

F.No.1-6/2018-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 07th September, 2018

Office Memorandum

Subject: Minutes of 136th meeting of the Standing Committee on SDF presided over by Secretary (F&PD) as Chairman on Tuesday, the 7th August, 2018 - regarding.

In continuation of this Ministry's OM of even no. dated 04.07.2018, 31.07.2018 and 07.08.2018 on the subject, a copy of minutes of 136th meeting of the Standing Committee held on 07.08.2018 under the Chairmanship of Secretary, (F&PD) is enclosed for kind information and necessary action.



(N.K. Kashmira)

Director (SDF)

Member Secretary

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Distribution:-

1. Finance Secretary, Ministry of Finance, North Block, New Delhi (Member).
2. Secretary, Department of Agriculture & Farmers Welfare, Krishi Bhawan, New Delhi (Member).
3. Additional Secretary & Financial Adviser, Department of Food & Public Distribution, Krishi Bhawan, 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 |



(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.
- (iii) Chief Controller of Accounts, Department of Food & Public Distribution
- (iv) NIC, DFPD for uploading the minutes on the website of the Department

F.No:1-6/2018-SDF

Minutes of the 136th meeting of the Standing Committee of Sugar Development Fund held on 07th August, 2018, Department of Food and Public Distribution

The 136th meeting of the Standing Committee of the Sugar Development Fund (SDF) was held on 07th August, 2018 under the Chairmanship of Secretary (F&PD). A list of participants is at Annex.

Following decisions were taken:

Agenda No. A: ACTION TAKEN REPORT OF 135th MEETING OF THE STANDING COMMITTEE.

The Action Taken Report on the decisions taken in the 135th meeting of the Standing Committee held on 14.11.2017 was considered and accepted.

MODERNIZATION/EXPANSION

Agenda No.1: M/s DCM Shriram Industries Ltd., Daurala Distt.- Meerut, Uttar Pradesh- 250221 for modernization project involving installation of a new high pressure 90 TPH Boiler & Bagasse Drier with Pollution Control Device.

The Standing Committee considered the loan application of M/s DCM Shriram Industries Ltd., Daurala Distt.- Meerut, Uttar Pradesh- 250221 for modernization project involving installation of a new high pressure 90 TPH (tonnes per hour) Boiler & Bagasse Drier with Pollution Control Device at a cost of Rs. 1700.00 lakh including SDF assistance of Rs. 566.00 lakh requested by the Sugar Factory.

2 The project has been appraised by ORIENTAL BANK OF COMMERCE. The technical specification of project has been vetted by SURENDER PAL BE., (Hons) Civil, MIE (India) FIV Chartered Engineer. On the basis of technical, financial and other data placed before it, the Committee was convinced that the project is technically & financially viable.

3. No refinancing of project is involved. No old plant and machinery have been considered in the project. Sugar factory has submitted a copy of letter dated 03.01.2017 of NOC from the Uttar Pradesh Pollution Control Board (UPCB). As this is a modernization project in the existing premises, there is no need for EIA clearance.

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 Average DSCR of the sugar factory (sugar +power+distillery) for last 5 years is 1.48 and Average DSCR of the Company/Society as a whole for last 5 years is 1.55 and Average DSCR of the sugar factory (sugar +power+distillery) based on projections is 4.53. F.A.C.R. of the factory (sugar+power+ethanol) based on Audited Balance Sheet(ABS) as on 31.03.2017 is 9.75 and F.A.C.R. of the Company/Society as a whole based on Audited Balance Sheet as on 31.03.2017 is 10.54. IRR of the project is 33%.

6. Since the promoter's contribution has increased from 10% to 16.67% (i.e. by 6.7%), the SDF component will be 33.3 % {40.00% - 6.7% = 33.3%} of the total eligible project cost. Eligible project cost after deducting ineligible items amounting to Rs. 215.00 lakh was found to be 1485.00 lakh. Therefore, eligible SDF loan amount was calculated as Rs. 494.5 lakh(i.e. 33.3 % of Rs. 1485.00 lakh)

7. On the basis of available records and recommendations of the Sub-Committee, the Standing Committee recommended SDF loan of Rs. 494.5 lakh for modernization project involving installation of a new high pressure 90 TPH Boiler & Bagasse Drier with Pollution Control Device.

8. 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 at the time of charge creation as per extant rules/guidelines/requirement.

BAGASSE BASED CO-GENERATION POWER PROJECT

Agenda item No. 2: Proposal of M/s Nandi Sahakari Sakkare Karkhana Niyamit, Krishnanagar, Post Hosur, Teh. & Distt. Nijapur, Kamataka for setting up of 37 MW (expansion from 18.14MW to 55.14 MW) bagasse based co-generation power project

The Standing Committee considered the loan application for setting up of 37 MW bagasse based co-generation power project at a cost of Rs.18374.00 lakh including SDF assistance of Rs. 7349.60 lakh requested by the Sugar Factory.

2. From the balance sheet and other financial details of the sugar mill, it was observed that Average DSCR based on projections for Sugar Factory and Company as whole is 1.55 and Average DSCR for last five years Factory and Company and as whole is 1.56. F.A.C.R. of the factory and Company (with proposed assets) based on 31.03.2017 is 1.51 and F.A.C.R. of the factory and Company (without proposed assets) based on 31.03.2017 is 0.52. IRR of the project is 19.93%.

