availability of molasses, (b) further details as to how they propose to achieve ZLD and (iv) Details of means of financing the shortfall.

10. The sugar factory is required to offer either Bank Guarantee or first pari passu charge as security for SDF loan. However, security requirement will be decided by Department as per extant rules/guidelines/requirement.

Agenda No. 137.5: M/s Venkateshwara Power Project Ltd., A/p-Bedkihal, Tal. Chikodi, Distt. Belgaum, Karnataka-591214 for setting up of 90 KLPD anhydrous alcohol or ethanol plant from molasses.

The Standing Committee considered the above loan application of the sugar factory. The estimated project cost is Rs.9693.00 lakh. The sugar factory has requested for SDF assistance of Rs.3412.00 lakh.

<u>Brief facts of the case</u>

2. This case was earlier considered in 136th Standing Committee meeting held on 07.08.2018 and the Committee observed that the figures of production of molasses provided by appraising agency/sugar factory do not appear to be correct and desired a clarification on the issue of shortage of molasses. Besides, it was also brought to the notice of the Committee that although there are no outstanding SDF dues and LSPEF dues, however, there are pending Levy sugar dues of 2883.043 MT against the Sugar Factory.

3. As per the recommendations of 136th Standing Committee, the matter regarding availability of molasses and levy dues were examined in consultation with IFCI and NSI, Kanpur and the same was placed before the Standing Committee. It was noted that the sugar factory has entered into agreement with two sugar factories for supply of Molasses till June, 2019. However, as per practice, 10 years agreement is required for supply of Molasses.

4. The project has been appraised by IFCI Ltd. and technically evaluated by Business Brains, Kolhapur, Maharashtra. The project is technically & financially viable.

5. No refinancing of project is involved. No old plant and machinery has been considered in the project. Acknowledgment of application for NOC from Karnataka Pollution Control Board for setting up 90 KLPD distillery has been received. EIA clearance has also been received.

6. There were outstanding SDF dues. In this regard, IFCI informed during the meeting that they have cleared outstanding SDF dues. There are no LSPEF dues as on date. However, the Sugar Factory has not yet cleared the levy dues pending against them as per latest position obtained from Dte of Sugar vide its letter dated 07.12.2018.

7. From the balance sheet and other financial details of the Sugar Factory, it was observed that the average DSCR of the sugar factory is 7.52 (projection basis) and 1.43 (for the past five years). FACR of the sugar factory is 1.72 as on 31.03.2017. IRR of the project is 21.17 %.

8. Since the promoter's contribution has increased from 10% to 29.80% (i.e. by 19.8%), the SDF component will be 20.20 % {40.00% - 19.8% = 20.2%} of the total eligible project cost. After deducting ineligible items amounting to Rs. 1955.00 lakh, Eligible project cost was found to be 7738.00 lakh. Therefore, eligible SDF loan amount was calculated as Rs. 1563.076 lakh(i.e. 20.20 % of Rs. 7738.00 lakh).

9. Recommendations of the Standing Committee-

On the basis of available records, the Standing Committee recommended a loan of Rs.1563.076 lakh for setting up of a 90 KLPD anhydrous alcohol or ethanol plant from molasses subject to furnishing of following information/ documents by the Sugar Factory:- (i) No levy dues certificate (NDC) from Directorate of Sugar before issuing of AA (ii) an agreement with other sugar factories for supply of molasses for at least 10 years before issuing of AA as there was lack of in-house availability of molasses to run the ethanol plant for 160 days for setting up of plant of 90 KLPD (iii) details of means of financing the shortfall.

10. The sugar factory is required to offer either Bank Guarantee or first pari passu charge as security for SDF loan. However, security requirement will be decided by Department as per extant rules/guidelines/requirement.

MISCELANEOUS

Agenda No. 137.6: Extension of Validity of Administrative Approval in respect of M/s Siddhi Sugar and Allied Industries Ltd., Maheshnagar, Distt- Latur, Maharashtra.

