

Minutes of the Technology and Finance Standing Committee (TFSC) Meeting held on 16<sup>th</sup> February, 2018 at 3:30 P.M. in the Conference Room of Consultancy Development Centre (CDC), Core 4B, 2<sup>nd</sup> Floor, India Habitat Centre, Lodhi Road, New Delhi – 110003.

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The Meeting of the Technology and Finance standing Committee (TFSC) was held on 16<sup>th</sup> February, 2018 at 3:30 P.M. in the Conference Room of Consultancy Development Centre (CDC), Core 4B, 2<sup>nd</sup> Floor, India Habitat Centre, Lodhi Road, New Delhi – 110003 under the Chairmanship of Shri Abhay Bakre, Director General, Bureau of Energy Efficiency (BEE). The list of participants is attached at **Annexure-I**.

2. The Chairman welcomed the participants. A brief about the fiscal incentive scheme and the Implementation frame work for the Montreal Protocol frame work was given.

3. The Committee was briefed about fiscal incentive scheme which was operating under notification of the Department of Revenue, Ministry of Finance, on providing fiscal incentives for conversion from Ozone Depleting Substance (ODS) to non-ODS technology. The last amendment to the notification was made in 2017. Vide the notification Customs Duty exemption is provided to non-ODS technologies.

The relevant extract to the notification is quoted below

“Goods required for, -

- a) The substitution of ozone depleting substances (ODS);
- b) The setting up of new capacity with non-ODS technology.

Explanation –“Goods”, for the purpose of this entry means goods which are designed exclusively for non-ODS technology”

4. It was informed to the participants that project proposals for availing the fiscal incentive scheme are appraised by the TFSC and upon appraisal recommended to the Empowered Steering Committee (ESC) chaired by Secretary EF&CC for approval for exemptions of Custom duty. The Chairman briefed the Committee that the role of the Committee is to undertake the necessary due diligence in appraising the projects.

5. The Agenda was considered ad seriatim. The annotated agenda and agenda papers were earlier circulated to all the members. The Chairman requested the Committee members to examine the case on whether the technology proposed in non-ODS technology and whether the proposed equipment's for which the company has applied for customs duty exemptions are required for such a change over or not.

6. Minutes of the TFSC meeting held on 21<sup>st</sup> September, 2017 were circulated to all the Members of the Committee. Since, no comments have been received, the Minutes were adopted.

7. The Committee then considered the following Agenda Item:

**Agenda Item No. 1**

The application of M/s Krishna Maruti Ltd., Gujarat for duty exemption for import of PU Plant Wet Side (with complete accessories) and PU Plant Dry Side (with complete accessories) needed for enhancing the production capacity and capability at their Gujarat Plant.

**M/s Krishna Maruti Ltd.**, started manufacturing car seating systems for Maruti Udyog Ltd., (MUL) now known as Maruti Suzuki India Ltd., in the year 1994. At present it is a joint enterprise with the current share holding pattern shown below.

1. Suzuki Motor Corporation 29.24%
2. Maruti Suzuki India Ltd., 15.80%
3. Ashok Kapur and Associates 54.96%

The Company started manufacturing and supply of Door Trims from the year 2000-01 and is currently supplying 100% Door Trims for the various models Wagon-R, Swift, Ertiga and other upcoming model. Krishna Maruti Ltd. has supplied approx. 9.40 lakhs seat sets and approx.. 9.69 Door Trim Sets to Maruti Suzuki India Ltd. in the year 2016-17. The Company already has three seating plants with state of art 6 PU lines having an annual capacity to produce 1258000 car seat sets.

Krishna Maruti Ltd. has set up a new seating plant at Ahmedabad, Gujarat. The unit already has one PU line with an annual capacity to produce 250000 car seat sets to meet the JIT requirement of its Customer, Suzuki Motor Gujarat Pvt. Ltd. and Maruti Suzuki India Ltd. Earlier Car making companies used to have CFC11 technology for making car seats. The 'PU Plant that the Applicant company is considering to import for making complete car seats and back pads is with Non Ozone depleting Substances Technology' free from CFC 11.