3. There are no outstanding SDF dues, LSPEF dues and Levy sugar dues against the



sugar mill, as on date.

4. The project has been appraised by NCDC and technically evaluated by National Federation of co-operative sugar factories Ltd. and VSI Pune. The project was considered to be financially viable and technically feasible by the Committee.
5. On the basis of the normative cost of SDF funding @ Rs.442.00 lakh per MW for a project of 37 MW employing boiler of 88 atmospheric technical absolute(ata), the eligible project cost would come to Rs.16354.00 lakh and the SDF component @ 40% of the eligible project cost would come to Rs. 6541.60 lakh. After pro-rata adjustment of CENVAT credit from SDF loan on normative cost, sugar factory was found to be eligible for an amount of SDF loan of Rs. 5568.65 lakh.
6. *On the basis of available records and recommendations of the Sub-Committee, the Standing Committee recommended SDF loan of Rs.5568.65 lakh for setting up of 37 MW (expansion from 18.14MW to 55.14 MW) bagasse based co-generation power project.*
7. 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 at the time of charge creation as per extant rules/guidelines/requirement.

LOAN FOR SUGARCANE DEVELOPMENT

Agenda No. 3: M/s Shri Datta Sakhar Karkhana, Asurle-Porle, A unit of Dalmia Bharat Sugar & Ind. Ltd., Tal - Panhala, Dis - Kolhapur - 416229, Maharashtra.

The Standing Committee considered the loan application of M/s Shri Datta Sakhar Karkhana, Asurle-Porle, A unit of Dalmia Bharat Sugar & Ind. Ltd., Tal - Panhala, Dis - Kolhapur - 416229, Maharashtra for Cane development (Rearing of Nurseries & Drip Irrigation) at a cost of Rs.600.00 lakh including SDF assistance of Rs.540.00 lakh requested by the Sugar Factory.

2. The application for cane development has been recommended & forwarded by the State Government of Maharashtra, as required under the SDF Rules.



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

4. From the balance sheet and other financial details of the sugar mill, it was observed that the Average DSCR of the company as a whole is 1.5. FACR of the factory as on 31.03.2017 is 1.20 and FACR of the company as a whole as on 31.03.2017 is 1.53. IRR of the project is 75%.

5. On a query raised by the AS&FA regarding DSCR of the sugar mill, the IFCI informed that the sugar factory prepares consolidated financial statements and not unit-wise. Therefore, separate financial statements of Shri Datta Sakhar Karkhana are not available. Hence, Average DSCR of the Sugar Factory was reported as 'Not Available'. However, the Standing Committee directed IFCI/SDF to obtain Average DSCR of the Sugar Factory.

6. Subject to the condition mentioned in para 5 above and on the basis of available records and recommendations of the Screening Committee, the Standing Committee recommended SDF loan of Rs. 536.40 lakh for cane development to be disbursed as Rs. 281.70 lakh for the first year and Rs. 254.70 lakh for the second year.

7. 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 at the time of charge creation as per extant rules/guidelines/requirement.

ANHYDROUS ALCOHOL OR ETHANOL PLANT FROM MOLASSES

Agenda No. 4: Proposal of M/s Sadashivrao Mandlik Kagal Taluka Sahakari Sakhar Karkhana Ltd., Sadashivnagar, Hamidwada Kaulage, Taluka Kagal, Dist. Kolhapur, Maharashtra for setting up of 30 KLPD anhydrous alcohol or ethanol Plant.

The Standing Committee considered the loan application for setting up of 30 KLPD anhydrous alcohol or ethanol plant from molasses at a cost of Rs.5401.28 lakh including SDF assistance of Rs.2160.51 lakh requested by the Sugar Factory.

2 The project has been appraised by NCDC and technically evaluated by VSI Pune. On the basis of technical, financial and other data placed before it, the Committee was convinced that 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 Pollution Control Board, Maharashtra will be available after completion of the project as reported by the sugar mill. EIA (Environment Impact Assessment) clearance has been received. The Director NSI, Kanpur mentioned that the project of sugar factory shall be able to achieve the ZLD with the envisaged system.

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 and the company as a whole is 1.49 (projection basis) and 1.13 (for the past five years). FACR of the sugar factory and company as a whole is 1.58 as on 31.03.2017 and F.A.C.R. of the factory and Company as a whole (without proposed assets) is 0.997 as on 31.03.2017. IRR of the project is 17.41%.

6. After deducting an amount of Rs.888.99 lakh from the estimated project cost of Rs.5401.28 lakh, the eligible project cost works out Rs.4501.49 lakh and SDF funding @ 40% of the eligible cost has been calculated as Rs.1800.596 lakh.

7. On the basis of available records and recommendations of the Sub-Committee, the Standing Committee recommended SDF loan of Rs.1800.596 lakh for setting up of 30 KLPD anhydrous alcohol or ethanol plant from molasses.

8. 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 at the time of charge creation as per extant rules/guidelines/requirement.