Brief facts of the Case : SDF loan of Rs. 1035.60 lakh was sanctioned to M/s Siddhi Sugar and Allied Industries Ltd., Maheshnagar, Distt- Latur, Maharashtra for production of 30 KLPD anhydrous alcohol or Ethanol from molasses vide Administrative Approval dated 13.12.2016. The validity of AA expired on 12.12.2017. Further, Sub-Committee in its meeting held on 30.05.2018, recommended extension of validity of AA upto 31.10.2018 which was approved by Secretary (DFPD) and then by 136th Standing Committee. Now, Sugar mill vide its letter dated 29.10.2018 has requested to extend the validity of AA by 3 months i.e. upto 31.01.2019. IFCI vide its letter dated 19.11.2018 also recommended to extend the validity of AA upto 31.01.2019 on the basis of justifications given by the sugar factory.

2. Sugar Factory has informed vide their letter dated 05.11.2018 that they have completed 80% of the Distillery work and hope to test and commission the project by January, 2019.

Recommendations of the Standing Committee-

3. The Committee noted that the last extension allowed has expired on 31st October, 2018. Further, extension of 3 months i.e. upto 31st January, 2019 as sought by the sugar factory may not be adequate to complete the required formalities for disbursement of loan, since little time will remain available after issue of the Minutes. Sufficient time is required for approval of disbursement request with concurrence of IFD. As such, **keeping in view the justifications furnished by the sugar factory and IFCI, the Committee after due deliberations,**

Rh

recommended to extend the validity of Administrative Approval from 31.10.2018 upto 30.04.2019.

Agenda No. 137.7: Extension of Administrative Approval in respect of Shri Balaji Sugar and Chemicals Pvt. Ltd., Yaragal Vijapur Karnataka.

Brief facts of the case: SDF loan of Rs. 808.11 lakh was sanctioned to M/s Shri Balaji Sugar and Chemicals Pvt. Ltd., Yaragal Vijapur Karnataka for setting up 18 MW Greenfield bagasse based co-generation power project, vide Administrative Approval dated 26.06.2014, with the condition to offer Bank Guarantee as security of SDF loan. The validity of AA expired on 25.06.2015.

2. The sugar factory vide its letter dated 23.07.2015 intimated that IFCI insisted for Bank Guarantee as decided by 123rd Standing Committee but the same was not possible for the sugar factory, Therefore, the case was closed vide letter dated 30.09.2016. Sugar factory vide its letter dated 09.1.2018 confirmed that company is now ready to furnish Bank guarantee for security of SDF loan. Also a VIP reference was received justifying on the grounds of benefits to farmers. This was placed before the Sub-Committee in its meeting held on 30.05.2018 which had recommended extension of AA upto 31.10.2018 for consideration of Standing Committee. The proposal to extend the validity of AA was considered by 136th Standing Committee and it was directed that SDF division may re-examine the case keeping in view the precedence in the matter as the case is very old.

3. Accordingly, this proposal was examined in SDF. It was seen that the AA was issued on 26.06.2014, more than 4 and half years ago and case was already closed on 30.09.2016. Even PPA was also executed on 25.06.2016. However, the Sugar Factory vide its letter dated 10-12-2018 again reiterated that the sugar factory will produce bank guarantee for disbursing the loan amount. In view of above, the matter was placed before 137th Standing Committee for extension of AA.

Recommendations of the Standing Committee-

4. The justification given by the sugar factory vide letter dated 10.12.2018 was not found convincing as the extension has been requested on the ground that earlier the mill failed to furnish the bank guarantee as required. It was also noticed that Plant was commissioned in March, 2015. Therefore, it was observed that in the present circumstances, it is difficult to ensure that the SDF loan now to be given to the sugar factory would definitely be used for the project and not diverted to other project / investment by the sugar factory. Besides, it is not clear how the project was financed without SDF loan and what is the repayment position in respect of other loans pertaining to this project. **Accordingly, the Committee directed that the issue may be re-examined with specific reference to provisions of "Re-financing" under SDF Rules/Guidelines as well as funding pattern and repayment position in respect of other loans taken for the project, in consultation with IFCI.**

Agenda No. 137.8: Extension of Administrative Approval in respect of M/s Sahakar Maharshee Shivajirao Narayanrao Nagawade Sahakari Sakhar Karkhana Limited (Formerly known as The Shrigonda Sahakari Sakhar Karkhana Ltd.), At Shrigonda Factory, Post Shrigonda Sakhar Karkhana, Taluka Shrigonda, District Ahmednagar, Maharashtra.

