

Minutes of the Technology and Finance Standing Committee (TFSC) Meeting held on Tuesday, 1st February, 2011 at 11:00 A.M. in the Conference Room of Delhi Management Association (DMA), Core 6A, 1st Floor, India Habitat Centre, Lodhi Road, New Delhi – 110 003.

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List of participants is attached as **Annexure-I**.

The Minutes of the TFSC meeting held on 28th September, 2010 were circulated to all the Members of the Committee. Since, no comments have been received, the Minutes were adopted.

Dr. A. Duraisamy, Director (O) and Member Secretary, TFSC welcomed the Chairman and the Members. He then apprised the Committee about the actions taken by the Ozone Cell on recommendations made by the TFSC in its meeting held on 28th September, 2010.

Action Taken: Approval of Chairman, Empowered Steering Committee (ESC) for Implementation of the Montreal Protocol has been taken on file and duty exemption certificates were issued for the following :

1. M/s Frigoglass India Pvt. Ltd., Manesar, (Haryana).
2. M/s Subros Ltd., Manesar.
3. M/s Delphi Automotive Systems Pvt. Ltd., Greater Noida, (U.P).
4. M/s Subros Ltd., Noida.
5. M/s Industrial Foams Pvt. Ltd., New Delhi.
6. M/s Whirlpool India Pvt. Ltd., Pune, (Maharashtra).

Ex-post facto approval of ESC will be taken in its next meeting. The Committee took note of above.

The Committee then considered the following Agenda items:

Agenda Item No. 1: The application of **M/s Venus Home Appliances Pvt. Ltd.**, Pudukottai, Tuticorin (T.N.), for duty exemption for import of one Cannon AP-30 PU foaming machine from Italy.

M/s Venus Home Appliances Pvt. Ltd., manufactures automatic water heaters (geysers) at Senthilampannai Village, Pudukottai, Tuticorin since 1967. Their geysers have attractive multicolored ABS plastic body with pure copper rust free tank insulated with PUF ensuring highly energy efficient functioning and long life even with the use of hard water. For foam insulation they were earlier using CFC-11. In 1999 with the assistance of MLF – funds they changed over to non-ODS foaming agent HCFC-141b. After more than ten years of use, they modernized their production process in 2009 by importing one Cannon AP-30 foaming machine for which they received duty exemption assistance.

They are now undertaking further modernization and expansion by changing from copper tank to glass lined iron tank which will give a better and

sturdier product. For this purpose they are importing a new foaming machine, Cannon AP-30, from M/s Afros S.P.A, Italy for which they have requested duty exemption. The details of the foaming machine being imported is given in the Table below :

S. No	Description	Qty.	P.O. No & Date	Source	Price in Euro	Price in INR
1	Canon AP-30 machine	1	VHA/PE-VE/02/10-11 dated 10.04.2010	M/s Afros S.p.A. via Galileo Ferraris, 65 I-21042 Caronno Pertusella (Va) Italy	43,500/-	26,25,225/-
Total amount INR						26,25,225/-
Duty payable Approx. @ 7.5%						1.9 lacs

The cost of the machine being imported is Rs. 26.25 lakhs and duty payable @ 7.5% on it will be approx. Rs. 1.9 lacs. The cost of the expansion programme will be funded by internal accruals.

In their presentation before the Committee the representative of the company mentioned that they will be trying methyl formate as the foam blowing agent in place of HCFC-141b. The Committee asked him to continue using HCFC-141b as mentioned in their project as the use of methyl formate for PU foam blowing needs more development and improvement. The Committee recommended the application for approval.

Agenda Item No. 2 The application of **M/s Starion India Pvt. Ltd.**, Ranjangaon, Pune for duty exemption for import of components of Hot Melt, mould carrier and Cannon make pouring equipments A-system (High Pressure Foaming Machine) for setting up a refrigerator plant based on non-ODS technology.

M/s Starion India Pvt. Ltd., a wholly owned subsidiary of Sunchull Manufacturing Co. Ltd., of Korea, specialized in the manufacture of components and parts of home appliances, electrical appliances, precision machines, automobiles components etc. manufactured by others. The group consists of more than 15 companies in the PARTS manufacturing industry.

The company has four Korean share holders, three of them are other Korean companies and is managed by a three member Korean Board of Directors.

