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No.1-7/2019-SDF

Government of India
Ministry of Consumer Affairs, Food & Public Distribution
Department of Food & Public Distribution
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Room No.280-A, Krishi Bhawan,
New Delhi, the 17th December 2019

OFFICE MEMORANDUM

Subject: Minutes of 139th meeting of the Standing Committee on SDF presided over by Secretary (F&PD) as Chairman on Friday, the 8th November 2019– regarding

In continuation of this Ministry's O.M. of even number dated 23.10.2019 and 01.11.2019 on the above subject, a copy of minutes of 139th meeting of the Standing Committee held on 08.11.2019 under the Chairmanship of Secretary(F&PD) is enclosed for kind information and necessary action.

(Lalan Prasad Sharma)
Deputy Secretary (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 (Member)

Special Invitee:

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

(Lalan Prasad Sharma)
Deputy Secretary (SDF) &
Member Secretary

Copy for information to:

(i) PS to Hon'ble Minister of Consumer Affairs, Food & Public Distribution
(ii) PS to Hon'ble Minister of State of Consumer Affairs, Food & Public Distribution
(iii) Sr. PPS to Secretary, Department of Food & Public Distribution
(iv) Chief Controller of Accounts, Department of Food & Public Distribution

F.No:1-7/2019-SDF

Minutes of the 139th Meeting of the Standing Committee of Sugar Development Fund held on 8th November, 2019 in the Department of Food and Public Distribution, Krishi Bhawan, New Delhi.

The 139th Meeting of the Standing Committee of the Sugar Development Fund (SDF) was held on 8th November, 2019 at 03.00 PM under the Chairmanship of Secretary (F&PD). A list of participants is at Annexure-I.

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

Agenda No. 139.1: Action Taken Report on 138th Meeting of the Standing Committee

The Action Taken Report on the decisions taken in the 138th Meeting of the Standing Committee held on 09.07.2019 was considered case by case. With regard to Item No.15 (Review of Recoveries of SDF loan), 17 (Feasibility of OTS) and 18 (Linkage of recovery of SDF dues with other Schemes), the Committee directed to bring the issues for consideration in the next Standing Committee after due examination of these cases.

MODERNIZATION/EXPANSION

Agenda No.139.2: Proposal in respect of M/s Prasad Sugar and Allied Agro Products Ltd., Vambori, Taluka-Rahuri, District-Ahmednagar, Maharashtra 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 for modernization cum expansion of sugar plant from 2500 TCD to 4000 TCD. The estimated project cost is Rs. 5990.66 lakh and the sugar factory has requested for SDF assistance for Rs. 1691.59 lakh.

Brief facts of the case

2. The project has been appraised by Maharashtra State Co-operative Bank Ltd Mumbai and technically evaluated by VSI, Pune. The project is technically feasible & financially viable.

3. No old plant and machinery has been considered in the project. Consent to establishment dated 14.03.2018 for 1500 TCD from Maharashtra Pollution Control Board and acknowledgement for renewal of consent to operate for 2500 TCD is received. EIA clearance is not applicable as expansion is upto 4000 TCD only.

4. There are no outstanding SDF dues, LSPEF dues or levy dues 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 and Company as a whole on projection basis is 2.57 and average DSCR of the Sugar Factory and Company as a whole for past five years is 1.26. FACR of the sugar factory and Company as a whole is 3.44 as on 31.03.2018. IRR of the project is 25.17 %.

6. After deducting an amount of Rs.1229.17 lakh for ineligible items from the estimated project cost of Rs.5990.66 lakh, the eligible project cost works out to Rs.4761.49 lakh and SDF funding @ 40% of the eligible cost works out to Rs.1904.59 lakh. However, the Sugar factory has applied for SDF loan of Rs. 1691.59 lakh only. Hence, the Sugar Factory is eligible for the least amount of Rs. 1691.59 lakh.

7. Recommendations of Sub-Committee :- This proposal was earlier placed before the 138th Standing Committee wherein it was directed that - *(i)Diversion of working capital towards expenditure*

for the project may be re-examined in consultation with IFCI; (ii) Reasonability of projections like selling price of bagasse and other assumptions should be examined with reference to actual price in the market in consultation with IFCI; (iii) The case may be re-examined by the Sub Committee and thereafter be placed before the Standing Committee. Accordingly, the Sub-Committee in its Meeting held on 4.10.2019 considered the loan application and observed that the company has not used working capital loan for modernization project. Also, the assumptions taken in the appraisal note are reasonable and on the basis of technical and financial details, eligible project cost, and the loan amount applied for, recommended SDF loan of Rs.1691.59 lakh for consideration of Standing Committee.