Brief facts of the case: SDF loan of Rs. 3427.96 lakh was sanctioned to above Sugar Factory for setting up 26 MW bagasse based co-generation power project, vide Administrative Approval dated 12.11.2015. The validity of AA expired on 11.11.2016. The validity of Administrative Approval was extended upto 11.02.2017 and again upto 11.05.2017 with the approval of JS (Sugar). Thereafter, it was extended upto 11.11.2017 with the approval of Secretary (F&PD). Finally, it was extended upto 31.3.2018 with the approval of 135th Standing Committee.

2. The Sugar factory vide its letter dated 06.03.2018 requested for further extension of validity of AA for six months keeping in view of pending execution of PPA with State Government. The proposal to extend the validity of AA was considered by 136th Standing Committee and it was directed that SDF division may re-examine the case keeping in view the precedence in the matter as the case is very old.

3. Accordingly, this case was re-examined in SDF. It was seen that the AA was issued on 12.11.2015, more than 3 years ago. The disbursal had not been made to the sugar mill mainly due to non execution of Power Purchase Agreement (PPA). The reason for the delay was the policy of the State Government to keep the PPA policy in abeyance. Further, Sugar Factory vide its letter dated 11.09.2018 has informed that MSEDCL has executed PPA with Sugar Factory on 01-08-2018. Sugar Factory vide its letter dated 03.12.2018 has further intimated that they have completed 80% work of the entire project. In view of above, the case was placed before the 137th Standing Committee for extension of AA.

Recommendations of the Standing Committee-

4. Keeping in view the facts and circumstances of the matter, the Committee observed that the delay for PPA of factory was mainly due to non execution of PPA in view of the policy of State Govt. After due deliberations, the Committee recommended to extend the validity of Administrative Approval from 31.03.2018 upto 31.03.2019.

Agenda No. 137.9: Extension of Administrative Approval in case of SDF loan granted to M/s Utech Sugar Limited, Gat No.15, Mouje Kavathe Malkapur, Taluka Sangamner, Distt-Ahmednagar, Maharashtra

Brief facts of the case: - SDF loan amounting to Rs. 595.01 lakh was sanctioned to above sugar mill vide Administrative Approval dated 26.09.2014. The validity of AA expired on 25.09.2015. The case was closed on 19.05.2016. However, a representation dated 28th January, 2017 was received from the sugar factory to revalidate the Administrative Approval. The sugar factory stated that SDF loan was sanctioned vide sanction letter dated 26.9.2014 but SDF loan could not be sanctioned within the validity period as their opponents created problems at MPCB and NGT. The permission for consent to establish was withdrawn by MPCB. Similarly the project implementation activities were stopped for about 15 months due to stay granted by NGT.

2. The request of factory was considered and the Administrative Approval (AA) was extended upto 31.12.2017 by 134th standing committee. This case was also considered in 136th Standing Committee in its meeting held on 07.08.2018 and the Committee had observed that Administrative Approval had been issued in this case in the year 2014/2015. Therefore, the case is required to be examined in detail to see whether adequate justifications are available for seeking extension. Committee directed SDF division to re-examine the case keeping in view the precedence in the matter.

3. Accordingly, the case was re-examined in SDF. It was seen that the proposal to issue NOC for creation of first pari passu charge in favour of SDF, GOI for the proposed loan, was received on 07.09.2017. However, the NOC has not been issued yet mainly because of lack of clarifications on litigation involving ownership of properties of sugar factory.

4. Earlier, the sugar mill vide this Department's letter dated 21.02.2018 was conveyed that this Department is unable to accept the land for mortgage in their case as the same may not be free from encumbrance due to pendency of litigation cases. It was also conveyed that this Department is unable to proceed in the matter without Bank Guarantee or till the matter involving land, is finally settled in the court of law.

