MINUTES OF THE TECHNOLOGY AND FINANCE STANDING COMMITTEE (TFSC) MEETING HELD ON 16TH NOVEMBER, 2018 AT 3:00 P.M. IN THE CONFERENCE ROOM OF CONSULTANCY DEVELOPMENT CENTRE (CDC), CORE 4B, 2ND FLOOR, INDIA HABITAT CENTRE, LODHI ROAD, NEW DELHI – 110003

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The Meeting of the Technology and Finance Standing Committee (TFSC) Meeting held on 16th November, 2018 at 3:00 P.M. in the Conference Room of Consultancy Development Centre (CDC), Core 4B, 2nd 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 proving 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 Substance (ODS);
b) The setting up of new capacity with non-ODS technology.

Explanation – "Good", 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 exemption 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 16th February, 2018 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:

(a) Agenda Item No. 1 The application of M/s Arctic Refrigeration Pvt. Ltd., Bhiwadi, Alwar, Rajasthan for duty exemption for import of Brand New Capital Cannon Machinery for the production of Sandwich Panel suitable for Pentane use at their Bhiwadi, Alwar, Rajasthan plant.

M/s Arctic Refrigeration Pvt. Ltd., are one of the Indian company in the field of cold chain products and solutions since 2012. They provided cold storage solutions for facilities including Multi Produce, Palletized, Pre-cooling Rooms, controlled Atmosphere (CA) Store, Banana Ripening facility, potato cold storage, modular cold rooms, IQF, Blast Freezer, Ice Cream & Dairy products, large fruits and vegetables cold storage units and many other applications.

They are further expanding their business and setting up a new PUF Panel manufacturing plant in industrial area Bhiwadi, Rajasthan. In this business approx. 40% cost is of Polyurethane Foam Panel. The proposed unit will produce of polyurethane sandwich panels & doors which are final product for Cold room, Ice Cream plant, Frozen Industries, Pharma unit etc.

M/s Arctic Refrigeration Pvt. Ltd., is importing machine “Foaming equipment with standard accessories and other related items” for this manufacturing plant from CANNON, Italy. In this machinery (technology), the ODS free substance pentane will be used and the same is Eco-friendly to environment. The manufacturing facility of PUF panel is for developing and building facilities for cold storages etc. The enterprise propose to set up a modern manufacturing unit, using modern process to guarantee consistency and reliability, and the enterprise has mentioned that it has facilities and technically sound workforce for manufacturing different types of PUF panels.

The enterprise is now importing Cannon Foaming equipment with standard accessories to M/s Afros S.P.A., Italy wide Ref No.: Ref/ARPL/17-18/352 dated 27th December, 2017 of Euro 4,60,000/- CIF New Custom House, Mumbai. The details are shown in the table below:

Table 1

No.	Description	Qty	Unit	P.O No Date	Unit Price (EURO)	Amount (in INR) (Exchange rate–83)
1	Brand New Capital Cannon Machinery for the production of Sandwich Panels suitable for pentane use (H.S Code: 8477.80.11)			APRL/17-18/352 Dated		
	Cannon Foaming equipment with standard accessories, composed of:	1	Set	27.12.2017	€ 4,60,000	3,81,80,000/-
A	Press PMC 245 T 12.500 X 1.400 – 2+2 system	1				
B	A-Compact 200 FC Penta Basic with two mixing heads FPL 26 SR and T-frame	1				
C	Pentane loading Piston Pump + 1000 lt nitrogen tank	1				
D	Premix Penta Easy Froth 20+4 with and fire safe valve. Rigid piping from premix to machine POL dosing tank	1				
E	Safety equipment with control cabinet and remote alarm cabinet					
F	Piping from premix to dosing unit					
	CIF Mumbai					
					Total	**3,81,80,000/-**
					Duty payable @ 7.5%	**28,63,500/-**

The cost of these imported equipment is approx. Rs. 3,81,80,000/- and duty payable @ 7.5% approx. Rs. 28,63,500.

A copy of the presentation made by M/s Arctic Refrigeration Pvt. Ltd., Rajasthan is at ***Annexure II***. The Chairman requested the members to seek specific clarifications from the representative of M/s Arctic Refrigeration Pvt. Ltd., Rajasthan 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 Arctic Refrigeration Pvt. Ltd., Rajasthan informed that, the company was sourcing as much as possible components from the domestic market and only those components of the plant, which cannot be procured separately and are not made in the country are being imported.

