

F.No.1-5/2016-SDF

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

Room No.260, Krishi Bhawan,
New Delhi, the 4th July, 2016

Office Memorandum

Subject: Minutes of the 130th meeting of the Standing Committee on SDF taken by Secretary (F&PD) as Chairperson on Wednesday, the 18th May, 2016.

In continuation of this Ministry's O.M. of even number dated 25th April, 2016 on the above subject, a copy of the minutes of the 130th meeting of the Standing Committee held on 18th May, 2016 under the Chairpersonship of Secretary (F&PD) is enclosed for kind information and necessary action.



(N.K. Kashmira)
Director (SDF)

Member Secretary
Tel. 23382338

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Copy to:

1. Finance Secretary, Ministry of Finance, North Block, New Delhi (Member).
2. Secretary, Department of Agriculture, Cooperation & Farmers Welfare, Krishi Bhavan, New Delhi (Member).
3. Special Secretary & Financial Adviser, Department of Food & Public Distribution, Krishi Bhavan, New Delhi (as nominee of Secretary, Department of Expenditure-(Member).
4. Joint Secretary, Ministry of Finance (Department of Financial Services), Jeevan Deep Building, New Delhi (Member).
5. Joint Secretary (S&SA), Department of Food & Public Distribution, (Member).
6. Chief Director, Directorate of Sugar, Department of Food & Public Distribution, (Member)[represented by Director, S&VO].
7. Director, National Sugar Institute, Kanpur (Member)
8. Director General, Indian Council of Agricultural Research, Krishi Bhawan, New Delhi (Member)

Special Invitee:-

- | | | |
|------|--------------------------|-------------------|
| (i) | Representative from IFCI | Expert on banking |
| (ii) | Representative from NCDC | Expert on banking |



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

Copy for information:-

- (i) PS to Hon'ble Minister of Consumer Affairs, Food & Public Distribution.
- (ii) PS to Secretary, Department of Food & Public Distribution.

Minutes of the 130th meeting of the Standing Committee held on 18th May, 2016

The 130th meeting of the Standing Committee of the Sugar Development Fund (SDF) under the Chairpersonship of Secretary (F&PD) was held on 18th May, 2016. A list of Members and Special Invitees who attended the meeting is annexed. At the outset, the Member Secretary, welcomed all the Members and invitees. Following decisions were taken:

I. ACTION TAKEN REPORT OF 129TH MEETING OF THE STANDING COMMITTEE (AGENDA ITEM NO. 1).

The Action Taken Report on the decisions taken in the 129th meeting of the Standing Committee held on 04.03.2016 was considered and accepted.

POLICY MATTER

II. ADDITIONAL SECURITIES FOR SECURING SDF LOANS IN CASE WHERE FINANCIALS ARE WEAK DESPITE ADEQUATE FACR & DSCR (ADDITIONAL AGENDA ITEM NO. 03).

To secure SDF loans, currently, only two types of security are taken based on FACR of the factory as well as the company for SDF loans, viz. (a) charge on the movable and immovable properties of the sugar factory on pari passu first charge basis for FACR 1.33 or above; & (b) Bank Guarantee for FACR below 1.33. Further, DSCR is also required to be above 1 to ensure that the sugar factory is capable of repaying the SDF loan.

2. However, there have been instances where the FACR and DSCR is OK but the company's other financial health parameters are weak. In such cases there is a need for having securities in addition to the existing securities mentioned above. This was discussed with IFCI/NCDC in a meeting held on 11.05.2016 by JS (S&SA). IFCI were requested to suggest the criteria for weak financials and the additional security that may be imposed /created in such cases. Based on the suggestions received from IFCI, the **Standing Committee considered and approved the proposal for taking additional securities as under:**

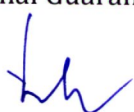
i. Criteria based on which the companies to be declared financially weak:

- a) Profit After Tax (PAT)/Net Profit is negative for preceding 2 years or more ;
- b) Net-worth is negative for the preceding 2 years or more;
- c) Retained earnings are negative at the time of sanction of SDF Loan.

ii. Additional securities to be obtained (except where bank guarantee is obtained):

(i) Post-dated cheques (PDCs) for repayment of Principal and Interest of Borrower Company shall be obtained invariably in all cases. Besides PDCs, any or all of the following securities shall be obtained:

- a. Personal Guarantee of Promoters.



