

F. No.1-9/2017-SDF
Government of India
Ministry of Consumer Affairs, Food & Public Distribution
Department of Food & Public Distribution

Room No. 260, Krishi Bhawan,
New Delhi, the 28th June, 2017

OFFICE MEMORANDUM

Subject: Minutes of the Sub Committee of Sugar Development Fund for considering loan applications of sugar factories for Modernization, Cogeneration, Ethanol /ZLD projects and other related issues held on 21st June, 2017 at 11.30AM -regarding.

In continuation of this Ministry's OM of even number dated 06.6.2017 on the subject, a copy of the minutes of the meeting of Sub-Committee held on 21st June 2017 at 11.30 A.M., under the Chairmanship of Joint Secretary (Sugar & Admn.) is enclosed for your kind information and necessary action.



(N.K. Kashmira)
Director (SDF)
Member Secretary
Tel.No.23382338

DISTRIBUTION:

1. Chief Director (Sugar), [represented by Director (S&VO)], Directorate of Sugar
2. Director (Finance), D/o Food & P.D.
3. Director, National Sugar Institute, Kanpur, Kalyanpur, Uttar Pradesh

Special Invitees

4. The President/Vice President/Director General, ISMA, New Delhi
:Representative from sugar industry
5. The President/Vice President/Managing Director, NFCSF Ltd., New Delhi :
Representative from sugar industry
6. Representative of Sugar Technologist's Association of India: Technical Expert
7. Representative from NCDC : Banking Expert
8. Representative from IFCI : Banking Expert



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

Copy for information to: PS to JS (Sugar & Admn.)/PS to Director(SDF)/US (SPF)/AD(Cost),
website of the Department.

Minutes of the meeting of the Sub- Committee under Sugar Development (SDF) held on 21.06.2017.

A meeting of the Sub-Committee for consideration of the loan applications for setting up of projects for modernization, production of ethanol from molasses and other related issue regarding eligibility of sugar factory for applying SDF loan applications under Sugar Development Fund (SDF) was held under the Chairmanship of Joint Secretary (S & A) on **21.06.2017** at 11:30AM in room no, 167, 1st Floor, Krishi Bhawan, New Delhi. List of participants is at **Annex-I**.

2. At the outset, the Chairman welcomed all the Members of the Sub-Committee. Thereafter, agenda items were taken up for discussion. Case wise observations/ decisions are as follows:

Modernization

Agenda Item No.1

M/s Bannari Amman Sugar Ltd., Alathukombai Village, Sathyamangalam Taluk, Erode District, Tamil Nadu.

1. The Sub-Committee considered the loan application of **M/s Bannari Amman Sugar Ltd., Alathukombai Village, Sathyamangalam Taluk, Erode District, Tamil Nadu** for sanction of financial assistance from SDF for **Modernization of Juice Processing section of sugar plant** at a cost of Rs. 4050.98.00 lakh. SDF assistance of Rs. 1500.00 lakh has been requested. The project has been appraised by IFCI Ltd., New Delhi and DPR has been prepared by M/s Avant-Grade Engineers and Consultant Pvt. Ltd.

2. The Sub Committee observed that the component mentioned in the DPR are not the part of Modernization and the aim and objective of project has not been clearly mentioned, also the cost of project is too high. The sugar factory has not been achieving its crushing capacity during the last few years. The crushing capacity is used between range of 45 to 64% only. Factory need to give detail of plant and machinery used for the project and also its compatibility with Heat and Mass Balance Diagram (HMBD). Sugar Mill will clarify the position in respect of Heat Mass Balance Diagram. Thus project does not appear to be technically viable/feasible. The Committee also noted that the additional information which is required for examination and calculation for SDF loan was furnished by the sugar factory only on 20.06.2017.

3. In view of the above, the Committee decided to **defer** the proposal and asked sugar factory to furnish all the technical and financial details to SDF Division for its further examination.

4. IFCI Ltd. was advised to furnish track record of the previous SDF loans to the sugar undertaking and to calculate DSCR for the last five years on the basis of Audited Balance Sheet of respective years of the unit as well as company as a whole.

5. The representatives of the sugar factory were agreeable to furnishing of the Bank Guarantee as security of the SDF loan in case the FACR is not found above the benchmark at the time of charge creation.

Anhydrous alcohol or Ethanol Project.**Agenda Item No.2****M/s Bhairavnath Sugar Works Ltd., Sonari, Tal. Paranda, Dist. Osmanabad, Maharashtra (30 KLPD anhydrous alcohol or Ethanol Project).**

