



ABSTRACT

Industries – Sanction of Structured Package of Assistance to M/s. Dalmia Cement (Bharat) Limited -Orders – Issued.

INDUSTRIES (MIG 1) DEPARTMENT

G.O. Ms.No. 194

Dated: 18.10.2008

Read:

1. G.O.Ms.No. 2, Industries (MID1) Department, dated 5.1.2006.
2. From M/s. Dalmia Cement (Bharat) Limited, Chennai letter dated 31.10.2007.

ORDER:

M/s. Dalmia Cement (Bharat) Limited is one of the leading Cement manufacturers in Tamil Nadu and in existence for the last 70 years. In the Government order read above, a structured package of assistance covering soft loan against sales tax paid for a period of 10 years a subsidy of 25% of capital cost or Rs. 25 lakhs whichever is less for setting up of effluent treatment plant was given. M/s. Dalmia Cement (Bharat) Limited has proposed to invest Rs. 1460 crores over a period of 5 years by establishing a cement manufacturing unit and captive Thermal Power Plant at Govindapuram, Ariyalur District, Multiple Grinding Units at Salem, Tuticorin and Chennai, Wind Farms at Tirunelveli or Coimbatore District, Ready Mix Concrete Plants in Major tier one and tier two cities within the investment period. The Dalmia Cement (Bharat) Limited has committed the following: i) to invest not less than Rs. 1050 crores in eligible fixed assets within the investment period of 3 years from 1.2.2008 (2) to set up cement plant of capacity of 3.5 metric ton per annum at the end of investment period and (3) to create direct employment for 2500 persons. 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. Dalmia Cement (Bharat) Ltd for sanction of a structured package assistance to their expansion projects. The expansion project at Palanganatham in Perambalur District sanctioned in the G.O.read above was stated to be of 15 lakh MT capacity. Therefore the incentive sanctioned in that G.O. will be eligible for the sales made from that plant out of the production of 15 lakh MT per annum or the actual capacity as assessed by SIPCOT, whichever is lower. Considering their commitments given by M/s. Dalmia Cement (Bharat) Limited. with regard to investment, capacity creation and job opportunities mentioned in para 1 above, the Government sanction the following structured package assistance to M/s. Dalmia Cement (Bharat) Limited.

a) Investment

Investment in cement plant at Govindapuram, Ariyalur District amounting to Rs. 700 crores and investment in Multiple Grinding units at Salem, Tuticorin and Chennai amounting to Rs. 350 crores will be taken as eligible investment for sanctioning of structured package of assistance to M/s. Dalmia Cement (Bharat) Limited. If there is any replacement of any existing capacity in the proposed projects then the proportionate investment 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 Govindapuram plant, Ariyalur District was given on 31.10.2007, the investment period will start from 1st Feb 2008 and end on 31.1.2011.

c) **Soft Loan**

Dalmia Cement (Bharat) Limited 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 of 0.1% per annum, subject to a ceiling on the 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 on a sliding scale starting from 50% of the Net output VAT + CST paid to the State Government and reducing 10% every two years in the following manner.

1st and 2nd year : 50%

3rd and 4th year : 40%

5th and 6th year : 30%

7th and 8th year : 20%

9th and 10th 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 this expansion capacity only and the existing revenue stream is protected. Accordingly the base volume will be fixed as follows.

- i) The average production of Dalmia Cement (Bharat) Limited in the State of Tamil Nadu during the three financial years preceding the commencement of commercial production of the expansion now proposed or the existing capacity including the plant at Palanganatham 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 Dalmia Cement (Bharat) Limited in State of Tamil Nadu during the last three financial years preceding the commencement of commercial production will 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).

The base volume for first and second expansion projects will be maintained independently. The Production / Sale over and above the base volume fixed for the second expansion project should not be shown as the production / Sales made in the first expansion project. Similarly production from present expansion project (covered by this G.O) should not be sold as production of the earlier expansion project.

(covered by G.O. cited as reference 1) . Any violation of this will result in cancellation of both these packages of incentives.

d) Electricity Tax Exemption

Since the investment of M/s. Dalmia Cement (Bharat) Limited in the expansion projects will be over Rs.250 crores and employing more than 400 direct workers, M/s. Dalmia Cement (Bharat) 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

Dalmia Cement (Bharat) Limited will be given a back-ended capital subsidy of Rs. 1.50 crores in terms of the New Industrial Policy 2007.

f) Environment Protection Subsidy

If Dalmia Cement (Bharat) Limited 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 Dalmia Cement (Bharat) Limited 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, Dalmia Cement (Bharat) 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. Dalmia Cement (Bharat) Limited., SIPCOT will also carry out a baseline survey and assessment of the existing capacities of M/s. Dalmia Cement (Bharat) Limited 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, proportionate to the creation of this net additional capacity, should fulfil the commitment regarding investment given above. Also this proportionate investment in the eligible fixed assets 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 Dalmia Cement (Bharat) Limited only if the sale is for ultimate use in State of Tamil Nadu.

- v) Corporate Social Responsibility : M/s. Dalmia Cement (Bharat) 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 initiatives. This will include improving infrastructure in local hospital, primary health centers, 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. Dalmia Cement (Bharat) Ltd will give preference to local unemployed youths in job opportunities. M/s. Dalmia Cement 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. 62646/Finance (Ind) Department, dated: 18.10.2008.

(BY ORDER OF THE GOVERNOR)

M.F.FAROOQUI

PRINCIPAL SECRETARY TO GOVERNMENT

To,

The Chairman and Managing Director,
Dalmia Cement (Bharat) Limited,
Fagun Mansion, IV Floor,
26, Commandor – in – Chief Road,
Chennai – 105.

The Chairman and Managing Director,
SIPCOT,

19A, R.L.Pathy Road, Egmore, Chennai – 8.

The Secretary to Government, Energy Department, Chennai – 9

The Secretary to Government, Commercial Tax and 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,
No. 800, Anna Salai, Chennai – 2

The Director, Guidance Bureau, Egmore, Chennai – 8.

Copy to

Chief Minister's Office, Chennai – 9

Public (SC) Department, Chennai – 9

Industries (MID) (MIB) (OPII) Department, Chennai – 9

SF/SC

//Forwarded By Order//


Section Officer.


10/10/08