- b. Corporate Guarantee of Holding Company.
- c. Pledge of company's listed shares of Holding Company/ Borrower.
- d. Assignment of Fixed Deposits of Holding /Borrower Company.
- e. Mortgage of third party assets viz. personal properties of borrower or Holding/Subsidiary Company.

(ii) These conditions shall apply at the time of creation of charge, henceforth. In cases where it is decided to obtain bank guarantee as per the FACR criteria, the above additional securities shall not be obtained.

(iii) In case of the Cooperatives, since it would not be feasible to obtain other securities mentioned above, only PDCs shall be obtained as additional security.

(iv) IFCI/NCDC, the nodal agencies, will ensure compliance of these guidelines.

iii. Implementation of Escrow mechanism for effecting recovery of SDF loan:

Implementation of Escrow mechanism for effective recovery of SDF loan through revenue sharing was among the suggestions put forth before the Standing Committee as per Agenda Item No. 13. This was among the suggestions given by IFCI and NCDC for effective recovery. The Members were of the view that this may be implemented along with above measures for creation of additional security.

After carrying out detailed discussions in the matter, the Committee decided that all the proposals for ethanol and cogen project, shall be subject to opening of escrow account so that SDF loan recovery is also made through revenue sharing with the projects. The Committee further decided that modalities for implementation of the escrow mechanism including the date from which to be made effective, stage at which it will be enforced, may be finalized in consultation with IFCI and NCDC.

III. SUGARCANE DEVELOPMENT

- i. Proposal of M/s Aakriti Sugar Mills Pvt. Ltd., Vill Tumda, Block-Saikheda, The -Gadarwara, Distt. Narsinghpur, Madhya Pradesh under cane development scheme for Rs.540.00 lakhs (Agenda Items No. 3).**

The Standing Committee considered the recommendation of Screening Committee in above regard for a loan of 540.00 lakhs for the proposal for rearing of Nurseries, incentives to cultivators to switch over to improved varieties, Ratoon management and drip irrigation. However, it was decided by the Committee to stick to its earlier decision of sanctioning loan only for drip irrigation as it is the priority over other schemes. It was decided that the sugar factory may be asked to re-submit their proposal accordingly, if it so wishes.

- ii. Proposal of M/s Core Green Sugars and Fuels Private Limited, Tumkur Village, Shahpur Taluk, Yadgir District Karnataka under cane development scheme for Rs. 540.00 lakhs (Agenda Items No. 3).**



The Standing Committee considered the recommendation of Screening Committee in above regard for a loan of 540.00 lakhs for the proposal for rearing of ratoons, management, Irrigation schemes (Tanks & Sub surface drip irrigation), improvement of problematic soil and rearing of seed nurseries from Tissue culture plant. However, it was decided by the Committee to stick to its earlier decision of sanctioning loan only for drip irrigation as it is the priority over other schemes. It was decided that the sugar factory may be asked to re-submit their proposal accordingly, if it so wishes.

IV. MODERNIZATION CUM EXPANSION WITH BAGASSE BASED CO-GENERATION POWER PROJECT

- i. **Proposals of M/s Indian Sugar Manufacturing Company Ltd., Unit-Havinal, Taluka - Indi, Dist. Bijapur, Pin - 586205, Karnataka for Modernization cum expansion (Agenda Items No. 4)**
- ii. **Proposals of M/s Indian Sugar Manufacturing Company Ltd., Unit-Havinal, Taluka - Indi, Dist. Bijapur, Pin - 586205, Karnataka for bagasse based co-generation power (Agenda Items No. 5)**

1. The Standing Committee considered the loan application for **modernization cum expansion** of sugar factory for expansion of sugar capacity from 2500 TCD to 4800 TCD at a cost Rs.2126.00 lakh including SDF assistance of Rs. 793.00 lakh **and setting up of 12 MW (expansion of 8 MW to 20 MW bagasse based co-generation power project)** at a cost of 3959.00 lakh including SDF assistance of Rs. 1406.00 lakh as requested by the Sugar Factory.