The company is now undertaking a project for manufacture of refrigerators suitable for non-ODS refrigerant R-134a and non-ODS foam blowing agent cyclopentane. Since they are going to use non-ODS technology they have requested for duty exemption for the import of a foaming machine, a mold carrier and a hot melt machine. The details of the machines being

imported for non-ODS refrigerator manufacturing plant is shown in the table below :

Table

S. No	Item Name	Qty	P.O. No & Dated	Price in \$	Price in INR
1	Mold Carrier and Motor: Specification No. 30 Size 1600mm X 2300mm Servo driver type	1 set	SIPL/PUNE/ 10-11/ 0572 A/Import Dated 16/09/10	\$ 235,780/-	1,05,65,301/-
2	Hot melt machine Specification Model BS-60 Tank capacity – 60 kg Melt unit weight– 85 kg	2 sets		\$ 18,650/-	8,35,706.5
3	Cannon A System High Pressure Injection PU Foaming machine with 1. 2 FPL18 Mixheads 2. 2 Head Blocks with valves 3. 2 Electrical Boxes 4. 4 Stream distributors Hoses Frame Parts. control panel 5. Set of spare. 6. 3 100 LT Hydraulic Units	1 set		\$ 519, 337. 02	2,32,71,490/-
Total INR					3,46,72,497.50
Duty Payable @ 7.5%					26,00,437/-

The total cost of 3 sets of equipment listed is Rs. 3.47 crores and duty on it @ 7.5% would be approximately Rs. 26 Lakh.

The total cost of the project is estimated to be Rs. 233 Crores. It will be partly funded by equity (Rs 138 Crores), partly by Debt (40.0 Crores) and rest from Head office (Rs. 55.0 Crores).

The company gave a presentation before the Committee in which they explained in detail about functioning of the 3 sets of equipment they are procuring and installing.

The Committee observed that they are partly financing the project by taking a loan for which they have not given any details. They have also not

submitted a permit from the Directorate of explosives for storage of cyclopentane.

The Committee recommended the project for approval subject to submission of above information.

Agenda Item No. 3: The application of **M/s Subros Ltd., New Delhi**, for duty exemption for import of 29 pieces of equipment needed for capacity enhancement at the Noida and Manesar plants and for setting up a new plant at Sanand, Gujarat.

M/s Subros Ltd., is the largest manufacturer of car air-conditioners in India with a capacity of 7,50,000 units manufactured in their fully equipped plants at Noida (UP), IMT Manesar (Haryana) and at Pune (Maharashtra). M/s Subros is now undertaking a large expansion to augment their compressor making facilities at the Noida plant and molded parts with heat exchangers facilities at the Manesar plants. In addition they are setting up a new plant at Sanand, Gujarat to cater to the MAC requirements of the newly created car manufacturing facilities of TATA Motors at Sanand (Gujarat). For this large expansion program M/s Subros is importing 29 pieces of equipment from Japan, Malaysia and Taiwan. The plant wise details of the equipment being imported are shown in Tables :

TABLE

Part A : Equipment needed for NOIDA plant					
S. No.	Description of eqpt.	Qty	P.O No, & Date	Total amount in (FOB/CIF value)	Total CIF cost (Rs. In lacs)
1	Honing machine model FS 35AN	1 set	7200000304 Dated 30.09.2010	1,03,800/- USD	46,71,000/-
2	Double Disc Grinding machine with standard accessories (Model GMW 760 Ci)	1 set	7200000306 Dated 08.10.2010	5,46,000/- USD	2,45,70,000/-
3	UBE Standard Die Casting machine with SDDV (Servo Direct Drive Valve) Shot control system	1 set	7200000311 Dated 27.10.2010	4,70,00,000/- JPY	2,53,80,000/-
4	Helium Leak Detection equipment for compressors (with Helium Recovery system)	1 set	7200000312 Dated 01.11.2010	1,99,500/- USD	89,77,500/-