5. The sugar mill vide its communication dated 23.02.2018 again requested to consider their case for creation of security and has also offered additional security in the form of personal guarantee of chief promoter as well as security cheque. Various letters were received from the sugar factory and the IFCI. IFCI opined vide letter dated 06.02.2018 that even though the Company can create the charge, the enforcement of the security is a long term process and that Bank Guarantee may be obtained as Security of SDF loan. Finally, IFCI vide its letter dated 27.11.2018 submitted that considering delay in seeking clarification with reference to civil suit and writ petitions, delay in the matter is reasonable and justifiable and accordingly, IFCI requested to extend the validity period of AA from 31.12.2017 upto 31.03.2019.

Recommendations of the Standing Committee-

6. It was observed that the matter is sub judice as WP No. 7547/2015 and WP No. 8788/2015 have been filed in Hon'ble High Court. Therefore, the sugar factory may be asked to furnish the Bank Guarantee as security of SDF loan. **Keeping in view the facts and circumstances of the matter, the Committee recommended extending the validity of Administrative Approval from 31.12.2017 upto 30.06.2019 subject to furnishing of Bank Guarantee as security of SDF loan by the sugar factory.**

Agenda No. 137.10 : Revival of Administrative Approval in case of SDF loan granted to M/s Ghodganga SSK Ltd., Raosahebnagar, Nhavare, Tal-Shirur, Dist. Pune, Maharashtra

Brief facts of the Case:-SDF loan of Rs. 2400.42 lakh was sanctioned to M/s Ghodganga SSK Ltd., Raosahebnagar, Nhavare, Tal-Shirur, Dist. Pune, Maharashtra for setting up 18 MW bagasse based co-generation power project, vide Administrative Approval dated 18.03.2013. The validity of AA expired on 17.03.2014. Since the sugar mill could not provide EIA clearance, NOC from PCB and PPA, the case was closed on 16.05.2016 and the same was informed to the sugar factory. 133rd Standing Committee ratified the same on 21.02.2017.

2. The sugar mill vide its letter dated 03.07.2018 again requested to extend the validity period of AA. The proposal to extend the validity of AA was considered by 136th Standing Committee and it directed the Sub Committee to examine the case in detail and furnish its recommendations to Standing Committee. Committee also directed SDF to obtain comments of State Govt. in the matter of PPA through NCDC.

3. The case was placed before the Sub Committee in its meeting held on 30.10.2018. During the meeting, the representative of Directorate of Sugar informed that there are levy dues pending against the sugar mill. The Committee directed the Directorate of Sugar to quantify the levy amount within one month and direct the sugar factory to clear the dues immediately or to submit

Rh

the Bank Guarantee against the levy dues. Sugar factory will have to obtain NoC from Directorate of Sugar within a period of 45 days from the date of issue of the minutes of the Sub Committee meeting.

4. As per directions of 136th Standing Committee, the matter was taken up with NCDC. In this regard, O/o Sugar Commissioner, Pune, Maharashtra, vide its letter dated 25.10.2018 has also intimated that sugar mill has applied for Infrastructure clearance from Maharashtra Energy Development Agency (MEDA). Government of Maharashtra had policy for Non-conventional Energy to the tune of 1000 MW in 2015. Sugar mills from Maharashtra had applied for PPA with Maharashtra State Electricity Distribution Company (MSEDC) and MSEDC subsequently achieved target of 1000 MW Non-conventional Energy. Afterwards Government of Maharashtra issued new policy for first 100 MW and afterwards for 200 MW in 2018. Sugar mill got Infrastructure Clearance on dated 28.11.2017. Then MSEDC executed the PPA on 26.07.2018. There was no policy for purchasing Non-conventional Energy from sugar mills between 2015 to 2017.

5. During the meeting, NCDC explained the status of the project and informed that the sugar mill has now executed the PPA with the State Govt. of Maharashtra and also exporting the power.

6. It was noticed that there are levy dues of 105.85 MT (on the basis of lifting of levy) pending against the sugar mill.

7. It was noted that the AA was issued on 18.03.2013, more than five and half years ago and case was already closed on 16.05.2016. It was seen that the delay was mainly due to non-execution of PPA by State Govt from 2015 to 2017.

8. Recommendations of Sub-Committee- The Sub-Committee recommended for revival of AA up to 31.12.2018 for consideration of Standing Committee subject to furnishing of No levy dues certificate and certain financials.