Agenda No. 5: M/s Athani Sugars Ltd., Shahuwadi Unit (lessee of Udaysingrao Gaikwad SSK Ltd.) Sonawade-Bambawade, Tal. Shahuwadi, Dist. Kolhapur, Maharashtra-416213 for setting up of 90 KLPD anhydrous alcohol or ethanol plant from molasses.

The Standing Committee considered the loan application for setting up of 90 KLPD anhydrous alcohol or ethanol plant from molasses at a Project cost of Rs.11427.24 lakh. SDF assistance of Rs. 4500.00 lakh has been requested by the sugar factory.

2 The detailed project report has been prepared by VSI, Pune and the project has been financially appraised by Kolhapur District Central Co-op. Bank Ltd. and technically evaluated by VSI, Pune. On the basis of technical, financial and other data placed before it, the Committee was convinced that the project is technically & financially viable.



3. No refinancing of project is involved. No old plant and machinery has been considered in the project. Acknowledgement of NOC from Pollution Control Board, Maharashtra for the project has been furnished by the sugar factory. EIA clearance has been received. The NSI, Kanpur reported that the project of sugar factory shall be able to achieve the ZLD with the envisaged system.
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 and company as a whole as per future projections is 2.04 & 1.56 respectively and previous three years average DSCR is 1.83 & 1.38 respectively. FACR of the sugar factory is 1.47 as per provisional balance sheet as on 31.3.2018 and FACR of the company as a whole is 3.68 as per audited balance sheet as on 31.03.2017. The IRR of the project is 23.19%.
6. Since the promoter's contribution increased from 10% to 10.74% (i.e. by 0.74%), the SDF component will be 39.26 % $\{40.00\% - 0.74\% = 39.26\%$ of the total eligible project cost. Eligible project cost after deducting ineligible item amounting to Rs. 1793.82 lakh was found to be 9633.42 lakh. Therefore, eligible SDF loan amount has been calculated as Rs. 3782.08 lakh (i.e. 39.26% of Rs. 9633.42 lakh).
7. ***On the basis of available records and recommendations of the Sub-Committee, the Standing Committee recommended SDF loan of Rs.3782.08 lakh for setting up of 90 KLPD anhydrous alcohol or ethanol plant from molasses.***
8. 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 at the time of charge creation as per extant rules/guidelines/requirement.

Agenda No. 6: M/s DCM Shriram Ltd., DSCL Sugr- Hariawan, Vill.- Hariawan, Hardoi, Uttar Pradesh-261505 for setting up of 150 KLPD anhydrous alcohol or ethanol plant from molasses .

The Standing Committee considered the loan application for setting up of 150 KLPD anhydrous alcohol or ethanol plant from molasses at a cost of Project at a cost of Rs.19000.00 lakh. SDF assistance of Rs. 5900.00 lakh has been requested by the sugar factory.

- 2 The project has been appraised by IFCI. DPR has been prepared by the sugar mill, in-house and it has been technically evaluated by NSI, Kanpur. On the basis of technical, financial and other data placed before it, the Committee observed that the project is

technically & financially viable.

3. No refinancing of project is involved. No old plant and machinery has been considered in the project. Acknowledgement of NOC from Pollution Control Board, Uttar Pradesh for the project has been furnished by the sugar factory. EIA clearance has been received. The Director NSI, Kanpur mentioned that the project of sugar factory shall be technically viable ensuring compliance of ZLD as per CPCB guidelines.

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 and company as a whole as per future projections are 4.85 & 13.16 respectively and previous five years average DSCR is 2.94 & 2.70 respectively. FACR of the sugar factory and company as a whole are 2.69 & 2.71 respectively as on 31.03.2017. The IRR is 24.98%.

6. It was brought to the notice of the Committee that the sugar factory had represented regarding financing pattern of the project and eligible/ineligible amount of SDF loan. The sugar factory has represented that the internal accruals of Rs.1500.00 lakhs instead of Rs. 3800.00 lakhs may be considered while evaluating their loan amount. The project was appraised for a cost of 19000.00 lakhs including cost of Rs.4245.00 lakhs for the ineligible items. The ineligible items were supposed to be funded from Bank loan and internal accruals of the company. The Sugar factory has brought in promoters contribution to the extent of 20% (Rs. 3800.00 lakhs) of the project cost Rs.19000.00 lakh i.e. in excess of 10%. Therefore, the SDF component has been decreased to that extent.

7. In this regard, the Committee was apprised that typically the funding pattern for a project is 10% promoters' equity, 40% SDF component and 50% from other institutional borrowings. In case of Greenfield projects for co-gen and ethanol the SDF component is 20%. It was therefore earlier decided that in cases where the owners' contribution / equity is increased beyond 10%, there must be corresponding decrease in the SDF component. As per the above decision, the promoter's contribution increased from 10% to 20%(i.e. by 10%). Hence the SDF component will be 30 % {40.00% - 10% = 30%} of the total eligible project cost. Eligible project cost after deducting ineligible item amounting to Rs. 4615.81 lakh was found to be 14384.19 lakh. Therefore, eligible SDF loan amount was calculated as Rs. 4315.25 lakh(i.e. 30 % of Rs. 14384.19 lakh).