S. No.	Description of eqpt.	Qty	P.O No, & Date	Total amount in (FOB/CIF value)	Total CIF cost (Rs. In lacs)
5	Aluminium Melting and Holding Furnace model MH 300 gas fired type melting rate 300 kg/hr minimum holding chamber capacity 1050 kg. gas fired pilot burners including control panel, cold air combustion system unit, secondary gas and pilot gas piping within the furnace.	1 set	7200000313 Dated 02.11.2010	96,000/- USD	43,20,000/-
6	UBE Standard Die Casting machine with SDDV (Servo Direct Drive Valve) Shot Control system	2 Sets	7200000319 Dated 03.11.2010	8,90,00,000/- JPY	4,80,60,000/-
7	Moisture Removing System	1 Set	7200000320 Dated	65,000/- USD	29,25,000/-
8	Oil Filtration System	1 Set	04.11.2010	65,000/- USD	29,25,000/-
9	Twin Spindle Turn Mill Centre : MT 12 GMC MT 12 MD 120	2 set 4 set 1 set	7200000322 Dated 19.11.2010	22,10,00,000/- JPY	11,93,40,000/-
10	Copal NW YP 8 Pulley Blank Forming open die: 8 stages	1 set	7200000329 Dated 23.11.2010	83,00,000/- JPY	45,65,000/-
11	1) FCB die Casting die (2050 X 1650 X 775mm) 2) RCB Die Casting Die (1990 X 1900 X 775mm) 3) R/H Die Casting Die (1140 X 1160 X 840mm)	1 set each	7200000330 Dated 30.11.2010	5,65,97,510/- JPY	3,11,28,630.50

S. No.	Description of eqpt.	Qty	P.O No, & Date	Total amount in (FOB/CIF value)	Total CIF cost (Rs. In lacs)
12	N S Flow forming Machine Model VF – 200V – 3PL – NC with standard accessories	1 set	7200000331 Dated 10.12.2010	2,05,00,000/- JPY	1,12,75,000/-
Part B : Equipment needed for Manesar plant					
1	2 CAVITY Injection Molding Die Suitable for 350 T injection molding machine (SB090035) + Spare Core and cavity set (SB090036)	1 set + 2 sets	7200000303 dated 22.09.2010	2,20,00,000/- JPY	1,18,80,000/-
2	CNC Cylindrical Grinder Model OCD – 2040 with Standard accessories.	1 Set	7200000305 Dated 30.09.2010	78,500/- USD	35,32,500/-
3	Soldering Robot model iCross (TX-i224) AC100V+/- 10%, 50/60 Hz 1.0 KVA	1 set	7200000310 Dated 27.10.2010	23,10,000/- JPY	12,47,400/-
4	Fin Forming machine Cum Auto Core Builder	1 set	7200000323 Dated 19.11.2010	7,50,000/- USD	3,37,50,000/-
5	J850 ADW/3900 H (A) All electric Injection molding machine	2 set	7200000324 Dated 22.11.2010	10,40,00,000/ - JPY	5,61,60,000/-
6	J 180 AD/300 H (A) All electric Injection molding machine	2 set	7200000326 Dated 22.11.2010	2,00,00,000/- JPY	1,08,00,000/-
7	J85 AD/110 H (A) All electric Injection molding machine	2 set	7200000327 Dated 22.11.2010	1,32,00,000/- JPY	71,28,000/-

S. No.	Description of eqpt.	Qty	P.O No, & Date	Total amount in (FOB/CIF value)	Total CIF cost (Rs. In lacs)
8	J350 AD/890 H (A) All electric Injection molding machine	2 set	7200000328 Dated 23.11.2010	3,50,00,000/- JPY	1,89,00,000/-
9	Nocolock Brazing Furnace	1 set	7200000335 Dated 22.12.2010	6,50,00,000/- JPY	3,57,50,000/-
10	Dynamic UPC type UBBAT615 625 KVA/500 KW at 415 V/50 Hz PF = 0.8	3 set	7200000337 Dated 22.12.2010	3,15,000/- Euro	1,95,30,000/-
11	Nocolock Brazing Furnace	1 set	7200000338 Dated 22.12.2010	6,50,00,000/- JPY	3,57,50,000/-
12	J 180 AD/300H (A) all electric Injection Molding Machine	2 set	7200000336 Dated 22.11.2010	2,00,00,000/- JPY	1,10,00,000/-
Part C : Equipment needed for new plant at Sanand (Gujarat)					
1	Hose Crimping machine Model SJ-SW 80	1 set	7200000314 Dated 02.11.2010	71,000/- USD	31,95,000/-
2	CNC Rotary Cutter	1 set	7200000315 Dated 02.11.2010	1,85,000/- USD	83,25,000/-
3	CNC Pipe Bender	1 set	7200000316 Dated 02.11.2010	1,10,000/- USD	49,50,000/-
4	Buldge and Spinning machine	1 set	7200000317 Dated 02.11.2010	2,52,000/- USD	1,13,40,000/-
5	J850 ADW/3900 H (A) All Electric Injection molding machine	1 set	7200000325 Dated 22.11.2010	5,20,00,000/- JPY	2,80,80,000/-
Total					58,94,55,030/-
Duty payable @ 7.5%					4,42,09,127/25