The proposed PU plant consists of two parts, One is Wet part & 2<sup>nd</sup> is Dry part.

In wet part there are metering pumps with motors, Raw material tanks (machine tanks & Blend tanks), Control panels, panel AC, release agent tank and chillers. Panel Acs are used for maintain the temperature in control panel and chillers are used for maintain the raw material (Chemicals) temperature. Refrigerant are used in panel AC and chillers are Ozone Depletion free. Two chemicals are used as a raw material in this plant. One is Polyol and other is Isocynate

(TDI). Both chemicals are stored in separate tanks, regular agitation is there in Tanks, these tanks are called machine tanks. Materials go to Metering pumps from the machine tank.

Metering pumps supply the material (Chemical) at high pressure to the mixing heads. Both chemicals reach in the mixing heads separately and get mixed in mixing heads when pouring (Dispensing) is required. There are two mixing heads mounted on Robot. Robot carries the mixing heads to pour the chemicals in the moulds. We will use Polyol in this plant which is having blowing agent H<sub>2</sub>O (Water).

In Dry Part, there are Oval Conveyor capacity to carrying 36 mould carriers, mould closing machine, Two Robots and Vacuum crasher. Moulds move on the Oval conveyor with the help of drive. Robot pours the mixed chemicals in to the mould by mixing head. After that mould closing device close the moulds then it turn to mould opening side where moulds get open. Now PU foam is ready in the shape of mould. Now operator take out the foam pads and put inside the vacuum crasher to release the interrupt air from the foam pads to avoid permanent deformation in the foam pads. This is the final product of this plant which is used to make car seats.

It may be mentioned that a similar plant of the company for manufacturing car seats at Manesar, Gurgaon have been covered under the Fiscal Incentive scheme in 2007, 2009 and 2011.

The enterprise is now importing PU plant which is a polyurethane seat cushion plant manufactured by M/s Kraussmaffeï Technologies GMBH, Germany for making complete car seats and back pads with Non Ozone Depleting Substances technology. The details are shown in the table below:

**Table**

<b>Sl. No</b>	<b>Description</b>	<b>P.O. No &amp; Date</b>	<b>FOB value in Euro</b>	<b>Price in INR</b>
1	PU plant Wet Side (with complete accessories)	20170323-3 & 30.10.2017	8,26,700/-	6,27,62,402.64
2	PU Plant Dry Side (with complete accessories)		5,73,300/-	4,35,24,477.36
<b>Total cost in Rs.</b>				<b>10,62,86,880/-</b>
<b>Duty payable approx. @ 7.5%</b>				<b>79,71,516/-</b>

The cost of these imported equipment is approx.. Rs. 10.62 crores and basic import duty on it @ 7.5% would be approx.. Rs. 79.7 lakhs.

A copy of the Presentation made by M/s Krishna Maruti Ltd., is at Annexure II. The expansion of the foam lines is being carried out to supply car seats to the Gujarat plant of M/s Maruti Suzuki Ltd. The Committee sought clarification on whether the equipment are general purpose or are required for specific manufacturing process.

The Chairman requested the members to seek specific clarifications from the representative of M/s Krishna Maruti regarding the request for custom duty exemption. The Committee members sought clarification as to whether separate components of the plant can be sourced locally. Representative of the M/s Krishna Maruti informed that, the company was sourcing as much as possible components from the domestic market and only those components of the PU plant, which cannot be procured separately and are not made in the country are being imported. The representative of M/s Krishna Maruti also highlighted that breaking down of the PU plant into components any further would lead to difficulties in integration of the

components and effect the consistency and accuracy of the plant, as a result effecting the PU foam quality. The representative also highlighted that the specifications of M/s Maruti Suzuki India with respect to the car seats as also the foam requirement are very stringent. It was also informed that none of the manufacturers in India make such type of car seat making foam plant in the country.