2. IFCI pointed out that the sugar factory had defaulted on their repayment of first installment of SDF loan for ethanol project due on 01.04.2016 and have promised to pay it on 31.05.2016.

3. In view of the default committed by the sugar factory, as mentioned by IFCI, the Standing Committee directed that in view of the SDF rules the default may be cleared first and only thereafter the application for SDF loan can be considered. Accordingly, both the proposals of the sugar factory were deferred.

V. BAGASSE BASED CO-GENERATION POWER PROJECT

- (i) **Proposal of M/s The Krishna Sahakari Sakkarre Karkhana, Niyamit, At Post-Sankontti, Taluk-Athani, Distt.- Belgaum, Karnataka for setting up of bagasse based co-generation power project. (Agenda Item No. 06)**

1. The Standing Committee considered the loan application for **expansion of 12 MW to 27 MW of bagasse based co-generation power project** at cost of 7620.00 lakh. SDF assistance of Rs. 2178.00 lakh has been requested by the Sugar Factory.



2. The average DSCR of the sugar factory and the society as a whole is 1.74 and the FACR of the sugar factory and society as a whole is 1.34 as on 31.3.2015. IRR of the project is 15%.
3. NCDC representative mentioned that the sugar factory is going for modernization cum expansion from 4000 TCD to 5500 TCD as well as the expansion of 12 MW to 27 MW of bagasse based co-generation power project. The financials of the mill are good and the NCDC has already sanctioned a loan of Rs. 5290.00 lakh to the sugar factory. The sugar factory had not made any loss during the last three years.
4. **On the basis of available records and recommendations of the Sub-Committee, the Standing Committee recommended SDF loan of Rs. 1852.81 lakh. It was also directed by the Committee that the sugar factory may also be advised to adopt drip irrigation method.**
5. The sugar factory is required to offer security for SDF loan. However, security requirement will be decided at the time of charge creation as per extent rules/guidelines.

VI. ANHYDROUS ALCOHOL OR ETHANOL

(i) Proposal of M/s Dalmia Bharat Sugar & Industries Ltd., Asurle-Porle, Taluk Panhela, Distt. Kolhapur, Maharashtra for setting up of plant for production of 60 KLPD anhydrous alcohol or ethanol from molasses. (Agenda Item No. 07)

1. The Standing Committee considered the loan application **for setting up of plant for production of 60 KLPD anhydrous alcohol or ethanol from molasses** at cost of 7500.00 lakh. SDF assistance of Rs. 2500.00 lakh has been requested by the Sugar Factory.
2. The average DSCR of the sugar factory and the society as a whole is 2.04 & 1.20 respectively and the FACR of the sugar factory and society as a whole is 1.37 & 1.34 respectively as on 31.3.2015. IRR of the project is 17.24%.
3. IFCI representative mentioned that the financials of the sugar factory are good as it is a profit making company with positive networth. The repayment by the company for its SDF loans for other sugar factories have been on schedule. The ethanol project in this factory is coming up for the first time.
4. **On the basis of available records and recommendations of the Sub-Committee, the Standing Committee recommended SDF loan of Rs. 2126.13 lakh.**
5. The sugar factory is required to offer security for SDF loan. However, security requirement will be decided at the time of charge creation as per extent rules/guidelines

(ii) Proposal of M/s Madhucon Sugar And Power Industries Limited, Rajeshwarapuram, Ammagudem Post, Nelakondapalli Mandal, Khammam Distt. Andhra Pradesh for setting up of plant for production of 65 KLPD ethanol from molasses and extra neutral alcohol (ENA) from grain. (Agenda Item No. 08).