The total cost of equipment being imported now is approximately Rs 59 crores and duty payable on it @ 7.5% would be approximately Rs. 4.4 crores. The total cost of the import will be met by their internal accruals.

The company representative gave a presentation to the Committee and explained in detail the need for import of each item of equipment to support their expansion programme to meet the increased demand of Mobile Air conditioners from the car industry. He also explained that each item of equipment is part of a package and replacement of a single item such as aluminium melting and holding furnace from other sources may not ensure their smooth functioning .

The Committee agreed that the choice of source of equipment was that of the importer who is investing money and must be concerned about its smooth functioning and recommended the application for approval.

Agenda Item No. 4: The application of **M/s Delphi Automotive Systems Pvt. Ltd.**, Greater Noida (UP) for duty exemption for import of one each of the following (i) Matrix Core Builder, (ii) Closed Loop Calorimeter, (iii) Folded Tube Mill, (iv) X2 Case upper LHD Mould and (v) X2 Case Lower LHD Mould.

M/s Delphi Automotive Systems Pvt. Ltd., Greater Noida is a subsidiary company of Delphi Corporation, Michigan, USA. In India they manufacture Mobile Air Conditioner components like heat exchangers (condensers and evaporators), HVAC and MAC systems for car manufacturers like Maruti – Suzuki, GM, TATA Motors etc. The heat exchangers manufactured by them currently use HFC – 134a as the refrigerant. The company is now expanding their capacity of manufacturing heat exchangers (condensers and evaporators) which work exclusively using non-ODS technology from Delphi Harrison Thermal System (USA) and are suitable for use with R-1234YF and R-410A refrigerants having better environmental properties. For this they are importing 5 pieces of equipment and requested for duty exemption details of which are given in the table below :

Table

S. No.	Description of Equipment	Qty	P. O No. , Date	Price in US\$	Price in INR
1	Matrix Core Builder, U.K.	1	T1010806 Dated 04.11.2010	3,90,000/-	1,90,12,500/-
2	Radiator/Condenser Closed Loop Calorimeter equip. along with options A,C,D,E,F,I,J & 100 Inputs	1	T1010760 Dated 04.09.2010	4,10,000/-	1,99,87,500/-
3	Folded Tube Mill with accessories (Annexure – II)	1	T10110984 Dated 25.11.2010	5,46,351/- GBP	4,14,95,358/-

S. No.	Description of Equipment	Qty	P. O. No. , Date	Price in US\$	Price in INR
4	X2 Case Lower LHD Mould – Part no – 52430827	1	T0800502 Dated 31.11.2010	81,291/-	47,55,524/-
5	X2 case Upper for LHD Mould – Part no – 52430826	1	T0800502 Dated 31.10.2010	72,282/-	42,28,497/-
Total					8,94,79,379/-
Duty payable @ 7.5%					67,10,953/-

The total cost of equipment being imported is approx. Rs. 8.9 crores and duty on it would be approx. Rs. 67 lacs @ 7.5%.

The over all cost of this expansion project is estimated to be USD 1.3 million and it will be financed from their internal sources.

In their presentation before the Committee the company representative explained how the aluminium folded tube mill with double decoiler works to increase the production rate and the use of the closed loop calorimeter for optimization of efficiency of condensers in MACs for different type of cars. It was mentioned further that through these equipment will be used currently for production of MACs using R-134a as refrigerant, it is versatile and can be readjusted for use with future non - ODS refrigerants like R - 1234 YF and R-410 A which have better environmental properties and will be helpful when the company decides to introduce them later.

The Committee recommended the application for approval.

