



ABSTRACT

Industries – Sanction of Structured Package of assistance to M/s Madras Cements Ltd. –
Orders – Issued.

INDUSTRIES (MIG.1) DEPARTMENT

G.O. Ms. No.193

Dated : 18.10.2008

Read:

From the Madras Cements Ltd. Letter dated 6.11.2005, 1.6.2006,
7.8.2006, 7.3.2007, 12.11.2007, 18.1.2008 and 27.2.2008.

ORDER:

M/s Madras Cements Limited is a company of Ramco Group in existence for the last 5 decades. M/s Madras Cements Ltd. has proposed to establish a cement manufacturing unit at Ariyalur and Wind Electric Generator, Clinker grinding units in Kancheepuram, Salem and Thuthukkudi districts, Cement packing units at Coimbatore, Nagercoil, Madurai, Trichy and Ramnad and expansion of capacity at Ramasamyraja Nagar in Virudhunagar district including Wind Electric Generator. They have indicated that they have proposed to invest atleast Rs.1603 crores and the project will provide direct employment to 600 persons in the Ariyalur Plant and in the Clinker grinding units within the investment period. The Madras Cements has committed the following: (i) to invest not less than Rs.997 crores in eligible fixed assets (ii) to set up cement plant of capacity of 2 million tonnes per annum and (iii) to create direct employment for 600 person within the investment period. The company has requested a package of support from the Government for implementing the expansion projects.

2. The Government carefully examined the request of M/s Madras Cements Ltd. for sanction of a structured package assistance to their expansion projects. Considering the commitments given by Madras Cements Ltd., with regard to investment, capacity creation and job opportunities as mentioned in para 1 above, the Government sanction the following structured package of assistance to Madras Cements Ltd.

a) Investment

Investment in Grinding units amounting to Rs.210 crores, investment in New Cement Plant at Ariyalur amounting to Rs.585 crores, investment in expansion unit at Ramasamy Raja Nagar, Virudhunagar District amounting to Rs.202 crores will be taken as eligible investment for sanction of structured package of assistance to Madras Cements Ltd. In the case of both Ariyalur and R.R. Nagar,

New Cement producing unit, if there is replacement of any existing capacity, then the investment proportionate to the replacement capacity will be deducted from the total investment made in the eligible fixed assets.

b) Starting date of investment Period

Since the proposal for expansion of Ariyalur Plant was given in June 2006, the investment period for this plant will be 3 years from 1st November 2007. Since the proposal for other component of the projects was received only on 12.11.2007, the investment period for such other component will start from 1st Feb 2008 and end on 31st October 2010.

c) Soft Loan

Madras Cements Ltd. will be given a soft loan against net output VAT + CST paid to the State Government for the sales over and above the base volume for a period of 10 years from the date of commercial production in the expansion unit at a nominal interest or 0.1% per annum subject to a ceiling on the cumulative availment of soft loan fixed at 80% of the actual investment made in the eligible fixed assets within the investment period.

The soft loan will be provided in a sliding scale starting from 50% of the net output VAT + CST paid to the State Government and reducing 10% every two year in the following manner.

1 st and 2 nd year	: 50%
3 rd and 4 th year	: 40%
5 th and 6 th year	: 30%
7 th and 8 th year	: 20%
9 th and 10 th year	: 10%

The Soft loan availed in the first year will be repaid in the month of April in the eleventh financial year, the soft loan availed in the second year will be repaid in the month of April in the twelfth financial year and so on. The Base Volume will be fixed in such a way as to ensure that the soft loan is given for the expansion capacity only and the existing revenue stream is protected. Accordingly the base volume will be fixed as follows.

- i) The average production of Madras Cements Limited during the last three financial years precedings the date commercial production of the expansion now undertaken in State of Tamil Nadu or the existing capacity in State of Tamil Nadu, whichever is higher will be taken as the Base Production Volume (BPV). The capacities created under this project will not be taken into account while calculating the Base Production Volume. The output VAT + CST based incentive will be considered only if this BPV is achieved and for the production in excess of BPV as prescribed below:

- ii) The average sales made by Madras Cements Limited in State of Tamil Nadu during the last three financial years, preceding the date of commercial production of the expansion now undertaken, be taken as Base Sales Volume (BSV). After fulfilling the condition (i) above, if the BSV is also achieved, then output VAT + CST based soft loan will be given for the sales from the Project in excess of BSV. (The reference here is VAT + CST paid to Government of Tamil Nadu).