1. The Standing Committee considered the loan application **for setting up of plant for production of 65 KLPD ethanol from molasses and extra neutral alcohol (ENA) from grain at cost of 9360.43 lakh (Project for molasses based alone)** SDF assistance of Rs. 2803.09 lakh has been requested by the Sugar Factory.

2. Director, NSI, Kanpur, raised the issue of shortage of molasses. After detailed deliberations, the Standing Committee recommended that the proposed capacity for production of ethanol may be scaled down in tune with the in-house availability of the molasses. The sugar factory will be informed of the same. NSI, Kanpur will examine and submit the revised parameters including revised capacity supported by available in-house molasses, cost etc. for consideration of the Committee again. **The proposal was accordingly deferred.**

(iii) Proposal of M/s Core Green Sugar & Fuels Pvt. Ltd. for sanction of financial assistance from SDF for setting up of integrated 50 KLPD ethanol project. (Agenda Item No. 09).

1. The Standing Committee considered the loan application **for setting up of integrated 50 KLPD ethanol project** at cost of 6953.00 lakh. SDF assistance of Rs. 917.00 lakh has been requested by the Sugar Factory.

2. Director, NSI, Kanpur, pointed out that keeping in view the fact that the crushing was less, the sugar factory may not have enough molasses.

3. The Standing Committee directed that the sugar factory may be asked to justify their proposal in view of point raised by Director NSI, Kanpur which will then be examined by the SDF Division before submission to the Standing Committee. **The proposal was accordingly deferred.**

VII. MISCELLANEOUS

(i) Proposal for giving retrospective effect to the decision of the 129th Standing Committee held on 04.03.2016 giving exemption from requirements of clearances EIA / PCB clearances in Brownfield projects before disbursal of SDF loans from retrospective date. (Agenda Item No. 10)

1. In order to limit the frequency of cases seeking extension in validity of Administrative Approval for SDF loans to sugar factories and to review of requirements of clearances before disbursal of SDF loans, the Standing Committee on SDF in its 129th meeting held on 04.03.2016, inter-alia, decided that in case of Brownfield sugar factories:-

"The Sugar factory shall apply to the concerned authorities for EIA/PCB clearances. The Sugar factory at the time of applying for the SDF loan will also provide a copy of the acknowledgement by the concerned authorities. The furnishing of such acknowledgement shall be sufficient for approval/ disbursal of SDF loans."

2. This decision was, however, made effective from the prospective date. It was observed that there are a number of SDF loan applications for which Environmental/PCB clearances are awaited and further processing of these cases for disbursement has been

hampered because of the same. Therefore, a proposal was placed before the committee to allow the above condition mentioned at para 1 to apply in all cases pending prior to the decision of 129th Standing Committee. The Committee was informed that there were about 43 SDF loan cases where administrative approvals had been issued and disbursement (either in part or full) had not been made due to pending issues including environmental clearances. These 43 cases included at least 7 cases in the Brownfield category involving disbursement of SDF loan of over Rs. 100 crore which are pending due to Environment/PCB clearances only.

3. After detailed deliberations the Standing Committee decided that the condition in para 1 above shall also apply retrospectively in the case of Brownfield sugar factories.

(ii) Relaxation in condition of administrative approval in respect of M/s Shri Vithal Sahakari Sakhar Karkhana Ltd., Venunagar, Post Gursale Taluka Pandharpur, District Solapur, Maharashtra. (Agenda Item No. 11).

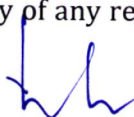
The proposal was approved by the Standing Committee.