1. The Sub-Committee dated 11.05.2017 had deferred the proposal and had requested Director NSI, Kanpur to re-examine the technical details. The Director, NSI Kanpur vide its report dated 19.6.2017 has concluded that the in-house molasses shall be sufficient to run the distillery on its own molasses for 160 days subject to availability of sugar cane and the project is technically sound.
 2. No refinancing is involved with the project. No old plant and machinery has been used in the project. NOC (Consent to operate) from Pollution Control Board has been received. EIA clearance has also been received.
 3. Dues position:
 - (i) SDF dues : As per CCA, is Nil.
 - (ii) LSPEF dues : No LSPEF dues.
 - (iii) Levy sugar dues: Nil
 4. As on 31.03.2016, the average DSCR of the sugar factory/ company as a whole is 1.54/2.49 and the FACR of the sugar factory/company as a whole is 1.84/2.62 respectively. The IRR is 16.31%.
 5. The Director NSI, Kanpur stated that if the sugar factory crushed 6.50 LMT of cane during a season, the molasses will be sufficient for the above mentioned project. The Committee directed the sugar factory to furnish the details of sugar-cane availability and furnish a certificate in this regard from the District Cane Authority and also furnish the copy of agreement for supply of molasses. The above documents will be furnished by the sugar factory within a week time of issue of the minutes.
 6. Sub Committee observed that the Reserve & Surplus (Retained Earnings) balance for Sonari unit is negative for past four years and having very weak financials, therefore, Additional Security for SDF loan may be required from the sugar factory at the time of charge creation.
 7. Subject to above observations the Sub-committee, on the basis of eligible project cost and the loan applied for, recommended a loan of **Rs. 1901.12 lakh** for setting up **30 KLPD anhydrous alcohol or Ethanol Project** for consideration of the Standing Committee. The sugar factory will give means of financing the shortfall.
- § 10E The sugar factory is required to offer Bank Guarantee or first pari passu charge alongwith additional security as security for SDF loan. However, security requirement will be decided at the time of charge creation as per extant rules/guidelines/requirement.

Agenda Item No.3**M/s L.H. Sugar Factories Ltd., Civil lines, Pilibhit, Uttar Pradesh (60 KLPD anhydrous alcohol or Ethanol Project).**

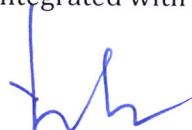
1. The Sub-Committee considered the loan application of M/s L.H. Sugar Factories Ltd., Civil lines, Pilibhit, Uttar Pradesh, for sanction of financial assistance from SDF for Setting up 60 KLPD anhydrous alcohol or Ethanol Project at a cost of Rs.6798 lakh. SDF assistance of Rs. 1980 lakh has been requested. The project has been appraised by IDBI and technically evaluated by Conducted by P.H.Baldota & Co.

2. The Committee observed that there are insufficient molasses available with the sugar factory to run the ethanol plant for 270 days. Further, Director, NSI, Kanpur, pointed out that the ethanol selling price per liter in the assumptions was not correct as the current price was hovering around Rs. 39/- per liter. It therefore, needed to be ascertained whether the project would be viable if the selling price of Rs. 39/- per liter is taken. Further, the pol % is 4.25 and not 4.5 as quoted in the details furnished by the sugar factory. Though the sugar factory representative mentioned that there is sufficient cane is available and sugar factory may have sufficient quantity of molasses to run the ethanol plant for 270 days. It was also observed that the transportation cost had not been mentioned and not taken into account to assess the viability as the distillery plant is 8 KM away from the sugar plant. Besides, many figures/details regarding costing of for plant & machinery were vague and needed to be revisited such as utilities items for ethanol plant, requirement of DG Set, Turbine of 2 MW etc. The cost of P&M is under valued. The Committee also noted that the additional information which is required for examination and calculation of SDF loan was furnished by the sugar factory but the same has not been received through the appraising bank.

3. In view of the above, the Committee decided to *defer* the proposal and directed to re-examine the technical details in consultation with NSI, Kanpur after the sugar factory provides all the necessary information/documents and additional information is received from the appraising bank.

Agenda No. 4**Eligibility of Sugar factory for SDF loan****M/s Bhogpur Co-op. Sugar Mills Ltd., Dist. Jalandhar, Punjab (Modernization-expansion & Cogeneration).**

1. The Sub-Committee considered the eligibility of loan application of M/s Bhogpur Co-op. Sugar Mills Ltd., Dist. Jalandhar, Punjab (Modernization-expansion & Cogeneration) for sanction of financial assistance from SDF for modernization-expansion of sugar plant from 2500 TCD to 3000 TCD integrated with 15 MW bagasse based cogen plant at Bhogpur.



MINUTES OF THE SUB-COMMITTEE MEETING HELD ON 21.06.2017

2. After the detailed deliberations, the Committee observed that the existing crushing capacity of the Bhogpur Co-op. Sugar Mills at Bhogpur is 1016 TCD. The State Govt. of Punjab has approved the shifting of Plant & Machinery of 2500 TCD plant of Faridkot Co-operative Sugar Mill's plant to the Bhogpur Co-operative Sugar Mills by investing Rs.20.70 crores. The Bhogpur Co-op. Sugar Mills at Bhogpur is proposed to expand the sugar plant upto 3000 TCD with additional new equipments and simultaneously to install 15 MW Cogen Plant as an integrated project. The Committee considered that the expansion of 3000 TCD project is integrated with 15 MW Cogen project and will be part & parcel of new plant of 3000TCD, the SDF loan applications of the sugar factory for grant of SDF loan are eligible. However, since this sugar factory is State Government owned and Sugar factory has agreed to give Guarantee from the State Government, this case may be considered favourably as a special case not to be used as a precedent case.