8. The information furnished by the sugar factory in respect of para 7 along with comments of the nodal agency (IFCI) and the recommendations of the Sub Committee were placed before the Standing Committee.

9. Recommendations of the Standing Committee-

On the basis of available records, recommendations of the Sub-Committee and after due deliberations, the Committee recommended SDF loan of Rs.1691.59 lakh for modernization cum expansion of sugar plant from 2500 TCD to 4000 TCD. The sugar factory is required to furnish Bank Guarantee or create first pari passu charge as security for SDF loan alongwith additional securities as per extant guidelines. However, security requirement will be decided at the time of charge creation or at any other point of time as per extant rules/guidelines/requirement.

ANHYDROUS ALCOHOL OR ETHANOL FROM MOLASSES

Agenda No. 139.3: Proposal in respect of M/s Bannari Amman Sugars Ltd, Alaganchi village, Nanjangud taluk, District Mysore, Karnataka for Expansion of 60 KLPD distillery to 150 KLPD for production of ethanol from molasses with spent wash incineration to achieve ZLD

The Standing Committee considered the above loan application of the sugar factory for Expansion of 60 KLPD distillery to 150 KLPD for production of ethanol from molasses with spent wash incineration to achieve ZLD. The estimated project cost is Rs.14038.00 lakh. The sugar factory has requested for SDF assistance of Rs.5000.00 lakh.

Brief facts of the case

2. The project has been appraised by Punjab National Bank and Detailed Project Report prepared by ARK engineering and power consultants (P) Ltd. along with Technical feasibility report prepared by NSI, Kanpur mentioning that project is technically viable. The project is technically feasible & financially viable.

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

4. There are no outstanding SDF dues, LSPEF dues and levy dues 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 and Company as a whole on projection basis is 6.60 and 8.10 respectively; average DSCR of the sugar factory and Company as a whole for past five years basis is 2.26 and 1.33 respectively. FACR of the sugar factory and Company as a whole [with actual assets] is 0.99

and 4.14 respectively and FACR of the sugar factory and Company as a whole [including proposed assets] is 2.10 and 4.70 respectively. IRR of the project is 24.96 %.

6. It was noted that there seems in-adequate molasses in house for running the ethanol plant for 160 days. In this regard, NSI, Kanpur vide its report has intimated that the factory has proposed molasses as raw material for production of RS, ENA and Ethanol, which shall be available from own factory (7500 TCD) and molasses procured from sister concern company M/s Bannari Amman Sugars Ltd., Kollegal (5500 TCD) situated 40 Km away. NSI Kanpur has concluded that the molasses availability (own & sister concern factory) for running the distillery shall be adequate for operating it for more than 160 days. In this regard, Committee was informed that the sugar factory has has already provided undertaking for supplying of molasses from group unit

7. As per guidelines of 129th Standing Committee, as the promoter's contribution increased by 0.24 % the SDF component should be (40.00 % - 0.24 % = 39.76 %) of the total project cost. 39.76 % of eligible project cost will be 4601.50 lakh.

8. It was observed that an application for the same project has been approved under Ethanol Augmentation Scheme being implemented by DSVO. The Committee was informed that the Sugar Factory has submitted an undertaking that it will avail the benefit under SDF Scheme only and not under the Ethanol Augmentation Scheme.

9. Recommendations of Sub-Committee- The Sub-committee, on the basis of technical and financial details, eligible project cost, and the loan amount applied for, recommended SDF loan of Rs. 4601.50 lakh for Expansion of 60 KLPD distillery to 150 KLPD for production of ethanol from molasses with spent wash incineration to achieve ZLD for consideration of the Standing Committee. The sugar factory will also provide details of means of financing the shortfall.

10. It was observed by the Committee that the sugar factory has furnished an undertaking regarding means of financing the shortfall of Rs.398.50 lakh.

11. Director, NSI Kanpur recused himself during consideration of this agenda item as NSI was associated with technical feasibility report of the sugar factory.