8. Committee was further informed that the Sub Committee in its meeting held on 30.05.2018 thoroughly examined the above matter and recommended that after a detailed examination by SDF in consultation with IFCI, this may be put up before the



Standing Committee for a decision. Accordingly, the comments of the IFCI were obtained.

9. In above regard, IFCI stated that 40% of SDF component of the eligible items of Rs. 14384.19 lakhs is Rs. 5753.67 lakhs and 30% of SDF component (as the company has brought in 20% of the cost) of the total project cost of Rs. 19000 lakhs (including ineligible items) is Rs. 5700 lakhs. If considered lower of 30% of total project cost (eligible and ineligible items) and 40% of eligible cost, the company is eligible for an SDF loan of Rs. 5700 lakhs. Further, IFCI submitted that promoters' contribution vis-à-vis SDF portion of loan should ideally be calculated on the basis of the cost of eligible items and not on the total project cost as a whole.

10. After detailed deliberations, the Committee was convinced with the submission of IFCI and directed that, in future, after deduction of ineligible items (as per SDF guidelines) from the project cost, the sugar factories shall be asked to submit revised funding pattern for the eligible items. The SDF loan amount will accordingly be calculated as per the existing instructions, on the basis of promoters equity for the eligible items and not on the basis of the total project cost. However, no old case shall be re-opened on this basis.

11. On the basis of available records and recommendations of the Sub-Committee, the Standing Committee recommended SDF loan of Rs.5700.00 lakh for setting up of 150 KLPD anhydrous alcohol or ethanol plant from molasses, subject to the conditions mentioned in para 10 above.

12. 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 at the time of charge creation as per extant rules/guidelines/requirement.

Agenda No. 7: M/s Bhaurao Chavan SSK Ltd., Laxminagar, Taluka - Ardhapur, District Nanded, Maharashtra for Expansion of 30 KLPD to 60 KLPD along with Spent wash concentration & incineration system for 60 KLPD anhydrous alcohol or ethanol plant from molasses.

The Standing Committee considered the loan application for expansion of ethanol plant from 30 KLPD to 60 KLPD along with Spent wash concentration & incineration system for 60 KLPD anhydrous alcohol or ethanol plant from molasses at a cost of Rs.5843.50 lakh including SDF assistance of Rs.2337.40 lakh requested by the Sugar Factory.



2. The project has been appraised by NCDC and technically evaluated by VSI Pune. On the basis of technical, financial and other data placed before it, the Committee observed that 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 Pollution Control Board, Maharashtra will be received after completion of the project. EIA clearance has been received. The Director NSI, Kanpur mentioned that the project of sugar factory shall be able to achieve the ZLD with the envisaged system.

4. There are no outstanding SDF dues and LSPEF dues. However, Dte of Sugar has reported a quantity of 55.2 MT as levy dues.

5. NCDC has stated that the society is likely to get the letter regarding lifting of levy from Collectrate Office, Nanded, Maharashtra shortly. The Committee, accordingly, directed to obtain No Dues Certificate from Directorate of Sugar within 45 days after issue of the minutes of the meeting.

6. From the balance sheet and other financial details of the sugar mill, it was observed that the average DSCR of the sugar factory and company as a whole as per future projections are 1.42 & 1.45 respectively and previous five years average DSCR is 1.66 & 0.63 respectively. FACR of the sugar factory and company as a whole is 1.37 & 1.82 respectively as on 31.03.2017 and FACR of the sugar factory and company as a whole is 0.79 & 1.53 (without proposed assets) respectively as on 31.03.2017. The IRR of the project is 24.50%.

7. After deducting an amount of 1072.50 lakh from the estimated project cost of Rs. 5843.50 lakh, the eligible project cost works out Rs.4771.00 lakh and SDF funding @ 40% of the eligible cost would be Rs. 1908.40 lakh.

8. On the basis of available records and recommendations of the Sub-Committee, the Standing Committee, recommended SDF loan of Rs.1908.40 lakh for expansion of ethanol plant from 30 KLPD to 60 KLPD along with Spent wash concentration & incineration system for 60 KLPD anhydrous alcohol or ethanol plant from molasses subject to furnishing of no levy dues certificate by the Directorate of Sugar within 45 days after issue of the minutes of the meeting. Administrative Approval will be issued only after receipt of No Dues Certificate from the Dte of Sugar in respect of levy dues.



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

Agenda No. 8: 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 loan application for setting up of 90 KLPD anhydrous alcohol or ethanol plant from molasses at a cost of Rs.9693.00 lakh including SDF assistance of Rs.3412.00 lakh requested by the Sugar Factory.

2. 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 mill.

3. After detailed deliberations, the Committee directed that the sugar factory/appraising agency may be asked to submit the documentary evidence regarding availability of the molasses for the proposed ethanol plant. The proposal was accordingly deferred by the Standing Committee. The Committee also directed to obtain No Dues Certificate regarding levy dues from Directorate of Sugar within 45 days after issue of the minutes of the meeting.