Recommendations of the Standing Committee-

9. The Committee observed that the case was closed way back in may, 2016 and the mill requested for further extension only on 03.07.18 i.e., much after the expiry of AA. The reason for delay in applying for extension also needs to be examined. Further, in view of the delay, the proposed utilization of SDF loan needs to be examined. Besides, it is not clear how the project was financed without SDF loan and what is the repayment position in respect of other loans pertaining to this project. Keeping in view the facts and circumstances of the matter, the Committee directed that the issue may be re-examined with specific reference to provisions of "Re-financing" under SDF Rules/Guidelines as well as funding pattern and repayment position in respect of other loans taken for the project, in consultation with NCDC.

Agenda No. 137.11:- Review of Cane Development Scheme:

The Committee in its last meeting held on 07.08.2018 directed the sub committee to review the components of Cane Development under SDF and to examine the continuance of Cane Development scheme in future.

2. Accordingly, the proposal was discussed in detail in the meeting of Screening Committee held on 30.10.2018 and Screening Committee recommended to put the scheme on hold for up to two years with effect from 01.04.2019. However, this can be reviewed at any stage if the situation so warrants.

3. The matter was again discussed in Standing Committee.

4. Additional Director General (Commercial Crops), opined that the sugarcane development in the reserve area of the mill is vital & needed for improving the productivity of cane, harnessing high recovery and infusing new varieties for utilisation by mills. Therefore, the support to the sugar mills from SDF loan may be continued. The interventions covered under Cane Development Scheme under SDF are not a duplication of assistance provided by Ministry of Agriculture.

5. Director (S&VO) opined the Cane Development loan has a very good impact on poor farmers at the grass root level. Therefore, these schemes may be continued under SDF.

6. Recommendations of Screening Committee- The Committee recommended to put the scheme on hold for up to two years with effective from 01.04.2019. However, this can be reviewed at any stage if the situation so warrants.

Recommendations of the Standing Committee-

7. **After detailed discussion, the Committee recommended to continue with the Cane Development Scheme under SDF.**

Agenda No. 137.12: Closure of the Cane Development loan application of M/s Vikasratna Vilasrao Deshmukh Manjara Shetkari Sahakari Sakhar Karkhana Ltd – for information to the Standing Committee.

The Committee was apprised that Cane Development loan amounting to Rs.540.00 lakh was sanctioned to the Sugar Factory vide AA dated 27.07.2017. AA in this case expired on 27.07.2018. The Sugar Factory was requested to complete all the formalities necessary for the disbursal of the loan vide this Department's letters of even number dated 24.04.2018 and 16.05.2018. However, the Sugar Factory did not complete the formalties under the specified period. The Sugar Factory vide their email dated 14.05.2018 and vide their letter dated 21.07.2018 submitted a request for the extension of validity of AA but the Department did not agree to the request of the SF and decided to close the case. The same was conveyed to the Sugar Factory vide letter dated 15.10.2018.

2. **The Committee noted the same.**

Agenda No. 137.13: Non submission of UC by M/s Vitthalrao Shinde Sahakari Sakhar Karkhana Ltd. – recall of the Cane Development loan – information to the Standing Committee.

The Committee was apprised that SDF loan was recalled in respect of M/s Vitthalrao Shinde Sahakari Sakhar Karkhana Ltd. as the sugar factory had not submitted the Utilization Certificate within prescribed period. The sugar factory had refunded the principal amount of the loan along with interest. **The Committee noted the same.**

Agenda No. 137.14 Review of progress in Recoveries of SDF loans in cases of default:

The Standing Committee reviewed the recoveries in respect of 5 cases each monitored by IFCI and NCDC as follows:

NCDC

a. Madurantakam Cooperative Sugar Mills Ltd., Padalam-603308, the. -Madurantankam, District, Tamil Nadu
b. Tiruttani Cooperative Sugar Mills Ltd., PO- Tiruvalangadu-631210, Tiruttani, District-Tiruvallur, Tamil Nadu
c. NPKRR Cooperative Sugar Mills Ltd., Thalainyar, llanthoppu, Mayiladuthurai Taluk, District-Nagai, Tamil Nadu
d. Aska Cooperative Sugar Industries Ltd., Naugam, Aska, District- Ganjam, Odisha-761111
e. Daulat Shetkari Sahakari Sakkare Karkhana Ltd.Village Halkarni, Tal. Chandgad, Distt. Kolhapur 416552. Maharashtra