12. Recommendations of the Standing Committee-

On the basis of available records, recommendations of the Sub-Committee and after due deliberations, the Standing Committee recommended a loan of Rs. 4601.50 lakh for Expansion of 60 KLPD distillery to 150 KLPD for production of ethanol from molasses with spent wash incineration to achieve ZLD. The sugar factory is required to furnish Bank Guarantee or create first pari passu charge as security for SDF loan alongwith additional securities as per extant guidelines. However, security requirement will be decided at the time of charge creation or at any other point of time as per extant rules/guidelines/requirement.

Agenda No.139.4: Proposal of M/s Yedeshwari Agro Products Ltd., Pavansoot Nagar, At Anandgaon (Sarni), Post Javalban, Tal: Kaij, Dist - Beed, Maharashtra for setting up 45 KLPD anhydrous alcohol or ethanol plant from molasses.

The Standing Committee considered the above loan application of the sugar factory for setting up 45 KLPD anhydrous alcohol or ethanol plant from molasses at a cost of Rs. 5973.00 lakhs including SDF assistance of Rs.2007.00 lakh requested by the Sugar Factory.

Brief facts of the case

2. The project has been appraised by Indian Overseas Bank and Detailed Project Report prepared by MITCON, Pune. The project is technically feasible & financially viable.

3. While examining the proposal with respect to refinancing, **the sugar factory conveyed that they have availed disbursement of bridge loan by the end of July 2019 i.e. after the submission of application for SDF assistance in the Department on 14.06.2019. Appraising bank has also provided the clarification that SDF bridge loan component has not been disbursed till 15.06.2019. Thus no refinancing of project is involved.** Also, no old plant and machinery has been considered in the project. Consent for establishment issued by Maharashtra State Pollution Control Board has been received. EIA clearance has also been received.

4 There are no outstanding SDF dues, LSPEF dues and levy dues 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 distillery and sugar factory/ Company as a whole on projection basis is 2.00 and 2.32 respectively; average DSCR of the sugar factory for past five years basis is 1.24. FACR of the sugar factory/Company as a whole is 1.59. IRR of the project is 15.50%.

6. It was noted that there seems in-adequate molasses in house for running the ethanol plant for 160 days. In this regard, an agreement with other sugar factory(s) may be required from sugar factory for adequate/entire supply of molasses for at least ten years.

7. It was observed that an application for the same project has been approved under EBP Scheme. The Committee observed that the sugar factory may opt any one of the two schemes (i.e., SDF or EBP). Accordingly an undertaking may be obtained in this regard whether it will avail the benefit under SDF Scheme or EBP Scheme.

8. As per the guidelines of 129th Standing Committee, as the promoter's contribution increased by 6.40 %, the SDF component should be (40.00 % - 6.40 % = 33.60 %) of the total eligible project cost. Accordingly, SDF component would be Rs. 1256.64 lakh.

9. Recommendations of Sub-Committee- Sub-committee, on the basis of technical and financial details, eligible project cost, and the loan amount applied for, recommended SDF loan of Rs. 1256.64 lakh for setting up 45 KLPD anhydrous alcohol or ethanol plant from molasses for consideration of the Standing Committee. The sugar factory has to (i) submit a clarification/ undertaking regarding availability of molasses, (ii) furnish additional security, and (iii) provide details of means of financing the shortfall.

10. It was observed by the Committee that the sugar factory has furnished an undertaking regarding means of financing the shortfall of Rs.750.36 lakh.

11. **Recommendations of the Standing Committee-**

On the basis of available records, recommendations of the Sub-Committee and after due deliberations, the Standing Committee recommended a loan of Rs 1256.64 lakh for Setting up of 45 KLPD anhydrous alcohol or ethanol plant from molasses. The sugar factory is required to provide an undertaking for opting out of Ethanol Augmentation Scheme being implemented by DSVO, if they want to avail assistance under SDF. Further, the sugar factory is required to furnish Bank Guarantee or create first pari passu charge as security for SDF loan along with additional securities as per extant guidelines.

However, security requirement will be decided at the time of charge creation or at any other point of time as per extant rules/guidelines/requirement.

SUGAR CANE DEVELOPMENT

Agenda No. 139.5: Proposal in respect of M/s Nirani Sugars Limited, 166, Kulali Cross, [amakhandi Road, Mudhol Taluk, Bagalkot, Karnataka - 587313 for SDF loan for Cane development involving SDF assistance of Rs.540.00 lakh.

