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No.1-2/2020-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, 26.06.2020

OFFICE MEMORANDUM

Subject: Meeting of Sub-Committee of SDF for considering loan applications of Sugar Factories for Modernization-Rehabilitation, Cogeneration and Ethanol /ZLD projects- regarding

In continuation of this Ministry's OMs of even number dated 09.06.2020 and 19.06.2020 on the subject mentioned above, a copy of minutes of the meeting of Sub Committee held on 24.06.2020 at 03:00 PM under the Chairmanship of Joint Secretary (Sugar& Admn.) is enclosed for your kind information and necessary action.


(L.P.Sharma)

Deputy Secretary (SDF)
Member Secretary
Tel.No.23073478

DISTRIBUTION:

1. Chief Director (Sugar), [to be represented by Director (S&VO)], Directorate of Sugar, DFPD
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 (STAI): Technical Expert
7. Representative of Horticulture Division, Department of Agriculture Cooperation and Farmers welfare, Ministry of Agriculture and Farmers Welfare, Krishi Bhawan, New Delhi
8. Representative from NCDC : Banking Expert
9. Representative from IFCI : Banking Expert


(L.P.Sharma)

Deputy Secretary (SDF)
Member Secretary

Copy for information to: PPS to JS (Sugar & Admn.)/PPS to Deputy Secretary (SDF)/US (SPF)/AD(Cost)

Minutes of the meeting of the Sub- Committee under Sugar Development Fund (SDF)
held on 24.06.2020

A meeting of the Sub- Committee for consideration of the loan applications under Sugar Development Fund (SDF) was held under the Chairmanship of Joint Secretary (S&A) on 24.06.2020 at 03.00 PM in Committee Room No. 41, Krishi Bhawan, New Delhi. A list of participants including those who participated through VC is at Annexure-I.

At the outset, the Chairman welcomed all the Members of the Sub-Committee. After that, the agenda item was taken up for discussion with the permission of the chair. The observations/recommendations are as follows:

Agenda No. 1: Proposal of M/s DSCL Sugar Hariawan, Distt.- Hardoi, U.P. for setting up of 30 MW (expansion from 24 MW to 54 MW) bagasse based co-generation power project

The Sub Committee considered the loan application for setting up of 30 MW (expansion from 24 MW to 54 MW) bagasse based co-generation power project at a cost of Rs.11060.00 lakh including SDF assistance of Rs.4350.00 lakh requested by the Sugar Factory.

2. The project has been appraised by HDFC Bank and Detailed Project Report prepared by sugar factory (in-house). Technical feasibility report prepared by NSI, Kanpur mentioning that project is technically viable. On the basis of technical, financial and other data placed before it, the Committee was convinced that 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 to establish issued by Uttar Pradesh 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 and its group/sister unit.

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 is 4.46 and 10.53 respectively; average DSCR of the sugar factory and Company as a whole for past five years basis is 4.70 and 3.94 respectively. FACR of the sugar factory and Company as a whole is 2.71 and 2.84 respectively. IRR of the project is 18.30%.

6. It was observed that the sugar factory has incurred loss for the financial year 2017-18. The sugar factory is required to offer either Bank Guarantee or first pari passu charge as security for SDF loan. However, security requirement, along with additional securities, will be decided at the time of charge creation or at any other point of time as per extant rules/guidelines/requirement.

7. 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.3882.11 lakh for setting up of 30 MW (expansion from 24 MW to 54 MW) bagasse based co-generation power project for consideration of the Standing Committee. The sugar factory will also provide details of means of financing the shortfall.



Agenda No. 2: The proposal in respect of M/s Khatav Man Taluka Agro Processing Ltd., Padal, Tal. Khatav, Dist. Satara, Maharashtra for setting up of 12 MW Greenfield bagasse based co-generation power project

The Sub Committee considered the loan application for setting up of 12 MW Greenfield bagasse based co-generation power project at a cost of Rs.4890.00 lakh including SDF assistance of Rs.500.50 lakh requested by the Sugar Factory.

2. The project has been appraised by The Karad Urban Co-operative Bank Ltd. and Detailed Project Report prepared by VSI, Pune along with Technical feasibility report mentioning that project is technically viable. On the basis of technical, financial and other data placed before it, the Committee was convinced that 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 to establish issued by Maharashtra Pollution Control Board has been received. EIA clearance is not required.
4. There are no outstanding SDF dues, LSPEF dues and levy dues pending against the sugar factory as project is Greenfield.
5. From the balance sheet and other financial details of the sugar factory, it was observed that DSCR of last 5 years cannot be calculated as commercial production of sugar mill is started from November, 2019. Proposed average DSCR of the cogen unit and company as a whole is 2.88 and 2.46 respectively. FACR of the sugar factory is 1.23 and FACR of the factory including proposed assets and proposed loans is 1.38. IRR of the project is 23.50%.
6. It was observed that the sugar factory has incurred loss during past 3 years. The sugar factory is required to offer either Bank Guarantee or first pari passu charge as security for SDF loan. However, security requirement, along with additional securities, will be decided at the time of charge creation or at any other point of time as per extant rules/guidelines/requirement.
7. 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.428.91 lakh for setting up of 12 MW greenfield bagasse based co-generation power project for consideration of the Standing Committee. The sugar factory will also provide details of means of financing the shortfall.