MISCELLANEOUS

Agenda No. 9: Ex-post facto approval/Ratification of extension of AA, in case of M/s Gem Sugars Limited, Kundaragi village, Biligi Taluka, Bagalkot District-587 204, Karnataka

The Standing Committee considered the proposal for ex-post facto approval/ratification for extension of validity of Administrative Approval of the project upto 12.06.2018.

2. Brief of the case: An amount of Rs.1680.84 lakh was sanctioned to above sugar mill on 13.12.2016 for setting up plant for production of 60 KLPD anhydrous alcohol or Ethanol from molasses with the one year validity of AA. Validity of AA expired on 12.12.2017. Sugar factory requested for an extension as there was delay in getting NOCs from other lenders.



3. Sugar factory vide their letter dated 18.11.2017 (within validity period) had intimated that 6 out of 7 consortium member banks have issued the NOC and NOC from the SBI, Hubli has been received on 16.11.2017. On receipt of all the NOCs they met the officials of IFCI, Bangalore. For preparation of Memorandum of Deposit of Title Deeds, Registration with sub registrar office, creation of charge with ROC, CERSAI registration, Inspection and other documentation to be vetted by legal department of consortium lead bank viz., IOB, Chennai and IFCI, it required a minimum of one or two months time. In the meanwhile, they had already submitted draft documentation like Memorandum of Deposit of Title Deeds, Deed of Hypothecation, Escrow Account Agreement and other related documents for their legal vetting. Hence, sugar factory had requested to extend the validity of AA.

4. Keeping in view of justifications furnished by the SF and recommendation of IFCI, and also the fact that there was no meeting of Standing Committee scheduled at that time, it was decided to obtain approval of Secretary (DFPD)[Chairperson of the Standing Committee], for extension of AA upto 12.06.2018(i.e. for six months) and later on obtain the ex post facto approval/ratification by the Standing Committee. Secretary (DFPD) had approved the extension of validity of AA upto 12.06.2018 and the SDF loan was disbursed on 26.03.2018 (1st part payment) and 06.06.2018 (final payment).

5. The Committee ratified the proposal for extension of validity of AA upto 12.06.2018 in above case.

Agenda item No. 10: Ratification of extension of AA in case of M/s Bilagi Sugar Mills Ltd (Cogeneration and Modernization) and M/s Siddhi Sugar and Allied Industries Ltd.

There were 3 cases of SDF loan in which validity of AA had expired, however, the sugar mills in these cases were requested to complete all formalities for disbursement of SDF loan as soon as possible and then approach SDF for extension. It was also conveyed that the request of sugar factory for extension of validity of AA will be examined on its merit, for relaxation of the existing instructions, if possible. Disbursal request, in these cases were later on received. However, as the validity of AA had expired, the same could not be processed. Further, these cases were also placed before sub committee in its meeting held on 30.05.2018. The sub committee recommended extension of validity of AA upto 31.10.2018 for consideration of standing committee. However, as there was no proposal of convening meeting of Standing Committee, immediately thereafter it was decided to obtain approval of Secretary (DFPD)[Chairperson of the Standing Committee], for extension of AA upto 31.10.2018 and later on obtain the ex post facto approval/ratification by the Standing Committee. Secretary (DFPD) had accordingly approved extension of validity of AA upto 31.10.2018 in these three cases.

Standing Committee considered following 3 proposals for ratification of granting extension in validity of AA upto 31.10.2018:

(i) M/s Bilagi Sugar Mills Ltd., Badagandi village- Bilagi- Taluka, Bagalkot District, Karnataka (Cogeneration):



Brief of the case: SDF loan of Rs.3004.38 lakh was sanctioned to M/s Bilagi Sugar Mills Ltd., Badagandi village- Bilagi- Taluka, Bagalkot District, Karnataka for setting up of 30 MW bagasse based cogeneration power project, vide Administrative Approval dated 13.12.2016. The validity of AA got expired on 12.12.2017. Sugar Mill vide its letter dated 05.12.2017 had requested for extension in validity period of AA.

(ii) M/s Bilagi Sugar Mills Ltd., Badagandi village- Bilagi- Taluka, Bagalkot District, Karnataka (Modernization):

Brief of the case: SDF loan of Rs.2268.85 lakh was sanctioned to M/s Bilagi Sugar Mills Ltd., Badagandi village- Bilagi- Taluka, Bagalkot District, Karnataka for modernization and expansion of the sugar plant from 2500 TCD to 5000 TCD respectively, vide Administrative Approval dated 14.12.2016. The validity of AA got expired on 13.12.2017. Sugar Mill vide its letter dated 05.12.2017 had requested for extension in validity period of AA.

(iii) M/s Siddhi Sugar and Allied Industries Ltd. Maheshnagar, Ujana,Tq.- Ahmedpur,Dist.-Latur, Maharashtra

Brief of the case: The SDF loan of Rs.1035.60 lakh was sanctioned to M/s Siddhi Sugar and Allied Industries Ltd. Maheshnagar, Ujana,Tq.-Ahmedpur,Dist.-Latur, Maharashtra for setting up plant for production of 30 KLPD anhydrous alcohol or Ethanol from molasses, vide Administrative Approval dated 13.12.2016. The validity of AA got expired on 12.12.2017. Sugar factory vide its letter dated 13.10.2017 intimated that there was severe drought situation in the Marathawada region due to which cane availability was a serious problem. Also, some of their documents were delayed, which were essential for actual distillery erection work. However, in 2016-17 and 2017-18 rainy seasons were comparatively much better, so they had speeded up the activities for distillery erection. It was also intimated that they had received almost all documents related to distillery. Further, sugar factory vide its letter dated 20.11.2017 had intimated that they were making efforts for the implementation of ethanol project by December, 2017 and would soon approach for disbursement. Sugar Mill vide its above said letter dated 20.11.2017 had also requested for extension in validity period of AA.