IFCI

a. M/s Champaran Sugar Company Ltd., Bihar
b. M/s K.M. Sugar Mills Ltd, Motinagar, District Faizabad, Uttar Pradesh.
c. M/s Sri Sai Krupa Sugar & Allied Industries Ltd., District- Ahmednagar, Maharasthra.
d. M/s Shree Valsad Sahakari Khand Udyog Mandali Ltd., Valsad, Distt. Valsad, Gujarat
e. Sri Chamundeswari Sugar Ltd., at Bharathi Nagar, Maddur Taluk, Madya, Karnataka State.

2. NCDC explained the present position with regard to the aforementioned five cases. With regard to first three cases, it was brought to the notice of the Committee that these cases are under submission to the Committee on Rehabilitation (COR) for consideration of the proposal of the State Government to settle the SDF dues. Director (S&VO) informed that the matter is under active consideration. Further NCDC also explained the status in respect of two other sugar factories.

3. IFCI also explained the status in respect of each of aforementioned five cases. In respect of M/s. Champaran Sugar Company, it was informed that the company went under liquidation. The assets of the company worth Rs. 8.00 crore were sold by the Official Liquidator and the claims of secured creditors were also considered. As the fund was not sufficient, the claim of SDF, Government of India being second charge holder was rejected. In respect of K.M. Sugar Mills Ltd., it was informed that the principal and the interest in respect of SDF loan has been fully repaid by the sugar factory. Similarly, in respect of remaining three cases the Committee was apprised of the current status of the matters pending in various DRT.

Recommendations of the Standing Committee-

4. After detailed discussions, the Committee recommended the following steps:-

4.1 A detailed report may be obtained from NCDC and IFCI on recovery status of the default cases which should include (a) categorization of defaulter sugar factories (b) an analysis by IFCI/NCDC as to "what went wrong" (c) challenges in the efforts made for recovery (d) status of repayments and recovery of other term loans/ bank loans and (e) measures taken/ to be taken to expedite the recovery (f) in case of Co-operative sugar

Rky

factories, matter may also be taken up with respective State Governments as well.

4.2 A meeting exclusively on recovery of SDF dues may be held.

4.3 Review may be made of all such cases for the last 10 years where loan could not be disbursed despite issue of Administrative Approval.

Additional Agenda-

Agenda No. 137.15: Guidelines for calculating FACR

The Committee was apprised that the present practice with regard to calculation of FACR was considered by the 134th standing committee, the present formula for FACR calculation is as follows:

(Net value of Fixed Assets + Work in progress)/
(All secured loans, including the proposed one)

2. As there are number of loans availed by the sugar mills which are secured on different type of assets (Fixed & Current Assets), a need was felt by the 134th standing committee to specify the value of secured loans to be considered for FACR Calculation. The 134th Committee accordingly had directed to obtain the opinion of monitoring agencies i.e. IFCI & NCDC in this regard and had directed the SDF Division to formulate the principles of calculation of FACR. After consultation with IFCI and NCDC and with the concurrence of IFD a proposal to define FACR was considered in 136th Standing Committee meeting held on 07.08.2018 and the Committee had observed that the proposal may be re-examined by the Sub Committee in consultation with IFD.

3. Accordingly, after examination, the proposal was placed before the Sub Committee meeting held on 30.10.2018 and the Sub Committee recommended the proposal for the consideration of the Standing Committee.

4. **After due deliberations, the Standing Committee recommended the guidelines for calculation of FACR as follows:**

<u>Guidelines/Principles of calculation of FACR</u>

A. Fixed Assets Coverage Ratio (FACR) for the purpose of security of SDF loans, and the issue of NOC may be worked for the Sugar Factory and Company as a whole as follows:

FACR=

Value of fixed assets to be mortgaged (existing assets and assets to be created under the project)

(Existing loans*** secured against the first charge on the assets proposed to be mortgaged including SDF loans secured against exclusive second charge) + loans for the proposed project including SDF loan.