The representative of M/s Krishna Maruti also re-iterated that no Ozone Depleting Substance is being used in the process of foam manufacturing plants and that the blowing agent used in the foam manufacturing is water, which has Zero ODP. Further, the company also undertakes that no ODS is used in the foam manufacturing process and the imported PU foam plant will not be sold without prior permission of MoEFCC and Custom Authorities. It was also mentioned that all the components and associated infrastructure of the plant, which are Made in India and can be integrated in the production line will be procured locally. The Committee observed that based on the clarifications provided M/s Krishna Maruti should provide a detailed technical write up for the working of the plant which lists the main equipment in the plant with details on which components are being procured locally or imported, along with the process adopted.

The Committee recommend the application for exemption of basic Custom duty to the equipment's listed in Table 1, subject to M/s Krishna Maruti Ltd., submitting the following:

- (i) A detail technical note on the production process of PU plant for car seat providing the list of main component which are being imported and procured locally from India.
- (ii) An undertaking that the equipment being imported are not manufactured in India.
- (iii) An undertaking that the equipment would be specifically used only for the purpose as set out in the application proposal.

- (iv) An undertaking that, in case, the company envisages to sell the equipment the same needs to be brought to the notice of Custom Authorities.
- (v) M/s Krishna Maruti Ltd., shall give in writing, that only the non ODS component cannot be imported separately. The whole system has to be imported as a whole.
- (vi) M/s Krishna Maruti Ltd., shall give an undertaking that the imported equipment shall not be used by ODS technology.

The Meeting ended with vote of thanks to Chair and members.

## LIST OF PARTICIPANTS

1	<b>Dr. Abhay Bakre,</b> Director General, Bureau of Energy Efficiency (BEE), 4 <sup>th</sup> Floor, Sewa Bhawan, R.K. Puram, New Delhi – 110066	Chairman
2	<b>Mr. Abhishek Acharya,</b> Deputy Director, Department of Economic Affairs Ministry of Finance, (Economic Division), North Block, New Delhi – 110 001	Member
3	<b>Dr. Rita Pandey,</b> Professor, National Institute of Public Finance & Policy (NIPFP) Satsang Vihar Marg, Spl. Institutional Area (Near JNU), New Delhi – 110 067	Member
4	<b>Dr. R.K. Bharti,</b> Deputy Director, Ministry of Micro, Small & Medium Enterprises, Udyog Bhawan, Rafi Marg, New Delhi – 110 011	Member
5	<b>Ms. Ila Chauhan,</b> Joint Director, Defence Research & Development Organisation (DRDO), Ministry of Defence, HQ, New Delhi – 110011	Member
6	<b>Dr. Mary Celin,</b> Scientist 'F', (CFEES), Defence Research & Development Organisation (DRDO), Ministry of Defence, HQ, New Delhi – 110011	Member
7	<b>Mr. Arun Mahendru Balraj,</b> Sr. Development Officer, Department of Industrial Policy & Promotion, Room No. 475, Udyog Bhawan, New Delhi 110011	Member
8	<b>Mr. kamal Sharma,</b> Counsellor,	Member



	CII Centre of Excellence for Sustainable Development Confederation of Indian Industry (CII), Thapar House, IInd Floor, 24, Janpath, New Delhi – 110001	
9	<b>Dr. S.N. Yadav,</b> Principal Director, Central Institute of Plastic Engineering and Technology (CIPET), Department of Chemicals & Petrochemicals, Ministry of Chemicals & Fertilizers, Near DCRUST Campus, 50 <sup>th</sup> Mile Stone, NH-1, Murthal, Distt. Sonapat – 131039 (Haryana)	Member
10	<b>Ms. Chanchal Sharma</b> Technical Officer - PMU Ministry of Environment and Forests, Core IV B, 2 <sup>nd</sup> Floor, India Habitat Centre, Lodhi Road, New Delhi – 110003	Special invitee
11	<b>Dr. Amit Love,</b> Joint Director (Ozone Cell), Ministry of Environment and Forests, Core IV B, 2 <sup>nd</sup> Floor, India Habitat Centre, Lodhi Road, New Delhi – 110003	Member Secretary