The representative of M/s Arctic Refrigeration Pvt. Ltd. also re-iterated that no Ozone Depleting Substance (ODS) is being used in the process of foam manufacturing plants and that the blowing agent used in the foam manufacturing is pentane, which has Zero ODP. Further, the company also undertakes that no ODS is used in the foam manufacturing process and the imported 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 Arctic Refrigeration Pvt. Ltd. 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 Arctic Refrigeration Pvt. Ltd., Rajasthan, submitting the following:

(i) A detail technical note on the production process of foaming plant for producing polyurethane sandwich panels & doors 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 brought to the notice of Custom Authorities.

(v) M/s Arctic Refrigeration Pvt. Ltd., Rajasthan, 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 Arctic Refrigeration Pvt. Ltd., Rajasthan, shall give an undertaking that the imported equipment shall not be used by ODS technology.

(vii) M/s Arctic Refrigeration Pvt. Ltd., Rajasthan shall submit an undertaking for obtaining all statutory approvals, as required, including those related to Environment and of Petroleum and Explosives Safety Organisation (PESO) Certificate. In case, the same have been obtained copy may be provided.

(viii) An undertaking that PESO certificate (operation stage) will be obtained before running the plant with Pentane technology.

The Committee also informs M/s Arctic Refrigeration Pvt. Ltd., Rajasthan that MoEF&CC reserves the right to inspect plant during operation stage with respect to the conditions stipulated and the operation of the fiscal incentive scheme.

(b) Agenda Item No. 2 Application of M/s Krishna Maruti Ltd., Gujarat for duty exemption for import of PU Plant Wet Side (with complete accessories), PU Plant Dry Side (with complete accessories) and Crusher system from M/s Kraussmaffei Technologies GMBH, Kraussmaffei Strasse 2, 80997, Munich Germany.

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. 10.96 lakhs seat sets and approx.. 9.19 lakhs Door Trim Sets to Maruti Suzuki India Ltd. in the year 2017-18. The Company already has 7 PU lines having an annual capacity to produce 1680000 car seat sets in three seating plants.

The proposal for import of new PU plant is for expanding / increasing the production capacity of its unit situated at Delhi Jaipur Highway, Narsinghpur, Gurugram, Haryana. The capacity of the proposed PU plant would be 750 seats per day.

Earlier Car making companies used to have CFC11 technology for making seats. The 'PU Plant that the Applicant company is considering to import for making car seat cushion & back pads is with Non Ozone depleting Substances Technology' free from CFC 11.

The proposed PU plant consist of two parts, One is Wet part & second 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 to maintain the temperature in control panel and chillers are used to maintain the raw material (Chemicals) temperature. Refrigerants used in panel AC and chillers are Non-ODS. Two chemicals are used as a raw material in the 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 H2O (Water).

In Dry Part, there are Oval Conveyor capacity to carry 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 the plant which is used to make car seats.

The details of the plant is given below.

Table 2

Sl. No	Description	P.O. No & Date	Price in FOB value in Euro	Price in INR (Exchange rate 83)
1	PU plant Wet Side (with complete accessories)	20180509 & 9.5.2018	780,500/-	6,47,81,500/-
2	PU Plant Dry Side (with complete accessories)		635,000/-	5,27,05,000/-
3	Crusher System		97,000/-	80,51,000/-
Total cost of machinery				**12,55,37,500/-**
Duty payable approx. @ 7.5%				**94,15,312/- 94.15 lacs**

The cost of these imported equipment is approx.. Rs. 12.55 crores and basic import duty on it @ 7.5% would be approx.. Rs. 94.15 lakhs.

A copy of the Presentation made by M/s Krishna Maruti Ltd., is at ***Annexure III***. The Committee sought clarification on the present proposal 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 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 noted that the Crusher System for Euro 97,000/- is not an integral part to transition from ODS to non ODS technology. It can be used with either technology. Therefore the same cannot be recommended under the Fiscal Incentive Scheme.

The Committee approved the following subject to M/s Krishna Maruti Ltd., the following:

Table 3

Sl. No	Description	P.O. No & Date	Price in FOB value in Euro	Price in INR (Exchange rate 83)
1	PU plant Wet Side (with complete accessories)	20180509 & 9.5.2018	780,500/-	6,47,81,500/-
2	PU Plant Dry Side (with complete accessories)		635,000/-	5,27,05,000/-
Total cost of machinery				**11,74,86,500/-**
Duty payable approx. @ 7.5%				**88,11,487/-**

(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 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.

(vii) Compliance note with supporting documentary evidence with respect to adherence to the earlier recommendation of the meeting of TFSC dated 16th February, 2018 under fiscal incentive scheme.