Agenda No. 3: The proposal in respect of M/s Twentyone Sugars Ltd. (Unit-1), Village-Malavati, Tal. & Distt. Latur, Maharashtra for setting up of 32 MW Greenfield bagasse based co-generation power project

The Sub Committee considered the loan application for for setting up of 32 MW Greenfield bagasse based co-generation power project at a cost of Rs.26913.00 lakh including SDF assistance of Rs.2389.20 lakh requested by the Sugar Factory.

2. It was brought to the notice of the Sub Committee that the sugar mill is in the process applying Short Name and Plant Code. The same is required to be furnished by the sugar factory for consideration of its application for SDF assistance.



3. The Sub-committee decided to defer the proposal with directions to re-examine the application after obtaining aforementioned information along with all details for placing it before the next Sub Committee.

Agenda No. 4: Proposal for Revival & Extension of AA 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

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not create mortgage on the said land. During the meeting also, representatives of IFCI re-iterated the same.

6. The 139th Standing 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.*

7. *As recommended by 139th Standing Committee, IFCI vide its letter dated 16.01.2020 has stated that the opinion of legal Department of IFCI was sought in the matter. However, their opinion in the matter is the same since there has been no further development been recorded as regards to pending Civil Appeal No. 1103/2018 (filed against the order in the Civil Suit No.27/2013) and W.P. No.7547/2015. IFCI has once again reiterated their stand in line with their letter dated 03.10.2019 and e-mail dated 08.11.2019, that, they may not mortgage of the property under litigation.*

8. The representative of the sugar factory stated that there is no problem in security and further action could be taken. Also, the Sugar factory is not in position to provided Bank Guarantee.

9. The representative of IFCI re-iterated their view that claim on security under litigation will be difficult to be executed.

10. The Sub Committee decided that the proposal for revival and extension of AA in this case may be re-examined in consultation with IFCI and thereafter this matter may be brought for consideration by next Sub Committee.

Agenda No. 5: Proposal to amend relevant SDF Rules (for reducing the moratorium period under Modernisation Loan Scheme from 5 years to 3 years).

The Sub 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. The views of IFCI and NCDC were noted. The representative of the Federation was also of the view that considering the difficulty faced by the sugar factories, the status –quo may be maintained. The issue was deliberated upon in detail during the Meeting. It emerged 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.

3. The Sub Committee recommended the proposal to amend relevant SDF Rules (for reducing the moratorium period under Modernization loan scheme from existing 5 years to 3 years). This recommendation to be brought before the Standing Committee for their consideration.

Additional Agenda No.6 (Misc): List of returned and pending applications

The Sub Committee took note of the cases in the list.



ATTENDANCE SHEET of the SCREENING-COMMITTEE/SUB-COMMITTEE MEETING held on 24.06.2020 at 03:00 P.M., Room No. 404 Krishi Bhawan, New Delhi			
S.NO.	NAME of the MEMBER	DESIGNATION	SIGNATURE
1	Joint Secretary (S & A)	Chairman	
2	Director (Sugar Policy) Directorate of Sugar	Member	<i>[Signature]</i> 24.06.2020
3	Director (Finance)	Member	<i>[Signature]</i> 24/6/2020
4	Representative of ICAR (Sugarcane expert) (For Screening Committee)	Member	
5	Director, National Sugar Institute, Kanpur	Member	Through VC
6	DS (SDF)	Member Secretary	<i>[Signature]</i>
SPECIAL INVITEES			
7	Agriculture Commissioner, Department of Agriculture (For Screening Committee)	<i>Dr. A.P. Singh</i> Addl. Commr	<i>[Signature]</i>
8	Commissioner (CAD), Ministry of Water Resources (For Screening Committee)		
9	Director, Indian Institute of Sugarcane Research, Lucknow (For Screening Committee)		
10	Director General, Vasantdada Sugar Institute, Pune (VSI, Pune) (For Screening Committee)		Through VC
11	The President/Vice President /Director General, Indian Sugar Mills Association (ISMA)		Through VC
12	The President/Vice President /Managing Director, National Federation of Co-operative Sugar Factories Ltd. (NFCSF)		Through VC
13	Representative from Sugar Technologist's Association of India (STAI)		
14	Representative from Horticulture Division, D/o Agriculture Cooperation and Farmers Welfare		
15	Representative from NCDC		Through VC
16	Representative from IFCI		Through VC
17	Shri Dilip K. Jha	Under Secretary (SDF)	<i>[Signature]</i>
18	Shri KanavDua	Asst. Director (Cost)	<i>[Signature]</i>
19	Shri Jaivir Singh	Section Officer (SDF)	<i>[Signature]</i>
20			