Rh

B. Further, to ensure that the proposed assets corresponding to the proposed loans have been created for the project and to ensure that the funds have been utilized for the intended purpose, Fixed Assets Coverage Ratio (FACR) at the time of disbursement of final instalment (Lump sum or 2nd instalment) of SDF loan may also be worked for the Sugar Factory and Company as a whole as follows:

$$\text{FACR} = \frac{\text{Value of fixed assets mortgaged + CWIP, if any}}{\text{(Existing Loans*** secured against the first charge on the assets including SDF loans secured against exclusive second charge) + Loans for the proposed project including SDF loan.}}$$

And, in case of FACR thus calculated is less than the benchmark of 1.33, the Sugar factory will be asked to submit revised security, if required, for the SDF loan as per the prescribed norms.

Where '<u>Fixed Assets</u>' will include the following:

I. EXISTING ASSETS:

- Net Block (i.e. Gross Block – Depreciation) of TANGIBLE Fixed Assets
- Capital Work in progress (CWIP)
- Revaluation cost of Land estimated by the certified/approved valuer, as reduced by the Book value of land already considered in the Net Block (See Note – 2).

II. PROPOSED ASSETS (only for A above):

- Proposed Fixed Assets to be created under the project, as reduced by the value of Proposed Assets already capitalised under Capital work in progress.

<u>***</u> Existing Secured Loans which are secured against the 2nd charge on the fixed assets may not be included for new loans as the only 1st charge is being taken as per current SDF guidelines. However, SDF loans secured against 2nd Exclusive charge will be included in the calculation of FACR. Further, if FACR is being calculated for earlier loans with 2nd charge, then all secured loans with the 2nd charge will also be included.

<u>Note - 1:</u> As per current norms and IND AS (Accounting Standards), the current maturities of the secured loans which will be due in next one year are shown separately under heading Current Liabilities in the Audited balance sheet. The secured loans to be considered for FACR calculation will include these current maturities also as these current maturities are part of the balance of secured loans as on 31st March of the Balance sheet date.

<u>Note – 2:</u> Revaluation of Land will be considered if the following are complied with:

- Revaluation is done on the basis of valuation report prepared by Govt. approved valuer or valuer empanelled with SBI/PSU banks.
- The basis of valuation should be at circle rates fixed by Collectorate or the market rate, whichever is lower.
- The effect of revaluation has been incorporated in the balance sheet.

- The revaluation should be supported by a Statutory Auditor certificate, certifying the same is in order and giving the basis of revaluation.

Agenda No. 137.16: Guidelines on ceding and vacation of charge.

The Committee was apprised that the guidelines for Ceding of charge as approved by the 112^{th} Standing committee dated 13.08.2012, which are currently being followed are as under:

i. All charge subservient to or lower than the charge of SDF on the assets of sugar factory can be ceded.
ii. Charge equal to or higher than the charge held by SDF for loans granted by it can be ceded in favour of lender for the proposed loans if the FACR both of the sugar factory and company as a whole meet the FACR based benchmarks for the charge held by SDF even after taking into account the proposed loan for which the charge is proposed to be ceded.
iii. Comments/recommendations of the monitoring agencies i.e. NCDC for cooperative sugar factories and IFCI in respect of private sugar mills are obtained.
iv. In case of any doubt about the financial health of any sugar factory, further information on their assets & liabilities, profit & loss, DSCR, IRR and balance sheet may also be called for.
v. SDF does not have any of charge on current assets of a sugar factory and no NOC is considered necessary in such cases.

2. The Sub Committee on SDF in its meeting dated 30.10.2018 recommended additional guidelines for Ceding and Vacation of charge for the consideration of standing committee after obtaining the views/concurrence of IFD. It was brought to the notice of the Committee that the file has already been referred to IFD for their concurrence. After detailed discussions, AS&FA concurred in the proposal during the meeting.

Recommendations of the Standing Committee-

3. Accordingly, the Standing Committee considered and recommended the additional guidelines for Ceding of charge and Vacation of charge as follows:

Additional guidelines (i.e. in addition to guidelines already issued by 112^{th} Standing Committee) for considering sugar mill's request for issuance of NOC for ceding of the charge:

(i) A "No Dues Certificate" in respect of Levy Dues, SDF Dues and LSPEF Dues of sugar mill as well as its group units from the concerned authorities before considering the request of sugar mill for issuance of NOC for ceding of the charge will be sought.