(iii) Extension of validity period of Administrative Approval in respect of sanction of SDF loan to M/s Shree Basaveshwar Sugars Ltd. for sanction of financial assistance from SDF for setting up of 26 MW Greenfield bagasse based cogeneration power project at NH-218, Karjal Village, Bijapur Taluk & District Karnataka. (Agenda Item No. 12)

1. The proposal for extension of Validity of AA upto 30.06.2016 was considered in 129th meeting of Standing committee and it was decided to first seek the reasons from the sugar factory for the delay in issuance of NOC by the bankers for creation of charge and after examination of the same, the case may be brought to the next Standing Committee. Accordingly, the reasons for the delay in issue of NOC were furnished by the IFCI.
2. The IFCI representative explained to the Committee, the reason for delay by the sugar factory in obtaining extension in validity of Administrative Approval. **The Standing Committee after discussion did not find the reasons convincing and accordingly did not approve extension of the validity period of administrative approval.**

(iv) Review of SDF loan default cases. (Agenda Item No. 13)

1. As decided during the 129th meeting of the Standing Committee, a statement of 5 oldest cases of SDF loan default to the tune of Rs. 160.14 crore, as provided by IFCI were placed before the Committee. These cases belong to the period 1992 to 2002.
2. The Committee was further informed that, as on 31.03.2016, against a total amount of Rs. 7276.21 crore SDF loan disbursed, there was a total default of Rs.1191.30 crore in repayment of the loan. The default amount includes the principal, interest and the penal interest. IFCI informed that in most of the default cases the SDF held 2nd charge. As per information available as on 31.03.2016, out of the total default, the SDF held second charge in case of default of over Rs. 1164 crore. IFCI informed that the possibility of any recovery on 2nd charge was remote. IFCI as well as NCDC



suggested that the option of restructuring repayment for final settlement of loan could be explored in such cases.

3. The Committee was informed of the discussions held in the meeting on 04.05.2016 by JS(S&SA) on SDF loan default with IFCI and NCDC representatives. The Committee was also informed that the Department had earlier taken up with RBI to allow SDF to register with credit information companies like Credit Information Bureau (India) Limited (CIBIL) which would allow sharing information related to SDF default in order to put pressure on sugar companies to clear the same as well as help the banks / FIs in taking appropriate decisions on the fresh credit requests to the sugar undertakings. However, RBI did not agree to the same due to significant legal and practical impediments in implementing the proposal. JS (S&SA) informed that the matter would be taken up with the Department of Financial Services for allowing SDF to avail services of credit information companies like CIBIL.
4. The Committee was also informed of the various other steps that could be taken including using the Escrow mechanism enabling revenue sharing in case of cogen and ethanol projects to make effective recovery of SDF loans. **The committee directed that the modalities for implementation of Escrow mechanism be finalized in consultation with IFCI/NCDC on priority basis. The Committee also directed to establish a Committee under the chairmanship of Financial Advisor to find solutions for timely recovery of the SDF loan and improving the default position.**

VIII. ADDITIONAL AGENDA ITEMS

(i) Proposal of M/s Gobind Sugar Mills Limited, P.O. Aira Estate, District Lakhimpur Kheri, Uttar Pradesh for modernization-cum-expansion of crushing capacity from 7200 TCD to 10000 TCD. (Additional Agenda Item No. 01).

1. The Standing Committee considered the loan application **for modernization-cum-expansion of crushing capacity from 7200 TCD to 10000 TCD** at cost of 14022.00 lakh. SDF assistance of Rs. 4957.00 lakh has been requested by the Sugar Factory.
2. The average DSCR of the sugar factory and the society as a whole is 1.70 and the FACR of the sugar factory and society as a whole is 1.20 as on 31.3.2015. IRR of the project is 18.14% (pre tax project) and 25.53% (pre tax equity). IFCI informed that the FACR based on provisional balance sheet as on 31.03.2016 is 1.29.
3. The proposal was earlier deferred by the Committee with a direction to seek clarifications from the sugar factory on their equity details and other financial issues, examined in the department and thereafter, on merits, the proposal may be brought before the Committee.
4. The Committee was informed by IFCI that though the sugar factory was incurring losses for the last six years and the net worth was negative for 3 years, the credit rating of the company was very good. Also the networth had become positive i.e. 13.38 as on March 2015 after infusion of equity.