d) Electricity Tax Exemption

Since the investment of M/s Madras Cements Limited in the expansion projects will be over Rs.200 crores and employing more than 400 direct workers, M/s Madras Cements Limited will be eligible to avail this concession for a period of 5 years in line with the New Industrial Policy 2007. However, it will be restricted only to the Expansion unit from the date of its Commercial Production.

e) Capital Subsidy

Madras Cements Ltd. will be given a back ended capital subsidy of Rs.1.50 crores in terms of the New Industrial Policy 2007. One single capital subsidy alone will be considered and no separate capital subsidy will be given for each component.

f) Environment Protection Subsidy

If Madras Cements Ltd. establishes a dedicated Effluent Treatment Plant (ETP) / Hazardous Waste Treatment Storage and Disposable Facility (HWTSDF), then it will be given an Environmental Protection subsidy of Rs.30 lakhs or 25% of capital cost of setting up such ETP / HWTSDF whichever is less, as per New Industrial Policy 2007.

General Conditions

- i) The Structured Package of assistance sanctioned above is contingent on fulfillment of the commitments made by M/s Madras Cements Ltd. with respect to the level of investment, creation of capacity and provision of direct employment within the investment period. In the event of non-fulfillment of any one or more of these commitments, M/s Madras Cements Limited shall refund the output VAT + CST related incentives, capital subsidy, incentives on Environment Protection Infrastructure subsidy, electricity tax and other forms of support availed thereof to the Government together with interest to be decided by the Government.
- ii) SIPCOT will assess the actual investment made in eligible fixed assets and actual capacity created in the project proposed by M/s Madras Cements Limited. SIPCOT will also carry out a baseline survey and assessment of the existing capacities of M/s Madras Cements in Tamil Nadu and evaluate the net additional capacity created by this project. The

commitment regarding the capacity should be fulfilled by the net additional capacity created through this project. Also the investment in eligible fixed assets, proportional to the creation of this net additional capacity, should fulfil the commitment regarding investment given above. Also this proportionate investment in the eligible fixed asset alone will be relevant for determining the incentives for this project.

- iii) The tax related incentive sanctioned in this order before the application of sliding scale shall not exceed the actual tax received by the Government from this project.
- iv) The incentive related to the output VAT will be eligible for M/s Madras Cements Limited only if the sale is for ultimate use in State of Tamil Nadu.
- v) Corporate Social Responsibility : M/s Madras Cements Limited will make a positive contribution to the neighbourhood communities in which it will operate in by supporting a wide range of socio-economic, educational and health initiative. This will include improving infrastructure in local hospital, primary health centres, primary schools etc. apart from arranging vocational training to local unskilled youth for livelihood, adoption of Industrial Training Institutes, etc. Also, subject to skills availability, M/s Madras Cements Ltd. will give preference to local unemployed youths in job opportunities. M/s Madras Cements Ltd. will also endeavour to give preference to the disabled persons in job opportunities, subject to skill availability.

3. This order issues with the concurrence of the Finance Department vide its U.O. No.62647/Fin (Ind) Department, dated 18.10.2008.

(BY ORDER OF THE GOVERNOR)

M.F. FAROOQUI,
PRINCIPAL SECRETARY TO GOVERNMENT.

To
The Chairman and Managing Director,
Madras Cements Ltd.,
Corporate Office "Auras Corporate Centre"
V Floor, 98A, Dr. Radhakrishnan Road,
Mylapore, Chennai 60 004.
The Chairman and Managing Director,
SIPCOT,

19A Rukmani Lakshmipathy Road,
Egmore, Chennai-8.
The Secretary to Government,
Energy Department, Chennai-9.
The Secretary to Government,
Commercial Taxes & Registration Department, Chennai-9 (2 copies)
The Principal Secretary to Government, Finance Department, Chennai-9.
The Special Commissioner and Commissioner of Commercial Tax Department,
Chepauk, Chennai-5.
The Chairman, Tamil Nadu Electricity Board,
800 Anna Salai, Chennai-2.
The Director, Guidance Bureau, Egmore, Chennai-2.

Copy to:
Chief Minister's office, Chennai-9.
Public (SC) Department, Chennai-9.
Industries (MID) (MIB) (OPII) Department, Chennai-9
SF / SCs.

// Forwarded / By order //

SECTION OFFICER.