The Committee ratified the proposal for extension of validity of AA upto 31.10.2018 in above 3 cases.

Agenda No. 11 : Extension of Administrative Approval in case of SDF loan granted to M/s Sovereign Industries Limited., Bagalkot District, Karnataka

The Standing Committee considered the proposal for grant of extension of Administrative Approval to M/s Sovereign Industries Limited., Bagalkot District, Karnataka

Brief of the Case : SDF loan of Rs. 829.33 lakh was sanctioned to M/s Sovereign Industries Limited., Bagalkot District, Karnataka for setting up of 20 MW Greenfield cogeneration power project, vide Administrative Approval dated 09.12.2016. The



validity of AA expired on 08.06.2018. Sugar mill vide its letter dated 29.05.2018 had requested to extend the validity of AA by 4-5 months due to delay in getting NOC for charge creation.

The Committee observed that first time extension of validity of AA has been requested by the sugar mill in this case and after due deliberations, recommended to extend the validity of Administrative Approval upto 31.12.2018.

Agenda No. 12 : Extension of Administrative Approval in case of SDF loan granted to M/s Shri Ambalika Sugar Pvt. Ltd., Ambikanagar, A/p-Jagdamba Factory, Tal-Karjat, Distt.-Ahmednagar, Maharashtra.

The Standing Committee considered the proposal for granting extension of Administrative Approval to M/s Shri Ambalika Sugar Pvt. Ltd., Ambikanagar, A/p-Jagdamba Factory, Tal-Karjat, Distt.- Ahmednagar, Maharashtra.

2. Brief of the case: An amount of Rs.1274.15 lakh was sanctioned to above sugar mill on 23.03.2017 with one year validity of AA. Validity of AA expired on 22.03.2018.
3. Sugar factory vide their letter dated 19.06.2018 represented that the delay in complying with the disbursement formalities was on account of receipt of Income Tax Clearance Certificate and CERSAI registration and accordingly requested to extend the validity of the AA upto 31.10.2018.
4. ***The Committee observed that first time extension of validity of AA has been requested by the sugar mill in this case and after due deliberations, recommended to extend the validity of Administrative Approval upto 31.10.2018.***

Agenda No. 13 : Revival of Administrative Approval in case of SDF loan granted to M/s Ghodganga SSK Ltd., Raosaheb Nagar, Nhavare, Tal-Shirur, Dist. Pune, Maharashtra

The Standing Committee considered the proposal for revival of Administrative Approval to M/s Ghodganga SSK Ltd., Raosaheb Nagar, Nhavare, Tal-Shirur, Dist. Pune, Maharashtra.

2. Brief of the Case : SDF loan of Rs. 2400.42 lakh was sanctioned to M/s Ghodganga SSK Ltd., Raosaheb Nagar, 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. 133rd Standing Committee ratified the same on 21.02.2017.
3. The sugar mill vide its letter dated 03.07.2018 again requested to extend the validity period of AA.



4. During the meeting, NCDC informed that the sugar mill has now executed the PPA with the State Govt. of Maharashtra.

5. After due deliberations, the Standing Committee 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.

Agenda No. 14: Extension of validity of AA in three cases

The Standing Committee considered the proposal for grant of extension of Administrative Approval in following three cases:

(i) Shri Balaji Sugar and Chemicals Pvt. Ltd., Yaragal Vijapur Karnataka

Brief 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.

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.

(ii) 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 of the case : SDF loan of Rs. 3427.96 lakh was sanctioned to above sugar mill for setting up 26 MW bagasse based co-generation power project, vide Administrative Approval dated 12.11.2015. The validity of AA expired on 11.11.2015.

The disbursal had not been made to the sugar mill mainly due to non execution of Power Purchase Agreement. The validity of Administrative Approval was extended upto 11.11.2017 on request of the sugar factory in two spells each of three months first from JS (Sugar) level and second from Secretary (F&PD) level as per guidelines. Furthermore, another extension of AA upto 31.03.2018 was granted to the above sugar mill as per recommendations of 135th standing committee.

The Sugar factory vide its letter dated 6.03.2018 requested for further extension of validity of AA for six months keeping in view of pending execution of PPA with State Government.



(iii) M/s Utech Sugar Limited, Gat No.15, Mouje Kavathe Malkapur, Taluka Sangamner, Distt-Ahmednagar, Maharashtra

Brief 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 Administrative Approval (AA) was further extended upto 31.12.2017 by 134th standing committee.

The proposal to accord approval to FACR to enable sugar mill to proceed for creation of first pari passu charge in favour of SDF, GOI for the proposed loan, was received on 07.09.2017. However, the request had not yet been agreed to because of pendency of litigation matters involving land.