5. Director, NSI, Kanpur, mentioned that the modernization project is innovation based. The expanded capacity of 10000 involve two streams of 5000 each with one producing sulphite sugar and the second stream for raw and refined sugar. The project has adequate measures to ensure reduced steam and power consumption. The 30 MW cogen plant is a very high pressure plant with 125 ata boiler. There will be reduced steam consumption and increased cogen power. Bagasse availability is also sufficient. With adequate bagasse, the project is viable.

6. **After detailed deliberations, the Standing Committee recommended SDF loan of Rs. 2075.84 lakh.**

7. The sugar factory is required to offer security for SDF loan, however security requirement will be decided at the time of charge creation as per extent rules/guidelines. Keeping in view the financials of the sugar factory it was decided to ask the sugar factory to provide additional security as per the decision taken with reference to Item No. II of these minutes, at the time of charge creation.

(ii) Proposal of M/s Gobind Sugar Mills Limited, P.O. Aira Estate, District Lakhimpur Kheri, Uttar Pradesh for setting up of 30 MW bagasse based cogeneration power project (Additional Agenda Item No. 02).

1. The Standing Committee considered the loan application **for setting up of 30 MW bagasse based cogeneration power project** at cost of 17105.00 lakh. SDF assistance of Rs. 4356.00 lakh has been requested by the Sugar Factory.

2. The average DSCR of the sugar factory and the society as a whole is 1.70 and the FACR of the sugar factory and society as a whole is 1.20 as on 31.3.2015. The IRR of the project is 20.47%. IFCI informed that the FACR based on provisional balance sheet as on 31.03.2016 is 1.29.

3. The sugar factory is required to offer security for SDF loan, however security requirement will be decided at the time of charge creation as per extent rules/guidelines. Keeping in view financial of the sugar factory it was decide to ask the sugar factory to provide additional security as per the decision taken with reference to Item No. II of these minutes, at the time of charge creation.

8. **After detailed deliberations, the Standing Committee recommended SDF loan of Rs. 3711.40 lakh.**



**ATTENDANCE SHEET OF PARTICIPANTS OF 130TH MEETING OF
STANDING COMMITTEE OF SDF HELD ON 18th May, 2016 AT 11:00 P.M.**

Sl. No.	Name, Designation & Organization		Name of Department/Organization
1.	Ms. Vrinda Sarup, Secretary & Chairperson		Department of Food and Public Distribution
2.	Shri. P.K. Jha, Special Secretary and Financial Advisor		Department of Food and Public Distribution
3.	Shri Prashant Trivedi, Joint Secretary (S&SA)		Department of Food and Public Distribution
4.	Shri G.S. Sahu, Director (S&VO) Represented Chief Director (S&VO)		Department of Food and Public Distribution
5.	Dr. R.P. Singh, Assistant Director (crops)		Ministry of Agriculture Co-operative & Farmer Welfare
6.	Shri Narendra Mohan, Director		NSI, Kanpur
7.	S.N. Jha, Assistant Director General (PE)		Indian Council of Agricultural Research, Krishi Bhawan
8.	Shri N.K.Kashmira, Deputy Secretary (SDF) & Member Secretary		Department of Food and Public Distribution
9.	Shri Sunil Chauhan Under Secretary (SDF)		Department of Food and Public Distribution
10.	Shri Sudesh Kumar Under Secretary (SPF)		Department of Food and Public Distribution
11.	Shri Manmohan Kumar, Section Officer (SDF)		Department of Food and Public Distribution
12.	Shri R.C. Meena Section Officer (SDF A/cs)		Department of Food and Public Distribution
SPECIAL INVITEES			
13.	1	Shri M.P. Sethi, General Manager	IFCI Limited, New Delhi
	2	Shri. Sudhir Kumar, Asst. General Manager	
	3	Shri S. Chandrasekaran, Asst. General Manager	
14.	1	Shri A.K. Singh, Chief Director (Sugar)	NCDC, New Delhi
	2	Shri R.K. Mangla, Dy. Director (Sugar)	