**Minutes of the Technology and Finance Standing Committee (TFSC) meeting held on 21st June, 2019 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) held on 21st June, 2019 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 November, 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:

**Agenda Item No. 1** 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) from M/s Kraussmaffei Technologies GMBH, Krauss-Maffei Strasse 2, 80997, Munich, Germany.

i. **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.

ii. 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.

iii. Krishna Maruti Ltd. has set up a new seating plant at Ahmedabad, Gujarat. The facility is located at Plot No. 13, SMG JV Park, Block 334-335, Village – Hansalpur, Ahmedabad, Gujarat. The total area of the facility is 15750 Sq. Meters. The Production facility is spread over 12069 Sq. Meters Area.

iv. M/s Krishna Maruti Ltd., had also earlier applied for custom duty exemption for similar type of equipments, for which duty clearance has already been sought twice in the year 2018. The details of the earlier two applications are as follows:-

**Table 1**

| S. No | Description | P.O. NO & Date | Price in FOB value in Euro | Price in INR exchange | Date of TFSC meeting | Approval of the Chairman, ESC | Site Location |
|---|---|---|---|---|---|---|---|
| 1 | (i) PU plant Wet Side (with complete accessories)<br>(ii) PU Plant Dry Side (with complete accessories) | 20170323-3<br>&<br>30.10.2017 | (i) 8,26,700/-<br>(ii) 5,73,300/- | (i) 6,27,62,402.64<br>(ii) 4,35,24,477.36 | 16-2-18 | 5-7-18 | Plot No. 13, SMG JV Park, Block 334-335, Village – Hansalpur, Ahmedabad, Gujarat |
| 2 | (i) PU plant Wet Side (with complete accessories) | 20180509<br>&<br>9.5.2018 | (i) 780,500/-<br>(ii) 635,000/- | (i) 6,47,81,500/-<br>(ii) 5,27,05,000/- | 16-11-18 | 28-3-19 | 40 KM, NH-8, Delhi – Jaipur Highway, Village – Narsinghpur, |

| S. No | Description | P.O. NO & Date | Price in FOB value in Euro | Price in INR exchange | Date of TFSC meeting | Approval of the Chairman, ESC | Site Location |
|---|---|---|---|---|---|---|---|
| | (ii) PU Plant Dry Side (with complete accessories) | | | | | | Gurgaon, Haryana |

v. The unit already has two PU line with an annual capacity to produce 448000 car seat sets to meet the JIT requirement of its Customer, Suzuki Motor Gujarat Pvt. Ltd. and Maruti Suzuki India Ltd. The capacity of the proposed PU plant would be 900 seats sets per day. The PU plant is a Polyurethane Seat Cushion Plant manufactured by M/s Kraussmaffei Technologies GMBH, Germany. The plant is to be used for making complete car seats and Back pads.

vi. According to the company, the PU Plant that is being considered for import for making car seat cushion & back pads is with Non-ODS Technology.

vii. The proposed PU plant consist of two parts, one is Wet part & second is Dry part.

viii. 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 for maintain the raw material (Chemicals) temperature. Refrigerants are used in panel AC and chillers are ozone depletion free. 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.'

ix. 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).

x. 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.

xi. 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 79.00)** | **Site Location** |
|---|---|---|---|---|---|
| 1 | PU plant Wet Side (with complete accessories) | 20181130 Rev-01 & 13.2.2019 | 876,700/- | 6,92,59,300/- | Plot No. 13, SMG JV Park, Block 334-335, Village – Hansalpur, Ahmedabad, Gujarat |
| 2 | PU Plant Dry Side (with complete accessories) | | 563,300/- | 4,45,00,700/- | |
| **Total cost of machinery** | | | | **11,37,60,000/-** | |
| **Duty payable approx. @ 7.5%** | | | | **85,32,000/- 85.32 lakh** | |

xii. The cost of these imported equipment is approx.. Rs. 11.37 crores and basic import duty on it @ 7.5% would be approx.. Rs. 85.32 lakhs.

xiii. A copy of the presentation made by M/s Krishna Maruti Ltd., is at ***Annexure II.*** The Committee sought clarification on the present proposal whether the equipment are general purpose or are required for specific manufacturing process.

xiv. The Chairman requested the members to seek specific clarifications from the representative of M/s Krishna Maruti regarding the request for custom duty exemption. 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.

xv. The Committee noted that M/s Krishna Maruti had in the last year applied for custom duty exemption for similar type of equipments, for which duty clearance has already been sought twice as mentioned at paragraph 7 (iv). The Committee enquired about the status of the earlier two projects for which custom duty exemption has been given by the Committee. The representatives of M/s Krishna Maruti informed that the earlier two projects has been successfully installed at the sites and are operational. The Committee was informed that M/s Krishna Maruti had provided a technical note for the project mentioned at Serial No. 1 in the Table 1 at paragraph 7 (iv) as part of compliance requirement of earlier decision of TFSC. The Committee was of the view that, if required, a physical verification of the facilities may be done before decision is taken on the instant case.

xvi. The Committee observed that it is the third application for which M/s Krishna Maruti has come in a span of nearly 1 year for the same project. The representative of M/s Krishna Maruti informed that since M/s Maruti Suzuki Limited has increased the demand of car seats, so in order to cope up with the increased demand the new PU plant is being imported. It was observed that as per market information the sales of the passenger cars has gone down in the last year. The increase in production capacity in such a market scenario needs justification. Accordingly, the Committee asked M/s Krishna Maruti to provide the relevant documentation received from M/s Maruti clearly showing request for increasing production capacity thrice in last one and half year and also for M/s Krishna Maruti coming again and again for the same type of project in the same span of time. M/s Krishna Maruti was also asked to provide the relevant documentation for the share holding pattern in the company along with the foreign ownership.