The Standing Committee considered the above loan application of the sugar factory for SDF loan for Cane development involving SDF assistance of Rs.540.00 lakh. The application was recommended and forwarded by the State Government of Karnataka. The estimated project cost is Rs.600 lakh. The sugar factory has requested for SDF assistance of Rs.540 lakh in two installments.

Brief facts of the case

2. The Sugar Factory has applied for an SDF Cane Development loan of Rs.540.00 for Drip Irrigation and Rearing of Nurseries against the total project cost of Rs.600.00 lakh.

3. There are no outstanding SDF dues, LSPEF dues and levy dues pending against the sugar factory.

4. From the balance sheet and other financial details of the sugar factory, it was observed that, as on 31.03.2018, the DSCR of the sugar factory and company as a whole is 0.48, FACR of the sugar factory and company as a whole is 1.40, and IRR for the project is 12%.

5. Recommendation of Screening Committee - The Screening committee, on the basis of the recommendation of State Government, technical and financial details, and eligible project cost, recommended SDF loan of Rs. 540.00 lakh (Rs.236.25 lakh for 1st year and Rs.303.75 lakh for 2nd year) for consideration of the Standing Committee.

6. Director, NSI, Kanpur pointed out that the incremental change with respect to variety of seeds have not been given by the sugar factory. Further, the factory in 2017-18 has shown 23940 ha area at one place and 7819.93 ha area at another place in the same application under sugar cane cultivation. Thus the figures submitted by the sugar factory did not reflect clear picture of the project. Further, the POL percent i.e. 12.4% is not realistic.

7. **After due deliberations, the Committee directed to seek clarifications from the sugar factory and accordingly deferred the case.**

8. Further, the Committee observed that there should be an evaluation/ study of impact of Cane Development projects pertaining to the last five financial years (i.e. from FY 2014-15 onwards). The Committee directed that such impact analysis may be conducted by NSI, Kanpur for which a proposal would be submitted by NSI at the earliest. Cost of such study would be incurred from SDF.

MISCELANEOUS

Agenda No. 139.6: - Closure of the case of SDF loan granted to M/s Utech Sugar Limited, Gat No.15, Mouje Kavathe Malkapur, Taluka Sangamner, Distt-Ahmednagar, Maharashtra

An SDF loan of Rs. 595.01 lakh was sanctioned to above sugar factory(SF) on 26.09.2014. On 26.07.2017, Administrative Approval(AA) was extended upto 31.12.2017 as per recommendations of 134th Standing Committee(SC). On 12.02.2019, AA was further extended upto 30.06.2019 as per recommendations of 137th Standing Committee subject to furnishing Bank Guarantee(BG). Since the sugar factory did not furnish BG, therefore, the case was not processed further. The AA got expired on 30.06.2019 and the case was closed on 03.07.2019. The case was placed before 138th SC for its information. In the meantime, a representation dated 08.07.2019 was received from the SF which was also placed before the 138th SC. The Committee recommend that representation of SF dated 08.07.2019 may be examined by the Sub-Committee in consultation with IFCI and after this matter may be brought for consideration by Standing Committee.

2. The representation was examined and IFCI vide their letter dated 03.10.2019 had recommended not to accept mortgage of property under litigation and further recommended that sugar factory may be asked to provide Bank Guarantee as security of SDF loan.

3. On 04.10.2019, the case was placed before the Sub-Committee and Committee recommended that revival and extension of AA may be granted only after the sugar factory agrees to furnish Bank Guarantee as security for SDF loan and accordingly recommended for submission to the Standing Committee.

4. In the meantime, Sugar Factory vide letter dated 05.11.2019 submitted a representation as under:

(i) 1st pari-passu charge will be created in favour of Govt. of India on all movable and immovable property of the sugar and cogeneration plant of sugar factory, NOC for the same already availed from bankers and FACR are in within approved limit of the norms.

(ii) PDC of equivalent amount of cheque will be given as security towards above loan.

(iii) Joint and several guarantee of key promoter i.e. 1. Ravindra P. Birole 2. Ashiwini R. Birole 3. Shantanu R. Birole will be given as an additional guarantee to the above loan.