The Committee also informs M/s Krishna Maruti Ltd. that MoEF&CC reserves the right to inspect plant during operation stage with respect to the conditions stipulated and the operation of the fiscal incentive scheme.

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

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Annexure – I

List of Participants

1	**Mr. Abhay Bakre** Director General, Bureau of Energy Efficiency (BEE), 4th Floor, Sewa Bhawan, R.K. Puram, New Delhi – 110066	Chairman
2	**Dr. S N Yadav** Principal Director & Head Central Institute of Plastic Engineering and Technology (CIPET), Department of Chemicals & Petrochemicals, Ministry of Chemicals & Fertilizers, Near DCRUST Campus, 50th Mile Stone, NH-1, Murthal, Distt. Sonepat – 131039	Member
3	**Dr. R.K. Sinha** Sr. Principal Scientist Council of Scientific Industrial Research (CSIR), Technology Bhavan, New Mehrauli Road, New Delhi-110016	Member
4	**Mr. Virinder Sharma** Director Ministry of Micro, Small & Medium Enterprises, HQ, Office of DC-MSME "A" Wing 7th Floor, Nirman Bhawan, New Delhi-110108	Member
5	**Mr. Shirish Asthana** Director, Ministry of Micro, Small & Medium Enterprises, HQ, Office of DC-MSME "A" Wing 7th Floor, Nirman Bhawan, New Delhi-110108	Member
6	**Dr. Mary Celin** Scientist 'F', (CFEES) Ministry of Defence,DRDO, SK Mazumdar Marg, Timarpur, Delhi – 110054	Member

7	**Ms. Ila Chauhan** Scientist 'E', Ministry of Defence, O/o DG (SAM), DRDO Bhawan, Rajaji Marg, Room No. 311 New Delhi	Member
8	**Mr. Sanjay Krishna Navhale** (Deputy sec. Chemical-I) Department of Chemical & Petro-Chemicals, Shastri Bhavan, Dr. Rajendra Prasad, New Delhi - 110 001	Member
9	**Mr. Gaurav Singh** Deputy Secretary (TRU-I), Department of Revenue, Ministry of Finance, 146, North Block	Member
10	**Ms. Shimla Meena** Assistant Director, Ministry of Micro, Small & Medium Enterprises, HQ, Office of DC-MSME "A" Wing 7th Floor, Nirman Bhawan, New Delhi-110108	Member
11	**Mr. Kamal Sharma** Counsellor, Confederation of Indian Industry (CII) CII-ITC Centre of Excellence for Sustainable Development Thapar House, 2nd Floor, 124 Janpath, New Delhi – 110001	Member
12	**Mr. Ramakrishna. E** IDBI Bank, Videocon Tower, Jhandewala, Delhi	Member
13	**Mr. S.K. Lalwani** HOO Consultancy Development Centre, India Habitat Centre, Lodhi Road, New Delhi – 110003	Member

14	**Mr. Kapil Singh** Indian Society of Heating, Refrigerating and Air-Conditioning Engineers (ISHRAE) K-43, Basement Kailash Colony, New Delhi - 110048	Member
15	**Mr. Ashiwini Mehra** Executive Secretary, Indian Society of Heating, Refrigerating and Air-Conditioning Engineers (ISHRAE) K-43, Basement Kailash Colony, New Delhi – 110048	Member
16	**Mr. T. P. Ashwin** Project Engineer Bureau of Energy Efficiency (BEE), 4th Floor, Sewa Bhawan, R.K. Puram, New Delhi – 110066	Special invitee
17	**Prof. R.S. Aggarwal** Retd. Professor, IIT Delhi Core IV B, 2nd Floor, India Habitat Centre, Lodhi Road, New Delhi – 110 003	Special invitee
18	**Mr. Sharad Chauriha** MIS Coordinator-PMU Ministry of Environment, Forests & Climate Change Core IV B, 2nd Floor, India Habitat Centre, Lodhi Road, New Delhi – 110003	Special invitee
19	**Mr. Fahad Naim** Technical Officer - PMU Ministry of Environment, Forests & Climate Change Core IV B, 2nd Floor, India Habitat Centre, Lodhi Road, New Delhi – 110003	Special invitee
20	**Dr. Amit Love** Scientist 'D' / Joint Director, Ozone Cell, Ministry of Environment Forest & Climate Change, Government of India, Core IV B, 2nd Floor, India Habitat Centre, Lodhi Road, New Delhi – 110003	Member Secretary