xvii. It was inquired as to how many PU plants in M/s Krishna Maruti are running on the same technology, the representative informed that there are 8 PU plants in the company. One of the Committee members asked from M/s Krishna Maruti that is any other ODS foam blowing agent available for car seats manufacturing technology or the current water based technology is the only option. Further, how the choice is being exercised by M/s Krishna Maruti. The representatives of M/s Krishna Maruti informed that earlier CFC was used as a foam blowing agent and now other ODS blowing agents are available. The Committee asked the M/s Krishna Maruti to provide a list of ODS blowing agent (s) which are being used in car seating manufacturing presently.

xviii. The Committee sought the following information from M/s Krishna Maruti Ltd., for further considering the case:

a. List of Ozone Depleting Substance (ODS) which is being used in car seating's as a foam blowing agent presently.

b. Relevant documentation received from M/s Maruti clearly showing request for increasing production capacity thrice in last one and half year and also for M/s Krishna Maruti coming again and again for the same type of project in the same span of time.

c. To provide the relevant documentation for the share holding pattern in the company along with the foreign ownership.

d. An undertaking that the equipment being imported are not manufactured in India.

e. An undertaking that the equipment would be specifically used only for the purpose as set out in the application proposal.

f. An undertaking that, in case, the company envisages to sell the equipment the same needs to brought to the notice of Custom Authorities.

g. 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.

h. M/s Krishna Maruti Ltd., shall give an undertaking that the imported equipment shall not be used by ODS technology.

xx. The Committee also informed M/s Krishna Maruti Ltd. that a physical verification may be possible of the earlier two projects by the Committee before a final decision is taken for the current proposal.

xxi It was also agreed that the additional documents/ clarifications provided by M/s Krishna Maruti Ltd. shall be circulated to the members of the Committee for their comments/ views on the additional documents/ clarifications provided and also views of the members will be obtained on the instant case of M/s Krishna Maruti Ltd. A separate meeting of TFSC may be convened, in case, there is view to further consider case, based on the above documents.

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

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**Annexure – I**

List of Participants

| | | |
|---|---|---|
| 1 | **Dr. Abhay Bakre**<br>Director General,<br>Bureau of Energy Efficiency (BEE),<br>4th Floor, Sewa Bhawan,<br>R.K. Puram,<br>New Delhi – 110066 | Chairman |
| 2. | **Mr. Virinder Sharma**<br>Director<br>Ministry of Micro, Small & Medium Enterprises,<br>HQ, OFFICE of DC-MSME "A" Wing 7th Floor, Nirman Bhawan, New Delhi-110108 | Member |
| 3 | **Mr. Sushil K Satpute**<br>Director,<br>Department of Industrial Policy & Promotion,<br>Room No. 257-A, Udyog Bhawan,<br>New Delhi – 110011 | Member |
| 4 | **Mr. Ashiwini Mehra**<br>Executive Secretary,<br>Indian Society of Heating, Refrigerating and Air- Conditioning Engineers (ISHRAE)<br>K-43, Basement Kailash Colony,<br>New Delhi - 110048 | Member |
| 5 | **Dr. S. Mary Celin**<br>Scientist 'F', (CFEES)<br>Ministry of Defence,<br>DRDO,<br>SK Mazumdar Marg, Timarpur,<br>Delhi - 110054 | Member |
| 6 | **Ms. Ila Chauhan**<br>Scientist 'E',<br>Ministry of Defence,<br>O/o DG (SAM),<br>DRDO Bhawan, Rajaji Marg, Room No. 311<br>New Delhi | Member |
| 7 | **Dr. S N Yadav**<br>Principal Director & Head<br>Central Institute of Plastic Engineering and Technology (CIPET),<br>Department of Chemicals & Petrochemicals,<br>Ministry of Chemicals & Fertilizers,<br>Near DCRUST Campus, 50th Mile Stone, NH-1, Murthal,<br>Distt. Sonepat – 131039 | Member |

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| 8 | **Dr. Rohit Misra**<br>Assistant Industrial Adviser<br>Department of Chemical & Petro-Chemicals,<br>Room No – 223 A Wing, Shastri Bhavan,<br>Dr. Rajendra Prasad,<br>New Delhi - 110 001 | Member |
| 9 | **Mr. R.S. Aggarwal**<br>Professor (Retd.)<br>IIT Delhi<br>Core IV B, 2nd Floor,<br>India Habitat Centre,<br>Lodhi Road, New Delhi – 110 003 | Special invitee |
| 10 | **Mr. Sharad Chouriha**<br>MIS Coordinator<br>Ministry of Environment and Forests,<br>Core IV B, 2nd Floor,<br>India Habitat Centre,<br>Lodhi Road, New Delhi – 110003 | Special invitee |
| 11 | **Mr. Fahad Naim**<br>Technical Officer - PMU<br>Ministry of Environment and Forests,<br>Core IV B, 2nd Floor,<br>India Habitat Centre,<br>Lodhi Road, New Delhi – 110003 | Special invitee |
| 12 | **Dr. Amit Love**<br>Scientist 'D',<br>Ozone Cell,<br>Ministry of Environment Forest & Climate Change,<br>Government of India, Core IV B, 2nd Floor,<br>India Habitat Centre, Lodhi Road, New Delhi – 110003 | Member Secretary |