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.

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. IFCI had recommended for extension of validity of AA upto 31.08.2018 and also for FACR approval for creation of 1st pari passu charge on fixed assets of company and acceptance of additional securities.

Observations/Decision of Committee: The Committee observed that Administrative Approval had been issued in the above three cases in year 2014/2015. Therefore, these cases are required to be examined in detail to see whether adequate justification are available for seeking extension. Committee directed SDF division to re-examine the cases keeping in view the precedence in the matter.

Agenda No. 15: Guidelines for Granting Extension of AA

The Committee was apprised of the fact that, at present, guidelines prescribed by 129th Standing Committee are being followed in cases where extension in validity of AA is requested. According to these guidelines, there is no provision for grant of extension in validity of AA in Brownfield cases, however, six months extension can be given in Greenfield cases with the approval of Secretary (DFPD) in extraordinary circumstances.

2. The Committee was also apprised that it is observed in recent past that due to various reasons, the Sugar Mills in some cases require extension of validity of AA. However, as per existing instructions/guidelines, it is not possible. It is also felt that the SDF loan proposals mature after a prolonged process and denial in extension of AA in genuine cases will harm the interest of the Sugar Mills which is against the spirit of SDF Assistance.



3. It was proposed that the request for Extensions of validity of AA received within validity period for justifiable reasons may be considered at the level of JS (S&SA), and two extensions of three months each, may be permitted. After two such extensions granted by JS (S&SA), further extension of six months may be granted by Secretary (F&PD). After giving one year of such extension, in cases wherein further extension is requested, the cases may be placed before Standing Committee and the Standing Committee will have power to grant further extension on case to case basis on merits of the case.

4. After due deliberations, the Committee accepted the proposal at para 3 above. The Committee also recommended that the above guidelines shall be followed in all cases where AA has been issued and in future where AAs are to be issued.

Agenda No. 16: Guidelines for calculating FACR

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

$$\frac{\text{(Net value of Fixed Assets + Work in progress)}}{\text{(All secured loans, including the proposed one)}}$$

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 & NDCD in this regard and had directed the SDF Division to formulate the principles of calculation of FACR.

3. Accordingly, after consultation with IFCI and NCDC following formulae was submitted before Standing Committee for working out the FACR for issue of NOC and for the security of SDF loans on first pari passu charge basis :

$$\frac{\text{Value of fixed assets to be mortgaged (existing assets and assets to be created under the project)}}{\text{FACR}} = \frac{\text{(Existing loans secured against first charge on the assets proposed to be mortgaged including SDF loans secured against exclusive second charge) + loans for the proposed project}}{\text{FACR}}$$

(It may be noted that CWIP component in balance sheet is included in the proposed assets.)

NCDC and IFCI has also advised that to further ensure that proposed assets

for

corresponding to the proposed loans have been created for the project, FACR may also be worked out before disbursement of final installment (It may be in 1 lump sum or in 2 installments) of SDF loan as per the formula given below:

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

The Committee decided that the proposal may be re-examined by the Sub Committee in consultation with IFD.

Agenda No. 17: Guidelines on ceding and vacation of charge.

The Committee considered the proposal for prescribing additional guidelines to be followed while dealing with cases of NOC for ceding and vacation of charge.

The Committee was apprised that the additional guidelines have been proposed in view of the decision of 118th Standing Committee not to accept 2nd charge as security of SDF loan.

NCDC conveyed that while upgrading the security of previous SDF loans (which are secured on 2nd charge) from 2nd charge to 1st charge, the other lenders may object thereby causing delay in such cases.

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.

Additional Agenda No. 1 Proposal of M/s MRN Cane Power (India) Ltd. at Kallapur (S.K.)- Khanapur-587155, Tq.- Badami, Distt.- Bagalkot, Karnataka for setting up of 30 MW Greenfield bagasse based cogeneration power project. (Additional Agenda item No. 1).

The Standing Committee considered the loan application for setting up of 30 MW Greenfield bagasse based co-generation power project at a cost of Rs.16722.00 lakh including SDF assistance of Rs. 2357.00 lakh requested by the Sugar Factory.