Agenda Item No. 5 : Review of the Fiscal Incentives Scheme

A background note on this item, circulated to the Committee, may be seen in **Annexure III**. It briefly reviews the origin of the fiscal incentives scheme, the guide lines followed, out come of the existing policy and the need for review.

The Committee observed that the fiscal incentives scheme has helped very much in early phase out major ODSs including CFCs. It has also helped SMEs in all sectors to avail the financial assistance provided by MLF.

The Committee unanimously agreed that the scheme should be continued to achieve total phaseout other ODSs and even some non -ODS gases with high GWP like HFC 134a hurriedly introduced to achieve CFC Phase out.

The Meeting ended with vote of thanks to the Chair.

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Annexure-I**List of Participants**

1	Dr. B. Sengupta, 161, Medha Apartments, Mayur Vihar, Phase – I, New Delhi – 110 091.	Chairman
2	Shri Hemant Kulkarni Council of Scientific Industrial Research (CSIR), Anusandhan Bhawan, 2, Rafi Marg, New Delhi – 110 001	Member
3	Dr. Izzatullah, Director (Chem), O/o DC (SSI), Ministry of Micro, Small & Medium Enterprises, Room No. 702, Nirman Bhavan, New Delhi – 110 011	Member
4	Mr. Vishwa Bandhu Bhattacharya, Executive Officer, CII Centre of Excellence for Sustainable Development Confederation of Indian Industry (CII), Thapar House, IIInd Floor, 124, Janpath, New Delhi – 110001	Member
5	Dr. H.S. Kaprwan, C-127, Sector 51, Noida – 200 1307 Ph.: 9891597792	Member
6	Shri, Ramesh Kumar Department of Revenues, Ministry of Finance, North Block, New Delhi – 110 001 Ph : 23094595, Fax : 23094595	Member
7	Dr. Kiran Pal, Joint Director, Centre for Fire, Explosive & Environment Safety (CFEES), Defence Research & Development Organisation (DRDO), Ministry of Defence, Brig. S.K. Mazumdar Road, Timarpur, Delhi – 110 054 Ph: 23907125, 23810820	Member

8	Mr. SV. Subba Rao National Program Manager, Sector Phase-out Plan Unit (SPPU), Ozone Cell, Ministry of Environment and Forests, Core IV B, 2 nd Floor, India Habitat Centre, Lodhi Road, New Delhi – 110 003	(special invitee)
9	Mr. Ringkhang Muchahary Technical Officer - SPPU Ministry of Environment and Forests, Core IV B, 2 nd Floor, India Habitat Centre, Lodhi Road, New Delhi – 110003	(Special invitee)
10	Mr. Fahad Naim Technical Officer - PMU Ministry of Environment and Forests, Core IV B, 2 nd Floor, India Habitat Centre, Lodhi Road, New Delhi – 110003	(Special invitee)
11	Ms. Chanchal Sharma Technical Officer - PMU Ministry of Environment and Forests, Core IV B, 2 nd Floor, India Habitat Centre, Lodhi Road, New Delhi – 110003	(Special invitee)
12	Prof. S.K. Mukerjee, Consultant, Ozone Cell, Ministry of Environment and Forests, Core IV B, 2 nd Floor, India Habitat Centre, Lodhi Road, New Delhi – 110003	Consultant
13	Dr. A. Duraisamy, Director (Ozone Cell), Ministry of Environment and Forests, Core IV B, 2 nd Floor, India Habitat Centre, Lodhi Road, New Delhi – 110003	Member Secretary

Annexure – II

M/s Delphi Automobile Systems Pvt. Ltd.,

Annexure to the PO NO : T1010984 dated : 25/11/10

S. No	Particulars	Classification	In GBP
1	Tube mill – Aluminium folded tube	Facility	2,42,920/-
2	Pre – Commission	Operations	8,200/-
3	Fluxing supply and detection system	Facility	38,770/-
4	Change part tooling – 28 heater tube	Tooling	1,05,714/-
5	Change part tooling – Radiator Tube	Tooling	1,05,714/-
6	Spare parts	Operations	21,773/-
7	Installation, commissioning and operator training	Operations	12,240/-
8	Operator Manual	Operations	1,300/-
9	Transport and packing / insurance	Operations	9,720/-
		Total in GBP	5,46,351/-

The Fiscal Incentive Scheme:

Members would have noted that currently, the main activity of TFSC is with the fiscal incentives schemes.