3. In view of the poor financials of the sugar factory, the Committee directed the sugar factory to furnish the guarantee of State Govt. of Punjab for security of SDF loans as an additional security, at the time of disbursal. The representative of the sugar factory have ensured that they would produce the same.

4. The sugar factory has been directed to furnish the information as and when asked by SDF Division, in a time bound manner.

5. The above SDF loan applications will be submitted for consideration before the next Sub-Committee after examination of all financial and technical aspects for eligibility of SDF loan.

Agenda Item No. 5 and 6

M/s Dhampur Sugar Mills Ltd. Unit - Dhampur, Moradabad Road, Distt. Bijnor, Uttar Pradesh (Conversion of existing 200 KLPD ethanol project in to Zero Liquid Discharge Plant) [Agenda Item No. 5] and M/s Dhampur Sugar Mills Ltd. Unit - Asmoli, Distt. Shambhal, Uttar Pradesh (Conversion of existing 100 KLPD ethanol project in to Zero Liquid Discharge Plant) [Agenda Item No. 6].

1. The Sub-Committee considered the case for eligibility of the Sugar factory's application for sanction of financial assistance from SDF for conversion of existing 200 KLPD/100KLPD ethanol project in to Zero Liquid Discharge Plant.

2. The rule position in regard to 'refinancing' as envisaged in Sub-Rule 3 of Rule 22A of SDF Rules have been considered by the Committee. The comments of SDF Section with regard to the case being covered under the definition of the 'Refinancing' as given in the SDF Rules & hence are not eligible, were considered by the Committee.

3. Subsequently, the opinion of the representative of the SF was also obtained. The sugar factory submitted that Punjab National Bank (PNB) has issued a clarification stating that the fresh term loan sanctioned to **Dhampur unit** for Rs. 63.75 crore includes Rs 34.00 crore and **Asmoli unit** for Rs. 33.75 crore includes Rs 18.00 crore respectively as bridge loan against SDF share.

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4. After the detailed deliberations, the Committee directed that clarification from the PNB may be sought. The case may be re examined in the light of the information and if necessary legal opinion may also be obtained regarding the eligibility of the sugar factory for the SDF loan w.r.t. para 2 above

Miscellaneous

1. The Committee observed that as per present practice while submitting the financials of the project for consideration of SDF loan application under SDF Rules, the Average DSCR of the Sugar factory and Company as a whole is considered. The same is calculated based on the future projections of earnings, interest and principal repayments.

In view of effective due diligence and to track the past financial record of the Sugar factory, the Committee directed that **henceforth**, the Average DSCR of the Sugar Factory & Company as a whole based on the Audited Balance Sheet and Profit & Loss Account for immediate past five years, duly certified by a Chartered Accountant, will be also furnished by the IFCI and NCDC for consideration of SDF loan.

2. The Committee also decided that **henceforth**, the monitoring agency i.e. IFCI and NCDC will provide the following information in respect of the proposals to be considered under SDF Rules:

1. Track record and re-payment history of the Sugar Factory and Company as a whole in respect of the past SDF loans disbursed along with relevant details.
2. In case all the past SDF loans have been repaid, the final date of repayment corresponding to due date of repayment of all loans.
3. Complete details of SDF dues of Sugar Factory and Company as a whole outstanding as on date in respect of the past SDF loans disbursed, along with the repayment status.
4. Complete details of SDF dues of Sugar Factory and Company as a whole in default as on date in respect of the past SDF loans disbursed.
5. Detail of total SDF loan disbursed to the Sugar Factory and Company as a whole for different SDF loan Schemes since inception of SDF.
6. Total SDF loan exposure, including project under consideration, to the SF and Company as a whole.



List of Participants of Sub Committee Meeting held on 21.06.2017

S. No.	Name of Members	Department
1	Shri Subhashish Panda Joint Secretary (S & A)	Chairman
2	Shri Narendra Mohan Director, NSI Kanpur	Member
3	Shri R.K.Pandey Director (Finance)	Member
4	Shri N.K. Kashmira Director (SDF)	Member Secretary
Special Invitees		
5	Shri G.K. Thakur Director (Policy)	Indian Sugar Mills Association
6	Shri A.K. Jain Financial Advisor	National Federation of Co-operative Sugar Factories Ltd.
7	Dr. Sanjay Awasthi President	Sugar Technologist's Association of India
8	Shri R.K. Mangla Deputy Director (Sugar)	NCDC
9	Shri S. Chandrasekaran Asst. General Manager	IFCI Ltd.
Others		
10	Shri Sudesh Kumar	Under Secretary (SDF)
11	Shri Kanav Dua	Asst. Director (Cost)
12	Shri Manmohan Kumar	Section Officer (SDF)
13	Shri R.C. Meena	Section Officer (SDF A/c)