2. The project has been appraised by IFCI Ltd. and technically evaluated by KSM Engineering Ltd., Bangalore. The project was found to be financially viable and technically feasible by the Committee.
3. The Committee observed that the application had been considered in the 134th and 135th Standing Committee meeting but had been deferred as, at the time of 134th Standing Committee, the sugar factory had not availed loan from other term lenders. Also the power purchase Agreement (PPA) had not been signed. 134th Standing Committee had also directed to obtain progress report of the implementation of the project from the sugar factory. 135th Standing Committee had also directed IFCI to submit a detailed report after examining the financials of sugar factory as well as company as a whole in respect of DSCR (projection/ previous five years)/FACR and other aspect of the project.
4. IFCI informed that the sugar mill has now availed 69% of Term Loan from Consortium banks as on 31.05.2018 and the sugar factory will submit the PPA before disbursal. It was also apprised that land acquisition and development work is 100% completed and Civil works are 75% completed. Erection of Plant and machinery is 77% completed and company will be able to complete the erection and start commercial operations by November, 2018. IFCI had also submitted its report on financials of sugar factory.
5. The committee was informed by IFCI that since project is under implementation, realistic FACR can't be calculated based on Financials as on 31/03/2017. Projected average FACR is 1.87 and projected DSCR post completion of project is 1.89. IRR of the project was 30.90%.
6. There are no outstanding SDF dues as on 03.08.2018 and there are no LSPEF dues and Levy sugar dues as the project is Greenfield project.
7. On the basis of the normative cost of SDF funding @ Rs.543.00 lakh per MW for a project of 21.70 MW employing boiler of 110 ata, the eligible project cost is Rs.11783.10 lakh and the SDF component @ 20% of the eligible project cost is Rs. 2356.62 lakh. After pro-rata adjustment of CENVAT credit from SDF loan on normative cost, sugar factory was found to be eligible for an amount of SDF loan of Rs. 2149.08 lakh.
8. *On the basis of available records and recommendations of the Sub-Committee, the*

Standing Committee recommended SDF loan of Rs.2149.08 lakh for setting up of 30 MW Greenfield bagasse based co-generation power project. The Committee further directed IFCI to submit a report on the current status of the project.

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 at the time of charge creation as per extant rules/guidelines/requirement.

GENERAL OBSERVATIONS OF THE STANDING COMMITTEE

(i) ZLD (Zero Liquid Discharge) compliance for ethanol projects:

The Committee observed that the ZLD compliance for ethanol projects is not clearly mentioned in the agenda note. *The Committee accordingly directed that henceforth the process of ZLD compliance i.e. the method of achieving ZLD must be mentioned in preface of agenda note for consideration of the Committee.*

(ii) Review of Cane Development Scheme:

The Committee observed that presently, Cane Development assistance under SDF is provided for setting up of heat treatment plants, rearing of nurseries and Drip Irrigation. The Committee observed that there is a kind of duplication of schemes under the Department of Food & PD and the Ministry of Agriculture & Farmers' Welfare as assistance is provided from both Departments/Ministries for similar schemes.

Accordingly, in view of the above and in light of surplus production of sugar in the country *the Committee directed the sub committee to review the components of Cane Development under SDF and to examine the continuance of Cane Development scheme in future.*

(iii) Holding of Standing Committee meeting:

The Committee directed that the meetings of Sub Committee/Standing Committee shall be convened at regular intervals.



(iv) Review of Recoveries of SDF loans:

AS & FA raised the issue of review of recoveries of SDF loans and proposed to include the review of recoveries of SDF loans in 5 cases each disbursed through IFCI and NCDC as one of the agenda note for every Standing Committee meeting. *The proposal was accepted by the Committee.*

The meeting ended with vote of thanks to the chair & participants.

Annex

**ATTENDANCE SHEET OF PARTICIPANTS OF 136th MEETING OF
STANDING COMMITTEE OF SDF HELD ON 07th August 2018 AT 3:00 P.M.**

Sl. No.	Name, Designation & Organization	Name of Department/Organization
1.	Shri Ravi Kant, Secretary -Chairperson	Department of Food and Public Distribution
2.	Shri B. Pradhan, -Member Additional Secretary and Financial Advisor	Department of Food and Public Distribution
3.	Finance Secretary, Ministry of Finance	-
4.	Dr. AP. Singh - ADC (Crops)	Ministry of Agriculture Co-operative & Farmer Welfare
5.	Shri Suresh Kumar Vashishth - Member Joint Secretary (Sugar & Admin),	Department of Food and Public Distribution
6.	Shri Suchindra Mishra - Member Joint Secretary, DFS	Ministry of Finance
7.	Director (Sugar & VO) - Member Directorate of Sugar, DFPD	-
8.	Shri Narendra Mohan, - Member Director NSI, Kanpur,	National Sugar Institute, Kanpur
9.	Shri Suresh Pal - Member Director (NIAP)	Indian Council of Agricultural Research
10.	Shri N. K. Kashmira - Member- Secretary Director (SDF)	Department of Food and Public Distribution

11.	Dr. Gautam Talukdar -CCA Represented by Shri R.S.Chahal, - Sr.AO	Department of Food and Public Distribution
12.	Shri Dilip Kumar Jha, Under Secretary (SDF),	Department of Food and Public Distribution
13.	Shri R. K. Girdhar Under Secretary (SPF)	Department of Food and Public Distribution
14.	Shri Kanav Dua, -Asst. Director (Cost),	Department of Food and Public Distribution
15.	Shri Sushil Kumar, Section Officer (SDF A/cs)	Department of Food and Public Distribution
	SPECIAL INVITEES	
	IFCI: -	
16.	1. Shri Prasoon, Chief General Manager	IFCI Limited, New Delhi
	2. Shri V. Subramanian, General Manager	
	3. Shri Jagdish Garwal, DGM	
	NCDC: -	
17.	1. Shri Krishan Choudhary, Executive Director	NCDC, New Delhi
	2. Shri R.K.Mangla, Dy. Director (Sugar)	
	3. Shri Gijraj Aghnihotri, Dy. Director (Sugar)	