Fiscal incentives scheme started with MLF projects much earlier. MLF funds were only for incremental costs. Other costs like customs and excise duty for import of equipment needed for projects were not payable from MLF funds. Enterprises preferred to wait and watch as phase-out date 2010 was far away. It was therefore felt that fiscal incentives such as customs and excise duty exemption for goods needed for MLF funded projects may induce enterprises to come forward.

A proposal to this effect from MoEF was accepted by the MoF and Cabinet accorded approval of the Duty Exemption scheme for MLF funded projects on 27-1-94. Notification for this purpose was issued in January, 1995 and Dir (O) was authorized to issue the certificates for duty exemption following procedures approved by the ESC in its 4th Meeting.

The scheme operated successfully for MLF approved projects. These were not discussed in the TFSC unless there were some special issues.

In March 1996, the ESC felt that there are many other ODS using industries which have not initiated change to non-ODS technology (such as industries which started using ODS after the cut off date or industries started by MNCs having 100% foreign equity or expansion of existing industries for conversion to non-ODS technology etc.) and unless some incentives are given to them, the phase-out process will be delayed. The ESC, therefore, decided that the benefit of duty exemption be allowed For ODS phase-out projects not funded by the MLF (as mentioned above.)

The duty exemption scheme has been in operation in the case of MLF projects for about 14 years and for non-MLF new investment projects for about 10 years. It has followed two major guide lines

- (a) The benefit of duty exemption will be given only for capital goods needed for manufacture of appliances. with non-ODS technology. It will not be extended for raw materials and consumables.
- (b) The benefit of duty exemption will be only for manufacturers and not for traders and consumers.

The duty exemption scheme has been discussed several times in ESC and discussed in detail by a Sub-Committee of ESC in 2003. The Sub-Committee was specifically asked to make recommendations about the feasibility and justifiability of continuance of the fiscal incentives scheme.

The Sub-Committee recommended that the scheme should be continued till March 2004, and even beyond this period to enable CTC phase out to gather momentum and also to Implement the already approved projects.

Out come of the existing policy:

As far as MLF projects are concerned the scheme has helped very much the SMEs. Without the fiscal incentives provided by the Government these enterprises would not have been able to avail the financial assistance provided by the MLF. SMEs in all sectors have benefited. But for this even the identification of many of the SMEs would not have been possible.

In the case of non-MLF projects including new investments for projects based on non-ODS technology, the policy has mainly benefited the large industries like the Mobile Air-Conditioning (MAC) manufacturers, Domestic Refrigerator manufacturers and large Foam Industries. The existing policy has attracted substantial investments including foreign investments in these sectors in India. The representatives of the Industry were categorical in stating that without the existing policy, these investments would have gone to other attractive investment destinations in the Far East. The domestic production of MAC's over the last 5 years has increased from 15000 units to 7.5 million units. Visteon Automotive has made Chennai as their export centre for Ford Motors in South-East Asia. Maruti Car Company has become a major exporter. Today India has become self-sufficient in non-ODS compressors for MAC's and Domestic Refrigerators.

The Ozone Cell has estimated that the increased capacity of non-ODS Refrigerators, MAC's and Polyurethane foam articles created so far as a result of the existing policy would have notionally phased out approximately 10000 MT's or more of ODS in the consumption sector. Besides this, it has encouraged technology development and modernisation of production facilities to compete in the global market.

Need for review of the fiscal incentive scheme:

The duty exemption scheme has helped the CFC phase out programme very much. According to the country programme total phase out of CFCs was to be achieved by 1.1.2010. The accelerated phase out programme helped the country to proactively phase out production of CFCs by August, 2008. Probably therefore there is no need to support any more CFC phase out programme through the duty exemption scheme.

The scheme may now be utilised to encourage phase out, much in the same way, of other ODSs like HCFCs, consumption of which unfortunately increased in the country as these were the only alternatives available as CFC substitutes at that time. Similarly this scheme may be utilised to encourage the replacement of HFC-134a as a refrigerant now recognised as not beneficial because of its high GWP.

The duty exemption scheme is a powerful incentive. It should be utilised to complete the job of eliminating not only CFCs but other ODSs like CTC and Halons which are still in use.

Members may please deliberate on this and give some recommendations for further discussion/approval of ESC.

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