(ii) An Undertaking in respect of Group Units, on Rs. 100 Stamp Paper (also mentioning the plant code) along with request of NOC will be sought.

The Standing Committee also recommended the following guidelines for Vacation of Charge.

Ceding of charge per se implies sharing of charge with other charge holders. Vacation of charge on the other hand implies altogether surrender of charge on the assets of company.

The existing guidelines for ceding of charge will apply mutatis mutandis to the vacation of charge. Further, the following additional guidelines shall be followed for considering sugar mill's request for vacation of the charge:

i. Nodal agency (IFCI/NCDC) will confirm that vacation of charge will not affect security on all the existing SDF loans of the sugar undertaking.
ii. For calculation of FACR, the value of specific assets on which charge is to be vacated should be deducted and only the balance assets be considered for FACR calculation.
iii. The value of specific assets on which charge is to be vacated should be certified by a Certified Valuer (copy of such certificate will also be required).
iv. A "No Dues Certificate" in respect of Levy Dues, SDF Dues and LSPEF Dues of sugar mill as well as its group units from concerned authorities before considering the request of sugar mill for vacation of the charge will be sought.
v. An Undertaking in respect of Group Units, on Rs. 100 Stamp Paper (also mentioning the plant code) along with request of NOC will be sought.

Note : condition no. (i) to (iii) will not be applicable in cases where the sugar mill has requested for vacation of charge/surrender of charge after 100% repayment of SDF loans in respect of sugar mill as well as its group units.

Additional point raised with the permission of Chair-

Joint Secretary (Department of Financial Services) raised the issues of profitability, net worth etc. and suggested that these components shall also be factored in while deciding the need of additional security in respect of SDF loans. **Accordingly, the Standing Committee directed that Sub-Committee may examine the issue and formulate a revised policy with regard to additional security against SDF loan by taking into consideration profitability, net worth as well.**

The meeting ended with vote of thanks to the chair.

****

ATTENDANCE SHEET OF PARTICIPANTS OF 137th MEETING OF STANDING COMMITTEE OF SDF TO BE HELD ON 21st December 2018 AT 12:00 Noon.

Sl. No.	Name & Designation	Department/organisation
1.	Shri. Ravi Kant, Secretary & Chairperson	Dept. of Food & PD
2.	Shri Dharmendra, Additional Secretary and Financial Advisor	Dept. of Food & PD
3.	Dr. A.P. Singh, Additional Commissioner	Ministry of Agriculture Co-operative & Farmer Welfare
4.	Shri Suresh Kumar Vashishth,Joint Secretary (Sugar & Admin),	Dept. of Food & PD
5.	Shri Suchindra Mishra, Joint Secretary	Ministry of Finance, Deptt. of Financial Services
6.	Shri G.S Sahu, Director (S & VO)	Directorate of Sugar, DFPD,
7.	Shri Narendra Mohan, Director(NSI)	NSI, Kanpur
8.	Shri R.K. Singh, ADG(CC)	Indian Council of Agricultural Research, Krishi Bhawan,
9.	Shri R.K.Pandey, Director (SDF), & Member Secretary,	Dept. of Food & PD
10.	Shri Dilip Kumar Jha,Under Secretary (SDF),	Dept. of Food & PD
11.	Shri R.K.Girdhar Under Secretary (SPF)	Dept. of Food & PD
12.	Shri KanavDua,Asst. Director (Cost),	Dept. of Food & PD
13.	Shri Jitendra Kumar Agrawal(SO,SDF)	Dept. of Food & PD
	SPECIAL INVITEES	
14.	**IFCI: -**	
	Shri Prasoon, CGM	IFCI Limited, New Delhi
	Shri V. Subramanian, GM	
	Shri V K Deshraj, GM	
	Shri J. Garwal, DGM	
15.	**NCDC: -**	
	Shri Girraj Agnihotri, DD	NCDC, New Delhi
	Md. Faisal	