5. IFCI vide its email dated 08.11.2019 further informed that as per Hon'ble High Court, Mumbai order dated 20/06/2019 on WP 8788/2015, order dated 13/05/2015 passed by Revenue Minister, has been quashed. Matter has been remanded back to SDO. The SDO has subsequently modified the conversion order and it is found that the Non-Agricultural use order is correct. Also, there was a Civil Suit No. 27/2013 disputing title to the property. The said Civil Suit stood disposed of in favour of the company. However, an appeal has been filed against the order by Civil Appeal No. 1103/2018. While there is no stay order, and as such no bar in creation of mortgage, it is to be noted that the outcome of the appeal will have a bearing on the title to the property, and consequently on the mortgage. In view of above and to be in a position of safeguarding the interest of SDF/GOI , IFCI recommended that we may not create mortgage on the said land. During the meeting also, representatives of IFCI re-iterated the same.

6. The Committee was informed about the above representation of the sugar factory and opinion of IFCI. After due deliberations, ***the Committee recommended that the representations of the sugar factory may be examined in consultation with IFCI and placed before the Sub Committee.***

Agenda No. 139.7:- [Misc.] Proposal to amend relevant SDF Rules for reducing the moratorium period under Modernisation Loan Scheme from 5 years to 3 years.

The Standing Committee considered the proposal to amend relevant SDF Rules for reducing the moratorium period under Modernization loan scheme from existing 5 years to 3 years.

2. It was informed to the Committee that the moratorium of the modernization loan was reduced from 08 years to 05 years, vide G.S.R. 599(E) dated 30.07.2012. [Amended Rule 16, Sub-Rule 9 (iv)]

3. Comments of nodal agencies (i.e. IFCI and NCDC) were obtained. Further, IFD has also given its No Objection to the proposal of reducing the moratorium period under Modernization loan scheme from existing 5 years to 3 years.

4. Thereafter, the **case was placed before Sub-Committee meeting held on 04.10.2019. During the Sub Committee meeting, t**he views of IFCI and NCDC were noted. The issue was deliberated upon in detail during the Meeting. Most of the Members were of the view that the time taken in completion of the project has reduced significantly, as the project is set up now-a-days nearly in one and half years and the benefits of new project starts accruing in 2 to 3 years. The increasing amount of default in repayment of SDF loans was also considered. It was concluded during the Meeting that the proposal to reduce the moratorium period from 5 years to 3 years is justified and recommendable. The Sub Committee recommended the proposal to amend relevant SDF Rules accordingly for consideration of the Standing Committee.

5. During the Meeting, NCDC submitted that the moratorium for modernization projects may be increased to 8 years as was before amendment on 30.07.2012. IFCI submitted that the reduction of moratorium period from 5 years to 3 years may in some cases increase the SDF default and therefore advantages and disadvantages of reducing the moratorium period requires further analysis.

6. ***The Standing Committee observed that the matter requires further examination and accordingly directed to re-examine the proposal.***

Agenda No. 139.8:-[Misc.] Reviewing the policy of ceding of charge in favor of other lenders subject to the up gradation of the charge held against SDF loans granted to the sugar factories.

The Standing Committee considered the proposal regarding reviewing the policy of ceding of charge in favor of other lenders subject to the up gradation of the charge held against SDF loans granted to the sugar factories.

2. The Sub Committee considered this proposal in its Meeting held on 4.10.2019. It was noted that IFD while concurring a particular proposal of sugar factory for NOC for ceding of charge, observed that **the policy of ceding of charge in favor of other lenders subject to the upgradation of the charge held against SDF loans granted to the mills may be reviewed.**

3. In this regard, the 136th Standing Committee on SDF, in its meeting, observed as follows:

" *The Committee observed that while 2nd charge for new SDF should not be accepted however insisting upon upgrading the security from 2nd charge to 1st charge for all previous SDF loans secured on 2nd charge, whenever a sugar mill approaches SDF for NOCs, may not be fair and therefore Standing Committee directed that the matter may be re-examined by the Sub Committee in detail.* "

4. After considering the comments of IFCI and NCDC as well as Director (Finance & Budget), the Sub Committee noted that the second charge was earlier allowed as security of SDF loans in case the FACR is above 1.50. Therefore, the following may be considered for inclusion in the 'Guidelines for ceding of charge' as criteria for up gradation of existing charge held by SDF: