PERFORMANCE AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON SALE OF SUGAR MILLS OF UTTAR PRADESH STATE SUGAR CORPORATION LIMITED

FOR THE YEAR ENDED 31 MARCH 2011

GOVERNMENT OF UTTAR PRADESH

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Preface

Uttar Pradesh State Sugar Corporation Limited (UPSSCL) was established in the year 1971 as a wholly owned undertaking of Government of Uttar Pradesh (GoUP) under the Companies Act, 1956 to run private sugar mills acquired by the State Government under the Uttar Pradesh Sugar Undertaking Acquisition Act, 1971.

In June 2007, GoUP decided to privatise/ sell sugar mills of UPSSCL . The sale of 10 operating mills was executed during July 2010 to October 2010 and that of 11 closed mills in January 2011 to March 2011. The Comptroller and Auditor General of India decided to conduct an audit scrutiny of the Disinvestment Process in UPSSCL to present an independent and objective assessment of Disinvestment Process to the State Legislature and further to provide an aid to Administration for monitoring the Disinvestment Process of other Companies in future.

This Report contains the results of the audit covering the period from June 2007, when the initial decision for disinvestment was made, to March 2011 when the sale process of these mills was completed.

This Audit Report, covering the process of disinvestment up to March 2011, has been prepared for submission to the Governor under Article 151 of the Constitution of India.

Sugar Industry Outlook

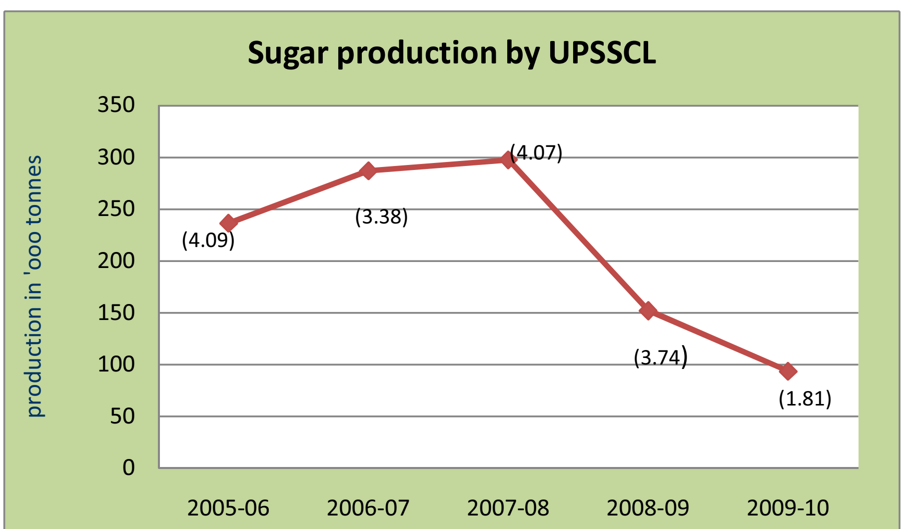
Sugar is produced in over 122 Countries across the World. It is estimated that the world production would be around 167 million metric tonne in the 2010-11 International Sugar Season (October-September). India is the second largest sugar producer in the world after Brazil. It contributes approximately 14.68 *per cent* of the total sugar production in the world. Uttar Pradesh with its share of 27 *per cent* is the second largest producer of sugar in the country after Maharashtra.

UPSSCL and its role in Sugar Industry of Uttar Pradesh

The Uttar Pradesh State Sugar Corporation Limited (UPSSCL) was established in 1971, under the Companies Act, 1956 as a wholly owned undertaking of the Government of Uttar Pradesh. During the years 1971 to 1989, 28 mills were acquired by the Company while one mill was purchased in open auction in 1974. Six mills were also established between 1974 and 1988.

During the years 2001 to 2003 the Company, while retaining 11 operating mills, transferred 18 mills (ten closed and eight unviable) to newly formed subsidiary, viz.- Uttar Pradesh Rajya Chini Evam Ganna Vikas Nigam Limited (UPRCGVNL) and four mills to three other subsidiaries of UPSSCL. Two mills (Doiwala and Kichcha sugar mills) were transferred to Uttarakhand after partition of Uttar Pradesh in the year 2002.

UPSSCL is the only Public Sector Company engaged in sugar production in Uttar Pradesh. During the period from 2005-06 to 2009-10 the production by the Company ranged from 93.54 to 297.60 thousand tonnes. The graph below depicts the contribution of the Company in sugar production in the State:



(Figures in bracket show percentage of UPSSCL contribution to total Sugar production of Uttar Pradesh)

The Government of Uttar Pradesh (GoUP) decided to privatise/sell sugar mills of UPSSCL in June 2007. In execution of this decision, ten operating mills of

UPSSCL and 11 closed mills of UPRCGVNL were sold during the July 2010 -October 2010 and January 2011 to March 2011 respectively.

This Audit Report

This Audit Report deals with our findings during the audit of the sale process of the mills of UPSSCL and its subsidiary UPRCGVNL and consists of the following:

Chapter -1 Introduction

Chapter -2 The Disinvestment Process

Chapter -3 Valuation of Sugar Mills

Chapter -4 Expected Price-its Disclosure

Chapter -5 Lack of Competition in the Bidding Process

Chapter -6 Stamp Duty and Procedural Lapses

While valuation is a subjective matter and open to different interpretations, our observations on valuation of mills are based on Reports of Valuers appointed by Management of the Company. In case of 11 closed sugar mills, we have also examined the circle rates of land as notified by Office of District Magistrate of the respective areas for comparative analysis with the rates of land taken by Valuers.

Major Findings

Important audit observations are discussed below:

Valuation of Sugar Mills

UPSSCL

The Advisor(IFCI) reduced the valuation of land as worked out by the Valuers by three *per cent* to 30 *per cent* on the grounds of dispute over the land .This reduction amounted to ₹ 90 crore in case of four sugar mills[1]. Further reduction in the value of land by Advisor lacked justification as these aspects had already been taken into consideration by the Valuers.

(Paragraph 3.3)

The Advisor decided that the average value of land and building be discounted by 25 *per cent* for restricted land use, large land area, stamp duty to be paid by purchasers and other constraints for arriving at expected price.

(Paragraph 3.3.2)

The Core Group of Secretaries (CGD), on the ground that Discounted Cash Flow (DCF) value was more relevant from the point of view of prospective buyers, reversed the weightage to two-third to DCF method and one-third to the value of land and building while arriving at the value of mills, resulting in reduction of the expected price by ₹ 243.48 crore.

(Paragraph 3.3.3)

[1] Amroha, Bijnore, Bulandsahar and Saharanpur

Scrap value of ₹ 32.88 crore of the Plant and Machinery of the ten mills of UPSSCL was included in final expected price instead of its net realisable value of ₹ 114.96 crore .This resulted in undervaluation by ₹ 82.08 crore.

(Paragraph 3.4)

Reduction in valuation by ₹ 223.72 crore due to clubbing of Land of old and new mills of Saharanpur unit

(Paragraph 3.5)

UPRCGVNL

Reduction in the average market value of Land by ₹ 128.41 crore compared to the average market value given by earlier Valuers appointed in 2007-08.

(Paragraph 3.7.2)

Valuation of Plant and Machinery at scrap value lower than that suggested by the Adviser resulted in reduction of expected price by ₹ 43.20 crore.

(Paragraph 3.9)

Expected Price and its Disclosure

Disclosure of expected price to bidders and change in methodology of bidding in middle of the bid process adversely affected the bid price received. However the money value impact could not be determined. The bid prices received were far below the expected price in 14 out of the 21 mills sold.

(Paragraph 4.1)

Lack of Competition in the Bidding Process

There was complete lack of competition as two out of three competing Companies were related to each other in sale of ten operating mills of UPSSCL. In case of UPRCGVNL, all the bidding Companies bid in a concerted manner and unusual withdrawal of bids by the original highest bidders in favour of challengers indicated the cartelization / concerted bid by a group of related Companies affected the realization of fair value of sugar mills. In respect of three mills[2] of UPSSCL, only ₹ 166.85 crore could be realised against Expected Price of ₹ 291.55 crore. In case of 11 closed mills of UPRCGVNL, ₹ 91.65 crore was realised against total Expected Price of ₹ 173.63 crore. Management and CGD failed to detect these issues as they did not insist on submission of the requisite documentation by bidders.

(Paragraphs 5.1-5.7)

Stamp Duty

Acceptance of under valuation of Land by the registering authorities resulted in total loss of revenue of ₹ 100.77 crore to the State Exchequer.

(Paragraph 6.1)

[2] Bijnaur, Bulandsahar and Saharanopur.

The impact of our findings has been summarized in the table below:

UPSSCL			
Chapter	**Paragraph**	**Shortcomings**	**Impact (₹ in crore)**
Chapter 3 Valuation - Sugar Mills	3.3	Reduction in value of land of sugar mills	90.00
	3.3.2	Additional discount on land and buildings of sugar mills (₹192.48 crore included in ₹243.48 crore)	
	3.3.3	Application of more weightage to discounted cash flow method	243.48
	3.4	Valuation of plant and machinery as scrap	82.08
	3.5	Reduction in valuation due to clubbing of land of old and new mills	223.72
Chapter 4 Expected Price-its Disclosure	4.1	Disclosure of expected price to bidders before submission of Request for Proposal (financial bid) and change in methodology of bidding in middle of bid process(**money value impact can not be determined)**	
	4.2	Adjustments in Expected Price	21.15
Chapter 5 Lack of Competition in the Bidding Process	5.1	Lack of competition due to related bidders (two out of three bidders) others	124.70
Chapter 6 Stamp Duty and Procedural Lapses	6.1	Short levy of Stamp duty on sale deed	53.71
	6.2	Excess payment to Advisor	1.25
	6.3	Failure to recover the cost of Repair and Maintenance from purchasers of mill	1.45
Total of UPSSCL (A)			**841.54**

UPRCGVNL			
Chapter	**Paragraph**	**Shortcomings**	**Impact (₹ in crore)**
Chapter 3 Valuation - Sugar Mills	3.7.2	Unjustified reduction in market value of land	128.41
	3.8	Undue discount for stamp duty and registration fees	10.16
	3.8.1	Discount for large size of land and non-marketability	19.29
	3.9	Valuation of plant and machinery at low scrap value	43.20
Chapter 4 Expected Price-its Disclosure	4.1	Disclosure of expected price to bidders before submission of Request for Proposal (financial bid) (**money value impact can not be determined)**	
	4.2	Adjustments in Expected Price	8.20
Chapter 5 Lack of Competition in the Bidding Process	5.3	Lack of competition due to all bidders related to each other	81.98
Chapter 6 Stamp Duty and Procedural Lapses	6.1	Short levy of stamp duty on sale deeds	47.06
Total of UPRCGVNL(B)			**338.30**
Grand Total (A+B)			**1179.84**

Chapter 1

Introduction

The Sugar Industry

1.1 The sugar industry is one of the oldest agriculture based industries in the world. Sugar is produced in over 122 countries across the world. India is the second largest sugar producer in the world after Brazil and is also the largest sugar consumer.

Annual average sugar production in India during 2005-06 to 2009-10 was 21488 thousand tonne.

It is estimated that the world sugar production would be around 167 million metric tonne in the 2010-11 International Sugar Season (October-September).

India contributes approximately 14.68 *per cent* of the total sugar production in the world. Uttar Pradesh is the second largest producer of sugar in the country after Maharashtra. The production of sugar in the country during the years from 2005-06 to 2009-10 and the contribution of Uttar Pradesh is given below:

(In thousand tonne)

Year	2005-06	2006-07	2007-08	2008-09	2009-10
All India production of sugar	19267	28364	26357	14539	**18912**
Contribution of Maharashtra	5197	9100	9075	4578	**7067**
Contribution of Uttar Pradesh	**5784**	**8475**	**7319**	**4064**	**5179**

(Source: Sugar India Year Book 2011)

The details of total number of installed sugar factories in the country and in two top sugar producing states in 2009-10, were as follows:

Particulars	*Public*	*Private*	*Cooperative*	*Total*
All India	62	269	320	**651**
Maharashtra	--	35	166	**201**
Uttar Pradesh	**33**	**95**	**28**	**156**

(Source: Sugar India Year Book 2011)

The Companies

1.2 Uttar Pradesh State Sugar Corporation Limited (UPSSCL) was established in the year 1971 as a wholly owned undertaking of Government of Uttar Pradesh (GoUP) under the Companies Act, 1956 to run private sugar mills acquired by the State Government under the Uttar Pradesh Sugar Undertakings (Acquisition) Act, 1971.

- During the year 1971 to 1989, 28 mills[1] were acquired and one mill (Pipraich) was purchased (1974) in open auction.
- Six mills[2] were established during 1974 to 1988
- Of these 35 mills, five mills were placed under the management of four subsidiaries of UPSSCL viz. Kichha Sugar Company Limited (formed in 1974), Nandganj-Sihori Sugar Company Limited (two mills) and Chhata Sugar Company Limited (both formed in 1975) and Ghatampur

[1] 1971(12 mills): Amroha, Barabanki, Bhatni,,Bijnore, Bhurwal, Jarwal Road, Khadda, Laxmiganj, Mohiduinnpur, Ramkola,,Rampur and Sakoti Tanda; 1984 (12 mills) Bareilly, Bulandsahar, Chhitauni, Doiwala, Ghughli, Hardoi, Maholi, Meerut, Munderwa, Rohankalan, Saharnpur and Siswa Bazar; 1989 (four mills) Baitalpur, Deoria, Nawabganj and Shahganj.

[2] 1974 (one mill): Kichha; 1978 (two mills): Chandpur and Chhata; 1978 and 1979 (two mills): Raibareilly and Nandganj; 1988 (one mill) Ghatampur.

Sugar Company Limited (formed in 1986). Remaining 30 mills were under the direct management of UPSSCL (up to 2002).

The acquired sugar mills had capacity of 711 tonne crushing per day (TCD) to 2200 TCD. Capacity of nine operating mills (except Rohankalan) were increased up to 1600 TCD to 3000 TCD in upgradation work undertaken by UPSSCL during 1986-87 to 1997-98 with a resultant improved performance.

1.2.1 The GoUP formulated a policy of Privatisation/ Disinvestment of PSUs in June 1994 which provided for review for privatisation of enterprises whose annual loss was more than ₹ 10.00 crore and eroded net worth by 50 *per cent* or more.

The net worth of UPSSCL eroded due to continued losses and in May 1995, UPSSCL was referred to Board for Industrial and Financial Reconstruction (BIFR) under the provision of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). In August 1995 BIFR declared UPSSCL a sick company and directed the operating agency (IFCI) to finalise a suitable rehabilitation package.

In July 2001, BIFR sanctioned a rehabilitation scheme for UPSSCL which resulted in placement of the 35 mills as below:

- **UPSSCL retaining 11 potentially healthy (operating) mills;**
- **Ten[3] already closed mills and eight[4] unviable mills were transferred to a newly formed subsidiary (May 2002) Uttar Pradesh Rajya Chini Evam Ganna Vikas Nigam Limited (UPRCGVNL);**
- **Doiwala and Kichha sugar mills of UPSSCL were transferred to Government of Uttarakhand in the year 2002.**
- **Four mills[5] remained with the other three subsidiaries of UPSSCL.**

1.2.2 The Department of Infrastructure Development (DID), GoUP issued (June 2007) Guidelines for selection of Consultants/Advisors, Developers for Public Private Partnership (PPP) Projects and Private Partners for Disinvestment in Uttar Pradesh. The Guidelines provide for formation of various Committees, process to be followed for disinvestment, appointment and functions of Lead Advisor, Legal Advisor, Accounting Advisors, Asset Valuers and also the procedure to be followed for bidding and methodologies of valuation of enterprise.

In June 2007, the Government decided to privatise/ sell the sugar mills of UPSSCL including all the sugar mill of its subsidiaries and directed UPSSCL to submit a proposal for privatization /sale of sugar mills. The 'in-principle' consent of the Board of Directors for the privatization/ sale of its 33 sugar mills was conveyed by UPSSCL to the Government in June 2007.

As provided in the Guidelines, the GoUP specified (June 2007) the Pradeshiya Industrial Investment Corporation of Uttar Pradesh (PICUP) as Government Nodal Agency. The GoUP appointed (June 2007 to January 2008) Lead Advisor and constituted Core Group of Secretaries on Disinvestment (CGD)[6], Consultative Evaluation Committee (CEC) and Consultative Monitoring

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[3] Barabanki, Bareilly, Chhituni, Ghugli, Hardoi, Maholi, Meerut, Munderwa, Nawabganj and Rampur (all closed during 1998-2000).

[4] Bhatni, Bhurwal, Deoria, Ramkola and Shahganj (all closed during 2007-08) Baitalpur, Laxmiganj and Piparaich (all closed during 2008-09).

[5] Nandganj (closed in 1998-99), Chhata, Ghatampur and Raibareilly mills (all closed during 2009-10).

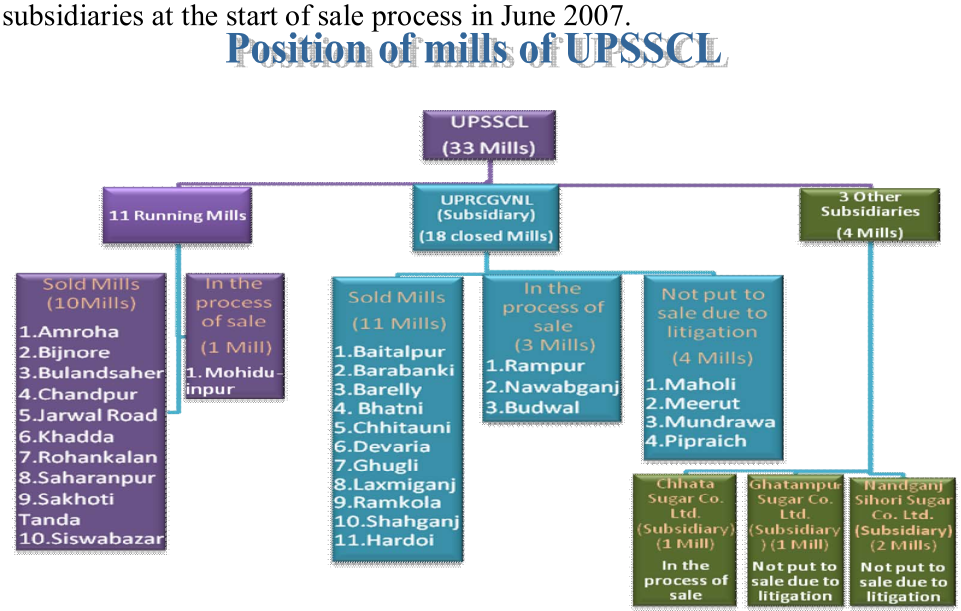
[6] The Management stated (November 2011) that Cabinet Committee on Disinvestment (CCD) was not constituted and CGD directly recommended to the State Cabinet for approval as prescribed in Chapter-1 of Guidelines.

Committee (CMC) to carry out the process of disinvestment of sugar mills. In May 2008, the GoUP nominated the UPSSCL as Nodal Agency for Disinvestment process on sale of sugar mills.

Scope of audit

1.3 As per direction from CGD, the management of UPSSCL, UPRCGVNL and Chhata Sugar Company Limited advertised (June 2009 and June 2010) for sale of 11 mills, 14 mills and one mill (Chhata) respectively. Of these, sale of ten mills of UPSSCL and 11 mills of UPRCGVNL were finalized in July 2010-October 2010 and January 2011-March 2011 respectively. Sale process of one mill (Mohiuddinpur) of UPSSCL, three mills of UPRCGVNL and the mill of Chhata Sugar Company Limited had not been finalized so far (November 2011) as the process of sale/ disinvestment was annulled on 30 June 2011, i.e. before the last date of submission of Expression of Interest cum Request For Qualification and Request For Proposal (22 July 2011). Sale process in respect of remaining seven mills had not been initiated (November 2011) by the management because of litigation in the Courts and proceedings in BIFR.

The following chart depicts position of mills with UPSSCL and its subsidiaries at the start of sale process in June 2007.



The profile of ten operating sugar mills of UPSSCL and 11 closed sugar mills of UPRCGVNL is given in ***Annexure 1 and 2***.

1.3.1 Our examination conducted during March 2011 to April 2011 and July 2011 to August 2011 was confined to ten operating mills of UPSSCL and 11 closed mills of UPRCGVNL sold between July-October 2010 and January-March 2011.

Before actual commencement of the Audit of the Sale of sugar mills , we held (10 March 2010) an Entry Conference with Senior Management of UPSSCL to discuss the Audit Objectives, Audit Criteria and Audit Methodology to be adopted for the Audit and to elicit the cooperation and assistance required for conduct of audit. Our Audit involved scrutiny of records and documents made available to us by the Management of UPSSCL relating to Disinvestment Process. The Audit Inspection Report on sale of operating sugar mills of UPSSCL was issued to the Management on 18 July 2011. The Management of

UPSSCL submitted (23 August 2011) the reply. The reply has been suitably incorporated in our Report and discussed in the relevant paragraphs.

1.3.2 As the sale of 11 closed sugar mills of Uttar Pradesh Rajya Chini Evam Ganna Vikas Nigam Limited (UPRCGVNL) also took place in January 2011-March 2011, we continued the audit subsequently and the combined final Report (UPSSCL and UPRCGVNL) was sent to the Company (UPSSCL) and the Government on 17 October 2011.

The Management, while replying to audit observation in the Report *inter-alia* stated (17 November 2011) that issues related to the policy of the Government and hence it would be appropriate for the State Government to respond to those matters.

Response of the Government of Uttar Pradesh

1.3.3 The State Government in reply to Draft Audit Report, stated (16 November 2011) as follows:

"While reserving the right to give complete reply, your attention is invited on following points:

1. Section 16,17,18,19 and 19(A) of Comptroller and Auditor General (Duties, Powers and Conditions of Service) Act-1971 provide for the audit of Government companies.
2. Section 619 of Companies Act, 1956 provides the audit of Government Companies etc.
3. Under the Article 164(2) of the Constitution of India following is the provision in respect of Hon'ble Council of Ministers:

The Council of Ministers shall be collectively responsible to the Legislative Assembly of the State.

In this regard it is stated that the approval of Hon'ble Council of Ministers has been obtained on all points in respect of disinvestment process of Sugar Corporation. Following are the points in respect of which approval of the Hon'ble Council of Ministers has been obtained:

1. Decision of sale/privatization of all the 33 units of the Nigam, vide Government Order dated 04.06.2007, after getting approval of the Hon'ble Council of Ministers.
2. Approval on the appointment of Disinvestment Consultant and Legal Consultant on 26.06.2009.
3. Approval on the appointment of valuers on 26.08.2009.
4. Approval for sale of 11 Sugar Mills on the basis of slump Sale, Selection of Investors, EOI cum RFQ, RFP and slump Sale Agreement on 26.08.2009.
5. Approval of short-listed bidders on the basis of RFQ on 26.08.2009.
6. Approval of finalization of principles of valuation and finalization of expected price of 11 operating sugar mills and its information to be made available to tenderers and of final RFP and slump sale agreement on 26.08.2009.
7. Approval for re-fixation of expected price and final RFP and slump sale agreement in respect of 11 operating sugar mills on 13.05.2010.
8. Approval for sale of 04 operating sugar mills to selected buyers on highest financial bids on 01.07.2010.

9. In respect of 06 operating sugar mills approval of selected buyers on the basis of maximum financial bid under SCM. Permission to selected buyers to make SPV and approval for payment of additional fees to disinvestment advisors on 17.09.2010.
10. The following approvals have been taken on 29.12.2010 in respect of 15 closed sugar mills:
    1. Sale of closed sugar mills on slump sale basis
    2. Approval of 4 EOI cum RFQs for selection of investors and on 4 RFP and slump sale agreements.
    3. Approval for formation of SPV by selected purchasers.
    4. Approval on the selection of valuers. Approval on the fixation of expected price with 10% discount after adjustment of amount of VRS , contingent liabilities, TDC and stamp duty, which the buyers would bear in order to obtain real market sale value of mill units. Approval on informing selected bidders of the expected price prior to issue of RFP, final RFP and slump sale agreement
    5. Approval of the short listed bidders on the basis of received RFQs
    6. Approval on forfeiture of security deposits of H-1 bidders who declined to purchase 07 sugar mills and approval for sale to highest bidders under SCM.
    7. Approval for sale of 03 sugar mills to highest bidder H-1.
    8. Approval for sale of one sugar mill to challenger-1 under SCM.

It is clear that every step of disinvestment process of sugar mills has been approved by the Hon'ble Council of Ministers. The decisions of the Hon'ble Council of Ministers are beyond the audit jurisdiction of the Accountant General".

The reply of the State Government is, however, not tenable in view of the fact that the Gazette Notification dated 25 April 2003 of the State Government states that the Comptroller and Auditor General of India is empowered to audit the entire Disinvestment Process. Further, we have not commented on the policy decision of the State Cabinet to sell the sugar mills. The Report highlights the deficiencies and irregularities in implementation of the said policy decision by the Core Group of Secretaries on Disinvestment/Consultative Evaluation Committee at various stages of the process including the valuation and bidding processes, finalization of the Request for Proposal, fixation and irregular disclosure of the Expected Price to Bidders before bidding, Selection of Bidders, transfer of possession of mills etc. These decisions of the Core Group of Secretaries on Disinvestment/Consultative Evaluation Committee have been subsequently approved by the Cabinet.

In view of the response of the Government, the Exit Conference, which was rescheduled twice on the request of the Management, was not held.

Audit objectives

1.4 The objectives of our Audit were to assess whether;

- the procedure as laid down in the State Government Guidelines on disinvestment was adhered to,

- the valuation methodologies adopted for sale were consistent with the Guidelines and
- the Company ensured that the procedure of disinvestment had generated adequate competition so as to obtain the best value.

Audit criteria

1.5 The audit criteria adopted for assessing the achievement of the Audit Objectives were:

- Disinvestment policy of GoUP,
- Guidelines issued by the GoUP for selection of Consultants/ Advisors, Developers for Public Private Partnership (PPP) projects and Private Partners for Disinvestment in Uttar Pradesh.
- Public documents in respect of Companies, available on website of Ministry of Corporate Affairs ; and
- Information/ Documents in respect of Companies required to be filed with Registrar of Companies, Uttar Pradesh and Uttarakhand.

Audit methodology

1.6 The methodology adopted for attaining the audit objectives with reference to audit criteria consisted of explaining audit objectives to the Management of UPSSCL during an Entry Conference held on 10 March 2011, scrutiny of minutes of meetings of Core Group of Secretaries on Disinvestment (CGD), Consultative Evaluation Committee (CEC), Consultative Monitoring Committee (CMC), Board of Directors of the two Companies, Reports of Legal Advisor and Accounting Advisors and recommendations of Lead Advisor, Annual Accounts of the Companies, inter-action with personnel of the Companies and analysis of information.

A Glossary of the various terms and abbreviations used in this Report along with the brief definitions of the terms is placed at the end of this Report.

Acknowledgement

We place on record our sincere appreciation for the co-operation of Management of UPSSCL in facilitating our audit. We also place on record our sincere appreciation to Registrar of Companies, Kanpur for facilitating the collection of desired information.

Chapter 2

The Disinvestment Process

The Policy and Guidelines

2.1 The GoUP formulated a policy of privatization/ disinvestment of PSUs in June, 1994. The Policy provided for review for privatisation of all enterprises (excluding those engaged in social welfare activities and public utilities) whose annual loss was more than ₹ 10 crore and which had eroded their net worth by 50 *per cent* or more.

An Empowered Committee (EC) was constituted (December 1995) to review and decide cases of privatization/ disinvestment/ references to BIFR and to recommend other alternatives, such as partial privatisation, management by private entrepreneurs, lease to private entrepreneurs etc. On the recommendation of EC, the State Disinvestment Commission was constituted in November 1998. It was later dissolved and Disinvestment Commission (DC) was constituted in January 2000.

In January 2000, a Central Committee (CC) was also constituted for smooth functioning of process of disinvestments. The CC was entrusted with responsibility to make references to DC on the matters relating to reform in working, merger, reorganization, privatisation or closure of the PSUs. In April 2003, a High Power Disinvestment Committee (HPDC) was constituted for disinvestment of State PSUs.

2.1.1 In June 2007, Department of Infrastructure Developemnt (DID) of the GoUP, issued Guidelines for selection of Consultant/ Advisors, Developers for Public Private Partnership (PPP) projects and Private Partners for Disinvestments in Uttar Pradesh. The extracts of the Guidelines containing formation of various Committees, process to be followed for disinvestment, appointment and functions of Lead Advisor, Legal Advisor, Accounting Advisors, Asset Valuers, procedure to be followed for bidding and methodologies of valuation of enterprise are placed in ***Annexure-3.***

The Guidelines of DID provide that the disinvestment process will be carried out by DID through the specified Government Nodal Agency with the assistance of Lead Advisor. Administrative Department will be responsible for taking each proposal of disinvestments to the Cabinet or CCD for their consideration, through the CGD. The Guidelines further provide that a CEC will be established to assist the CGD as envisaged in the Guidelines.

The CGD, CEC and Consultative Monitoring Committee (CMC) were established during 2007-08 to carry out disinvestment of state PSUs. The composition of these committees and their defined roles and responsibilities are given in ***Annexure-4.***

Important Events

2.2 The actual process of disinvestment started on 4 June 2007 when the State Government conveyed its decision to privatize/sell sugar mills of UPSSCL. The various steps taken for disinvestment of sugar mills of UPSSCL/UPRCGVNL are summarized below:

Phase - I	**Period between 4 June 2007 and 13 May 2008**
22/24 June 2007	UPSSCL conveyed in principle consent of the Board of Directors (BOD) for privatization/sale of 33 sugar mills.
29 June 2007	A Consultative Evaluation Committee (CEC) was established on 29 June 2007, under the Chairmanship of Industrial Development Commissioner. PICUP and IL&FS were appointed as the Nodal Agency and co-consultant respectively.
2 August 2007	Ernst and Young were appointed as disinvestment Advisor.
11 August 2007	The UPSSCL appointed six Assets Valuers[7] for valuation of 33 sugar mills grouped in five bundles. Each sugar mill was valued by two valuers independently.
30 August 2007	Dua Associates were appointed as Legal Advisor.
05 May 2008	GoUP nominated UPSSCL as nodal agency to carry out the process of disinvestment of sugar mills.
Phase –II	**Period between 14 May 2008 and 18 Dec 2008**
14 May 2008	The Government decided to sell/disinvest its entire equity shares in the holding company viz. UPSSCL and started fresh process of valuation of enterprise as a whole for equity sale.
11 June 2008	The UPSSCL appointed two Assets Valuers for valuation of entire equity shares of GoUP in UPSSCL
25 September 2008	The three Request for Proposals (RFP)/Financial bids[8] out of five bidders were received in the sale process of enterprise as whole.
30 September 2008	CGD identified the highest bidder on the basis of financial bid received. Highest bid of M/s Chaddha (sugar) Private Limited (₹ 160.11 crore) was lower than the Reserve Price (₹ 630 crore).
14 November 2008	GoUP decided to cancel the process of disinvestment of entire equity shares of GoUP in UPSSCL as a whole.
Phase- III UPSSCL	**Period after 19 December 2008**
19 December 2008	GoUP decided to start new process for sale/ disinvestment of sugar mills of UPSSCL.
10 February 2009	IFCI was appointed as disinvestment Consultant/ Advisor.
20 February 2009	GoUP made amendments in The Uttar Pradesh Sugar Undertakings (Acquisition) Act, 1971 vide The Uttar Pradesh Sugar Undertakings (Acquisition) (Amendment) Act, 2009 as notified on 20 February 2009 empowering (i) the Government to divest, sell off, transfer or otherwise part with or any of its share in the Company (UPSSCL) and (ii) the corporation to sell or transfer any of its assets and/ or liabilities or part thereof and (iii) the validation of the Government order of 4 June 2007, subsequent orders and action taken in relation to disinvestment ***(Annexure-5)*****.**
12 March 2009	Chitale and Chitale Partners were appointed as a Legal Advisor.
20 May 2009	GoUP decided to sell the 11 operating sugar Mills of UPSSCL on slump sale basis**.**
29 June 2009	UPSSCL invited Expression of Interest-cum-Request For Qualification for sale of 11 operating mills.
10 July 2009	Pre-bid meeting for sale of sugar mills was held.
15 July 2009	S.R. Botliboi (SRB) and K.R. Bedmutha (KRB) were appointed as Assets Valuers for valuation of 11 operating sugars mills independently.
21 July 2009	Last date of receipt of EOI cum RFQ for 11 operating sugar mills.

7 Protocol Surveyors and Engineers, Tech-Mech Surveyors and Allied Consultant Private Limited, J.N Dubey and Associates, KR Bedmutha and Techno Associates, S.K Ahuja and Associates, S.R Jain and Associates.

8 Chaddha (Sugar) Private Limited, UFLEX Limited and Gammon India Limited.

22 July 2009	Request for Proposal (financial bid) was invited from shortlisted bidders.
30 July 2009	GoUP introduced Swiss Challenge Method in the Disinvestment of Public Enterprises. (***Annexure- 6***)
3 August 2009	Pre-bid meeting with bidders was held.
20 August 2009	CGD finalized the Expected Price in respect of 11 operating mills on the basis of recommendation made by Advisor.
27 August 2009	GoUP sanctioned the disclosure of Expected Price to the shortlisted bidders at the time of issuing Request For Proposal (RFP).
8 May 2010	CGD directed that RFP and Slump Sale Agreements issued to shortlisted bidders.
3 June 2010	Last date of receipt of RFP for 11 operating sugar mills.
5 June 2010	Arson & Company was appointed as Accounting Advisor for sale of mills of UPSSCL.
2 July 2010	Government approved sale of four operating sugar mills (Amroha, Chandpur, Jarwal Road and Siswa Bazar) to the successful bidders.
17 July 2010	Slump sale agreement entered into with purchasers for four operating sugar mills (Amroha, Chandpur, Jarwal Road and Siswa Bazar).
11-30 August 2010	Sale deed executed for Chandpur, Jarwal Road and Siswabazar mills.
17 September 2010	Government approved sale of remaining six operating sugar mills (Bijnore, Khadda, Rohankalan, Sakoti Tanda, Bulandshahr and Saharanpur) to successful bidders.
4 October 2010	Slump sale agreement entered into with purchasers for six operating sugar mills (Bijnore, Khadda, Rohankalan, Sakoti Tanda, Bulandshahr and Saharanpur).
4-23 October 2010	Sale deed executed for Amroha, Bijnore, Bulandsahar and Saharanpur mills.
7-9 December 2010	Sale deed executed for Rohankalan and Sakoti Tanda mills.
6 January 2011	Sale deed executed for Khadda mill.
UPRCGVNL	
21-23 June 2010	EOI cum RFQ for 14 closed mills (13 mills of UPRCGVNL and one mill of Chhata Sugar Company Limited) were invited.
1 July 2010	Pre-bid meeting with bidders was held
5 July 2010	R. B. Shah & Associates (RBS) and Tech Mech International Pvt. Limited were appointed as Assets Valuers for valuation of 14 closed sugar mills of UPRCGVNL and lone mill of Chhata Sugar Company Limited
4 August 2010	EOI cum RFQ for Rampur mill of UPRCGVNL was invited.
13 August 2010	Received EOI cum RFQ for 14 closed sugar mills (13 mills of UPRCGVNL one mill of Chhata Sugar Company Limited).
19 August 2010	Received EOI cum RFQ for Rampur sugar mill of UPRCGVNL.
26 August 2010	CGD decided the Expected Price of closed mills.
30 August 2010	Pre bid meeting with bidders was held.
16 September 2010	Received RFP for nine mills (eight mills of UPCGVNL and one mill of Chhata Sugar Company Limited) out of 15 closed sugar mills.
27 September 2010	Received RFP for 4 closed mills (Barabanki, Chhitauni, Ramkola and Nawabganj) as extended.
11 October 2010	Received RFP for two closed mills (Hardoi and Laxmiganj)
4 January 2011	Government approved sale of 11 closed sugar mills of UPRCGVNL and cancelled sale process in respect of four mills (Burhwal, Nawabganj, Rampur and Chhata sugar mill).

21-22 January 2011	Slump sale agreement entered into with purchasers for eight closed sugar mills (Barabanki, Laxmiganj, Hardoi, Ramkola, Chhitauni, Shahganj, Ghughli, Bareilly).
25-30 March 2011	Slump sale agreement entered into with purchasers for three closed sugar mills (Deoria, Baitalpur and Bhatni) and sale deed executed for 11 closed sugar mills of UPRCGVNL

Status of litigation in the matter of sale of sugar mills

2.3 The GoUP decided (June 2007) to sell sugar mills of UPSSCL and started the process of disinvestment. For this purpose, the Government of Uttar Pradesh amended (2009) and inserted Section 3A to 3E (***Annexure-5***) in the Uttar Pradesh Sugar Undertakings (Acquisition) Act, 1971 (Act). Thereafter, sales of ten operating mills of UPSSCL and 11 closed mills of UPRCGVNL were completed in October 2010 and March 2011 respectively.

One Rajiv Kumar Mishra and the Chini Mills Karmchari Sangh filed (2008 and 2009) petitions with the Hon'ble High Court, Uttar Pradesh against the State of Uttar Pradesh and others, against the Amendment in the Act and sale of the sugar mills.

The Hon'ble High Court of Uttar Pradesh ordered (1 April 2010) that:-

"In both the writ petitions, the challenge to Expression of Interest dated 29 June 2009 has also been made and different clauses of the said Expression of Interest have been referred to. We having found that the Amendment Act, 2009 in so far as it inserts Sections 3-C, 3-D to the extent indicated above, is beyond the legislative competence of the State of U.P other consequential actions relating to the aforesaid two sections have also to be held invalid to that extent.

In the result both the writ petitions are partly allowed. Section 3-C and Section 3-D to the extent it provides "closure of the scheduled undertakings or sugar mills of the Corporation and its subsidiaries or in relation to the Corporation itself" is struck down as lacking legislative competence. All consequential actions to the above extent shall automatically fall on the ground. The other provisions of the Amendment Act, 2009 and the actions taken there in are held to be intra-vires**."**

The GoUP filed (July 2010) Special Leave Petition (SLP) in the Hon'ble Supreme Court against the part of the decision of the Hon'ble High Court holding the amendment in the Act regarding change of land use/closure of mills to be beyond legislative competence. Rajiv Kumar Mishra and Chini Mills Karmchari Sangh also filed (May 2010 and July 2010) SLPs with Hon'ble Supreme Court against the part of the decision of the Hon'ble High Court holding the process of sale of sugar mills to be valid.

In response to SLP filed by Rajiv Kumar Mishra against the decision of Hon'ble High Court holding the process of sale of sugar mills to be valid, the Hon'ble Supreme Court in its interim orders (28 May 2010/ 14 July 2010) decided that any action taken by the GoUP in furtherance of Amended Act 2009 shall remain subject to final adjudication of the appeal. Hence, any action of the GoUP with regard to sale of sugar mills shall be subject to the final decision of the Hon'ble Supreme Court and shall be binding on the GoUP and the purchaser of sugar mills. Final decision of the Hon'ble Supreme Court in the said matter was pending (November 2011).

Chapter 3

Valuation of Sugar Mills

In any sale process, valuation of the assets involved is pre-requisite and important activity. Valuation determines threshold amount or Reserve Price which a seller considers adequate for sale of his assets/ business. The Disinvestment Guidelines provided for valuation of assets by two independent, reputed valuers and fixation of a Reserve Price. The Guidelines also suggested four methodologies, viz. Discounted Cash Flow Method (DCF), Balance Sheet Method, Market Multiple Method and Assets Valuation Method for valuation of business to be sold. **(*Annexure 7*)**.

Valuation of mills- UPSSCL

3.1 In July 2009 UPSSCL appointed S. R. Botliboi and K. R. Bedmutha as Asset Valuers for valuation of 11 operating mills of UPSSCL. They were given the directions to submit their valuation reports for each of sugar mill as per four methodologies suggested in the guidelines.

Two Valuers appointed in July 2009 for valuation of mills, submitted their valuation reports in August 2009.

The Advisor (IFCI) engaged for the purpose of slump sale* of sugar mills was given the responsibility of examination and presentation of valuation reports submitted by the Valuers, to the CGD. The CGD was responsible for making final recommendations for Reserve Price to Cabinet/CCD after due deliberations.

In August 2009 the Valuers submitted Reports on valuation of all the 11 operating sugar mills of UPSSCL on the basis of Annual Accounts of respective mills for the year 2008-09. As the Mohiuddinpur sugar mill was not sold, our findings are limited to the ten sold sugar mills.

Method of valuation by Valuers

3.1.1 S. R. Botliboi (SRB) and K.R. Bedmutha (KRB) submitted their valuation reports after valuing different assets of the mills on the basis of following assumptions;

Land Valuation

SRB considered the prevailing Government Guidelines on Disinvestment, value of different site and holding rights.

KRB had taken in to account the following assumptions for land valuation;

- the supply demand position of the properties in the locality,
- the restrictive covenants about the use of land, its transferability, the master plan, civic regulations, court matters etc. The necessary factor has to be given due consideration over and above the valuation arrived at.
- while arriving at market value, discounted value at appropriate rate whenever properties were in dispute and matter was pending with Judicial Authority.
- Proper weightage had been given for recommendations, suggestion, observation given in Due Diligence Report (Legal) carried out by the

* Sale of a unit with all its assets and liabilities excluding the liabilities to be retained by UPSSCL/UPRCGVNL.

Chitale and Chitale Partners, Advocate and Legal Consultant, which was provided.

Building Valuation

SRB assessed the value of the buildings on the basis of assets available, their condition, obsolescence etc. and their current replacement value.

KRB stated "the value of building is arrived at by its replacement cost and the necessary depreciation has been deducted according to the existing age of the building, life of the building, maintenance of building and the market value is arrived".

Plant and Machinery Valuation

SRB stated that assets valuation exercise had been carried out to assess the current replacement cost of similar type of equipment. For this purpose the value of similar new equipment along with its pre-operative/ preliminary expenses was taken as base. The base figure was thereafter discounted on consideration of its condition, productivity obsolescence, estimated future economic life etc.

KRB stated to have applied the replacement method and appropriate depreciation as applicable. While arriving the realizable fair market value, if sold as sugar machinery, the age of installed machinery, present value of similar plant and machinery, residual life, cost of erection, commissioning and installation, appropriate depreciation applied, condition of plant and machinery and capital expenditure done from time to time, had been considered.

The value of Land, Building and Plant and Machinery and other assets as assessed by the Valuers is given below:

(₹ in crore)

Sugar Mills	Land			Building			Plant and machinery		
	1			2			3		
	SRB	KRB	Average	SRB	KRB	Average	SRB	KRB	Average
Amroha	15.52	19.76	17.64	14.90	19.29	17.10	9.32	11.25	10.28
Bijnore	127.69	138.29	132.99	7.66	11.47	9.57	8.41	13.30	10.86
Bulandsahar	147.22	164.38	155.80	6.02	18.90	12.46	31.56	13.30	22.43
Chandpur	9.31	31.54	20.43	10.25	15.40*	12.83	12.67	10.64	11.65
Jarwal Road	5.39	2.15	3.77	7.20	11.13	9.17	15.66	9.50	12.58
Khadda	11.57	5.54	8.56	3.59	13.51	8.55	11.43	6.25	8.84
Rohankalan	26.68	23.09	24.88	13.80	25.39	19.60	2.96	9.48	6.22
Saharanpur	258.06	309.22	283.64	11.85	33.54*	22.70	15.28	11.41	13.35
Sakotitanda	34.57	26.33	30.45	13.52	23.56*	18.54	6.46	7.25	6.85
Siswa Bazar	42.09	40.98	41.53	6.38	12.35	9.37	14.30	9.50	11.90
Total	**678.10**	**761.28**	**719.69**	**95.17**	**184.54**	**139.89♥**	**128.05**	**101.88**	**114.96**

* *Although KRB valued the building of Chandpur, Saharanpur and Sakotitanda at ₹ 15.14 crore, ₹ 21.37 crore and ₹ 13.94 crore respectively, the Advisor considered the values of building of above three mills in his report at ₹ 15.40 crore, ₹ 33.54 crore and ₹ 23.56 crore respectively.*

♥ *The advisor considered the average value of the building of both valuers ₹ 139.89 crore instead of ₹ 139.86 crore.*

Sugar Mills	Other assets			Total assets value		
	4			5		
	SRB	KRB	Average	SRB	KRB	Average
Amroha	0.18	0.08	0.13	39.92	50.38	45.15
Bijnore	0.22	0.15	0.18	143.98	163.21	153.60
Bulandsahar	0.27	0.15	0.21	185.07	196.73	190.90
Chandpur	0.17	------	0.08	32.40	57.58	44.99
Jarwal Road	0.20	0.05	0.13	28.45	22.83	25.64
Khadda	0.20	0.12	0.16	26.79	25.42	26.10
Rohankalan	0.20	0.10	0.15	43.64	58.06	50.85
Saharanpur	0.59	0.88	0.74	285.78	355.05	320.42
Sakotitanda	0.01	0.13	0.07	54.56	57.27	55.91
Siswa Bazar	0.19	0.17	0.18	62.96	63.00	62.98
Total	**2.23**	**1.83**	**2.03**	**903.55**	**1049.53**	**976.54**

Recommendations of the Valuers

3.1.2 SRB presented their valuation report on the basis of four methods viz Discounted Cash Flow Method (DCF), Balance Sheet Method, Market Multiple Method and Assets Valuation Method for valuation of business. **KRB,** however, presented their valuation report on the basis of three methods viz. Discounted Cash Flow Method (DCF), Balance Sheet Method, and Assets Valuation Method and did not value the mills based on Market Multiple Method on the plea that there were no comparable companies with the units under valuation.

The values recommended by the Valuer for ten mills by applying each of the suggested methodology are given in the table below:

(₹ in crore)

Valuers	Asset Valuation Method					DCF Method	Market Multiple Method	Balance Sheet Method
	Land	Building	Plant and Machinery	Other assets	Total			
SRB	678.10	95.17	128.05	2.23	903.55	278.34[9]	232.95	320.63
KRB	761.28	184.54	101.88	1.83	1049.53	246.94[10]	-----[11]	153.39
Difference	**83.18**	**89.37**	**26.17**	**0.40**	**145.98**	**31.40**		

As it can be noticed from the table that there were vast differences in the valuation of mills done under different methods by two Valuers.

Adoption of weightage by Valuers

3.1.3 SRB stated that due to lack of availability of standard data, the accuracy of approaches like DCF Method, Market Multiple Method etc. might not be achieved to desired level. SRB, therefore, opined that the results of tangible asset valuation which was entirely an off balance sheet exercise were more applicable and relevant. Accordingly, SRB had assigned more weightage to the values derived under 'Assets Valuation Method' than other methods while assessing the values of the mills for the purpose of sale. In the context of the above, the summarized valuation of each unit had been computed by them adopting the following weightage;

(Figures in percentage)

Methodology	Assets Valuation Method	Balance Sheet Method	DCF Method	Market Multiple Method
Weightage assigned	50	20	20	10
Weightage when DCF is negative	50	30	--	20

KRB recommended enterprise value on the following weightage without assigning any further reasons:

(Figures in percentage)

Methodology	Assets Valuation Method	Balance Sheet Method	DCF Method	Market Multiple Method
Weightage assigned	80	--	20	--
Weightage when DCF is negative	100	--	--	--

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9 This includes valuation in respect of eight sugar mills only as Jarwal Road and Rohan Kalan mills had negative DCF value.

10 This includes valuation in respect of six sugar mills only as Saharanpur, Jarwal Road, Khadda and Rohan Kalan mills had negative DCF value.

11 The valuer did not submit valuation as per Market Multiple method assigning reason that there were no comparable Companies.

Recommendation by Advisor /CGD

3.2 The summarised value of sugar mills as suggested by Valuers/Advisor and approved by CGD from time to time is given below:

(₹ in crore)

Sugar mill	Value of land (Average of both Valuers)	Average of enterprise value by the two Assets Valuers (after considering Net Current Assets and other adjustments as on 31 March 2010)	Enterprise value recommended by Advisor as on 20 August 2009 at 11 AM (after considering Net Current Assets and other adjustments as on 31 March 2009)	Enterprise value recommended by CGD on 20 August 2009 at 6.30 PM (after considering Net Current Assets as on 30 June 2009 and other adjustments as on 31 March 2009)	Final enterprise value recommended by CGD on 08 May 2010 (after considering Net Current Assets and other adjustments as on 31 March 2010)
	A	B	C	D	E
Amroha	17.64	34.76	38.72	18.55	16.70
Bijnore	132.99	182.08	184.24	141.89	161.85
Bulandsahar	155.80	144.00	116.05	65.32	58.80
Chandpur	20.43	76.16	81.74	78.45	83.35
Jarwal Road	3.77	39.11	27.28	11.78	25.67
Khadda	8.56	30.76	29.93	25.25	20.07
Rohankalan	24.88	53.30	48.15	42.04	41.00
Saharanpur	283.64	252.49	213.28	85.73	70.90
Sakoti Tanda	30.45	52.63	73.79	47.77	41.10
Siswa Bazar	41.53	59.55	71.26	45.85	32.55
Total	**719.69**	**924.84**	**884.44**	**562.63**	**551.99**
Reference to		**Annexure-8**	**Annexure-9**	**Annexure-10**	**Annexure-11**

***Note:** Other Adjustment includes voluntarily Retirement Scheme (VRS) liabilities, Transaction Development Cost (TDC) and Contingent liabilities.*

The table above depicts valuations of each mill at different stages. The column wise details depicted are :

- (A) The average value of land (₹ 719.69 crore)
- (B) The average valuation (₹ 924.84 crore) of each of the ten mills as per the valuation made by the Valuers.
- (C) Enterprise value (₹ 884.44 crore) recommended by the Advisor on 20 August 2009 at 11 AM taking:
  - value of land after applying 3 to 30 *per cent* discount on account of dispute in respect of four mills (Amroha, Bijnore, Bulandsahar and Saharanpur),
  - weightage of one-third for valuation of DCF and two-thirds for land value so arrived; and
  - value of Plant and Machinery as scrap.
- (D) Enterprise value (₹ 562.63 crore) recommended by CGD on 20 August 2009 at 6.30 PM after allowing:
  - 3 to 30 *per cent* discount on value of land being disputed,
  - discount of 25 *per cent* on the value of land so arrived as well as on buildings on account of restricted land use, large area of land and stamp duty etc,
  - weightage of two-thirds to DCF method and one-third to discounted value of land and building; and
  - the value of Plant and Machinery as scrap.
- (E) Final enterprise value (₹ 551.99 crore) after adjusting change in value of net current assets of value arrived at "D" which took place during 2009-10 and other adjustments.

Our examination of valuation reports submitted by the Valuers, reports of Advisor and final decision taken thereon revealed following:

Reduction in the Value of Land

3.3. S. R. Botliboi (SRB) and K. R. Bedmutha (KRB), assigned the value of Land of ten mills as ₹ 678.10 crore and ₹ 761.28 crore respectively. SRB mentioned that in case of land they had taken prevailing Government Guidelines, value of different site and holding rights. KRB mentioned in their reports that while arriving at the market value of land, they had discounted the value at appropriate rate in cases where the property was in dispute and if any matter was pending with any judicial authority. Thus, both the valuers took into account the fact of disputes/ unclear title on the land of mills while assigning a value to it.

The Advisor reduced the valuation of land as worked out by the valuers, by 3 to 30 *per cent* based on the factors already considered by the Valuers.

We noticed that on 20 August 2009 (11:00 AM) the Advisor further reduced (ranging from 3 *per cent* to 30 *per cent*) the valuation of land as worked out by the Valuers. This reduction amounted to ₹ 90 crore (₹ 719.69 crore *minus* ₹ 629.69 crore) in case of four sugar mills[12] on the ground of dispute over the land as detailed in ***Annexure 11***. We feel that since the valuers had already taken this aspect into consideration during their valuation process, further reduction in the value of land by Advisor was not justified.

(Cane Yard of Sakoti Tanda Mill)

(Cane Yard of Rohankalan Mill)

The Management of UPSSCL responded (August 2011) to our observation by stating that SRB did not provide any discount and KRB though mentioned the discount in their valuation report did not give discount on the disputed land. Thus only one discount was given at the level of the Advisor.

The reply was not acceptable as though the Valuers had not specifically mentioned the discount figures, both the Valuers had clearly stated that the facts of land holding rights/ land dispute etc. were properly taken care of while valuing land.

Revision in methodology for valuation of mills

3.3.1 After submission of the recommendation on the valuation of the mills by the Advisor on 20 August 2009 (at 11.00 AM), Advisor further revised (20 August 2009) the methodology of valuing the mills on the same day (i.e. on 20 August 2009 at 06.30 PM) based on the deliberations of the meeting with the CGD and adopted the following major changes:

- Additional discount of 25 *per cent* was allowed on the average land value,
- Discount of 25 *per cent* was allowed on the building value

[12] Amroha, Bijnore, Bulandsahar and Saharanpur.

- Discounted value of land and building so arrived were clubbed for the purpose of deriving the final value of mills
- Final value was worked out by adopting one-third of the said clubbed values of land and building together and two-thirds of the value of DCF method. (i.e in 1:2 ratio instead of 2:1 ratio adopted earlier in the morning hours of 20 August 2009 for asset valuation and DCF valuation respectively).

The above changes of allowing more weightage to DCF valuation were given on the plea that DCF valuation was more relevant from prospective buyers' point of view. The impact of the above changes has been discussed in the succeeding paragraphs.

Additional discount on the value of Land and Building

3.3.2 The Advisor suggested further discount of 25 *per cent* on the valuation done by the valuers for arriving at realizable value of fixed assets on the grounds that:

- land was to be used for the purpose of running sugar mills,
- land had large area,
- most of buildings of sugar mills were very old,
- Civil structure of buildings might have to be pulled down as it could not be useful for new plant lay- out requirement.

(Administrative Building of Jarwal Road mill)

(Administrative Building of Amroha mill)

This additional discount had the impact of reduction of the Expected Price by ₹ 192.48 crore (₹ 769.58 crore *minus* ₹ 577.10 crore) as detailed in the ***Annexure 11.***

The Advisor gave a further discount of 25 *per cent* on the valuation done by the valuers for arriving at realizable value of fixed assets.

We feel that this reduction in valuation of land was not justified in view of the fact that Valuers had already valued the land at its real market value which was indicative of the fact that all above factors were already taken into account by the Valuers while assessing the land and building values of the mills.

Application of more weightage to Discounted Cash Flow Method

On the plea that DCF value was more relevant from point of view of the prospective buyers, the advisor and CGD increased the weightage of DCF value to 2:1 from 1:2.

3.3.3 As provided in the guidelines and terms of appointment of the Valuers, valuation of operating sugar mills was also done using Discounted Cash Flow method (DCF). Initially, CGD had decided to give weight of two-thirds and one-third to land value and the corrected DCF value respectively and to consider realisable value of buildings separately for arriving at the value of each mill. However in a subsequent meeting (20 August 2009) on the plea that DCF value was more relevant from the point of view of prospective buyers, CGD changed the weightage to two-thirds to DCF Method and one-third to the values of land as well as building in respect of mills giving positive DCF value. Thus the over-all impact due to revision in the methodology of valuation of the mills by the Advisor at the instance of CGD, was to the extent of ₹ 243.48 crore (₹ 646.64 crore *minus* ₹ 403.16 crore) as detailed in the ***Annexure 12.*** This included the impact of ₹ 192.48 crore on account of additional discount (25 *per cent*) on the land and building values and clubbing of building with land value for deriving final value of mills.

The Management of UPSSCL replied (August 2011) that maximum weightage was given for DCF method as the sale of sugar mills had been made on the assumption of going concern units.

The reply was not acceptable as application of higher weightage to DCF method resulted in significant reduction in the expected price of the mills. Further, we noticed that on 20 August 2009 (11 A.M) the Advisor and CGD had agreed and stated as follows;

"As the units are in operation and are expected to be run as a sugar mill, for the benefit of cane growers and employees, the business value of the units would be more relevant for any prospective buyer. The business valuation based on earning capacities of the units, are very low or even negative in many units. At the same time these units have high market value of land which is a potential asset, though not captured in earning method. Therefore weightage to both methods should be provided. CGD directed advisor that valuation exercise may be carried out taking weightage of 2:1 for the land value and corrected DCF value respectively."

Subsequently the weightage were changed to 1:2 for the land value and Corrected DCF value respectively at 6.30 PM on the same day at the instance of CGD by considering that

"it was consensus that from prospective buyers' point of view DCF value was more relevant."

We are of the opinion that the full value of land other than that occupied by building, plant and machinery should have been considered along with DCF valuation for each enterprise. Considering this the earlier decision of allocating the 2:1 ratio for land and DCF was the appropriate one.

Valuation of Plant and Machinery at Scrap Value

3.4 Both the Valuers initially considered average realizable market value of Plant and Machinery at ₹ 114.96 crore (***Annexure 13***) but subsequently based on the direction of CGD, SRB and KRB valued (August 2009) the Plant and Machinery of ten sugar mills at scrap value of ₹ 26.69 crore and ₹ 22.45 crore respectively.

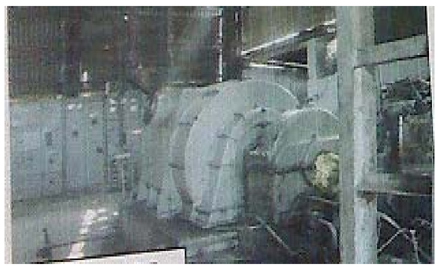
The average market value of Plant and Machinery initially valued at ₹ 114.96 crore by valuers was revalued as scrap at ₹ 32.88 crore.

The CGD decided (14 August 2009) to take scrap value of Plant and Machinery and accordingly the scarp value of ₹ 32.88 crore of ten mills was included in final Expected Price by the Advisor. We noticed that scrap value of Plant and Machinery was taken despite the fact that:

- All the mills were in operation till 2009-10 (***Annexure 14***),

- Three mills[14] were in Profit after Tax during 2008-09 and 2009-10 (***Annexure 15***),
- Jarwal Road, Saharanpur and Siswa Bazar mills earned Profit during 2008-09 and Khadda mills earned profit during 2009-10.
- No basis was recorded in the valuation report to arrive at the scrap value of Plant and Machinery by the Asset Valuers.

Thus, in our view the Plant and Machinery was undervalued by ₹ 82.08 crore (₹ 114.96 crore *minus* ₹ 32.88 crore) in the Expected Price of ten mills as detailed in the ***Annexure 13*.**



(Power Turbine of Sakoti Tanda mill)

(Electric Panel of Sakoti Tanda mill)

The Management of UPSSCL replied (August 2011) that plant and machinery of the mills were obsolete, except one mill all other mills of the capacity of 2500 TCD would not be viable as mills of at least of 5000 TCD was viable and purchasers would have to replace the old plant and machinery with machinery having higher capacity and new technology. Therefore, CGD decided (August 2009) to value the plant and machinery at scrap value.

The reply of UPSSCL was not acceptable in view of the following:

- in the valuation of mills more weightage was given to the DCF method. This method takes into account present value of future earning capacity based on the operational condition of the Plant and Machinery, and hence, implied that the condition of the Plant and Machinery of the mills was reasonably fair.
- The records of the ten operating mills for the year 2010-11 show that all the mills were operated at capacity utilization ranging between 61 *per cent* (Jarwal Road) to 95 *per cent* (Khadda)without any additional capital expenditure. In fact the average capacity utilization of these mills actually increased from 67 *per cent* to 81 *per cent* after sale.

These facts underscore our contention that the valuation of Plant and Machinery at scrap value was not justified.

Reduction in valuation due to clubbing of land of old and new mills

3.5 Saharanpur mill had land (27.8640 hectare) of old sugar mill where no production activity was being carried out after a new mill was set up at new place (13 km away from old mill). In the sale process both the mills were taken together and sold.

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[14] Bijnore, Bulandsahar and Chandpur.

We noticed that the land of the old mill alone was valued at ₹ 251.36 crore[15] if sold as separately from the operating mill. There was no compulsion to club the old inoperative mill with the new operating mill and sell both as a going concern. By not de-linking the same the Management lost the opportunity to realize ₹ 251.36 crore. In this case due to combining the two plots of land and the sale of the entire land as a going concern basis, valuation of land was reduced by application of discount of 25 *per cent* and weightage given to the DCF method and as a result the realization received for the land was only ₹ 27.64 crore[16]. Thus, due to combining the two land areas, the valuation reduced to the extent of ₹ 223.72 crore (₹ 251.36 crore *minus* ₹ 27.64 crore).

Land measuring 27.8640 hectare valued at ₹ 251.36 crore situated 13 km away from the mill was clubbed with the mill for valuation.

The Management of UPSSCL stated (August 2011) that the realizable value of land can not be at par with the real estate as the use of land is restricted for operation of sugar mills only. Reply was not acceptable as the value of old land adopted in our observation has been taken from the value assessed by two valuers duly taking into account the restrictive use of land.

Conclusion

The following summarises irregular reduction in valuation of ten sugar mills at different stages:

- **reduction in the value of land by 3 to 30 *per cent* by the Advisor on the ground of disputes over the land despite the fact that this factor had already been considered by the Valuers;**
- **additional discount of 25 *per cent* on land and buildings allowed by the Advisor on the grounds of restricted land use, large size of land etc.;**
- **application of DCF method and more weightage to it for valuation despite there being no guarantee of running the sugar mills in future;**
- **valuation of plant and machinery as scrap despite it being operational; and**
- **clubbing of land of old and non-operating mill with that of new sugar mill.**

All these resulted in reduction of valuation of sugar mills by ₹ 639.28 crore and lowering of Expected Price to the extent as summarized in the table below:

Our observations on	Impact (₹ in crore)
Reduction in value of land of sugar mills	**90.00**
Additional discount on land and buildings of sugar mills (₹192.48 crore included in ₹243.48 crore)	
Application of more weightage to discounted cash flow method	**243.48**
Valuation of plant and machinery as scrap	**82.08**
Reduction in valuation due to clubbing of land of old and new mills	**223.72**
Total	**639.28**

15 Average of valuation done by the two valuers for the land of old mill.

16 Calculated on the basis of land value included in the expected value and proportion of bid price to the expected price.

Valuation of mills- UPRCGVNL

3.6 Tech Mech International Private Limited (TMI) and R. B. Shah & Associates (RBS) were appointed (July 2010) by UPSSCL (Nodal Agency) for valuation of the 11 closed mills of UPRCGVNL. The mills were to be sold on "as is where is" basis as non operating/closed mills. The CGD decided (June 2010) to apply only Assets Valuation Method and Balance Sheet Method for valuation as the mills of UPRCGNL were closed/ non-operating. Accordingly, they were asked to apply these two methods for valuation of the mills. TMI and RBS submitted their Valuation Report in July 2010 and August 2010 respectively.

Two valuers were appointed for valuation of mills who submitted their reports in July 2010 and August 2010.

TMI valued:

- Land of the mills on the basis of the market rate as surveyed by them,
- Building and civil works by applying different plinth area rates for different types of construction, considering age, residual life, assessment of depreciation, and
- Plant and Machinery as scrap.

RBS valued:

- Land on the basis of the market rate as surveyed by them,
- Building and civil works on the basis of depreciated replacement cost method considering utility and design of the buildings, type of constructions, age, limited marketability etc, and
- Plant and Machinery on the basis of depreciated replacement cost as discounted by ten *per cent*.

The market value of Land, Building, Plant and Machinery and Other Fixed Assets as valued by the Valuers is given in the following tables:

(₹ in crore)

Name of the Sugar Mill	Land (Market Value)			Building			Plant and Machinery			Other fixed Assets	Average net fixed Assets
	RBS	TMI	Average	RBS	TMI	Average	RBS	TMI	Average		
Baitalpur	23.83	28.50	26.17	0.48	1.26	0.87	4.22	3.08	3.65	0.03	30.72
Barabanki	21.25	24.68	22.97	1.11	1.61	1.36	3.95	2.91	3.43	0.12	27.93
Bareilly	26.50	28.37	27.43	1.59	1.78	1.68	4.00	3.08	3.54	0.05	32.73
Bhatni	5.27	7.49	6.38	0.51	1.60	1.05	4.24	3.08	3.66	0.05	11.16
Chhitauni	1.53	1.24	1.38	1.26	1.27	1.27	3.55	2.82	3.19	0.05	5.90
Deoria	25.99	28.67	27.33	0.79	1.26	1.02	4.07	3.08	3.57	0.05	32.00
Ghooghli	2.93	4.20	3.56	1.26	1.35	1.31	4.55	2.91	3.73	0.05	8.68
Hardoi	9.83	12.25	11.04	3.07	3.58	3.33	7.40	3.42	5.41	0.05	19.85
Laxmiganj	2.39	2.15	2.27	1.19	2.23	1.71	4.80	3.08	3.94	0.05	7.99
Ramkola	5.71	5.39	5.55	0.70	1.54	1.12	3.76	3.08	3.42	0.04	10.15
Shahganj	16.67	19.59	18.13	0.89	1.60	1.24	3.90	3.08	3.49	0.05	22.93
Total	**141.90**	**162.53**	**152.21**	**12.85**	**19.08**	**15.96**	**48.44**	**33.62**	**41.03**	**0.59**	**210.04**

The two Valuers also submitted the valuation of land of the mills on the basis of circle rate of that area **(*Annexure 16*)**

Difference in Valuation of Assets

3.6.1 The following table depicts valuation of mills as per two method of valuation done by the Valuers:

(₹ in crore)

Valuers	Asset Valuation Method					Balance Sheet method
	Land (valued at Circle Rate)	Land (as per Market Value)	Value of Building and Civil Work	Value of Plant and Machinery	Total value	
1	2	3	4	5	6= (3+4+5)	7
RB Shah	802.06	141.90	12.85	48.44	203.19	205.41
Tech Mech International	426.62	162.53	19.08	33.62	215.23	1.61
Difference (in value)	**375.44**	**20.63**	**6.23**	**14.82**	**12.04**	**203.80**
Difference (in percentage)	**88.00**	**14.53**	**48.48**	**44.08**		**12658**

As would be seen in the table, difference in the values assessed by two Valuers in the items like land, building and civil work and plant and machinery ranged from 14.53 *per cent* to 48.48 *per cent*.

Revision in Valuation at the instance of Advisor

3.6.2 The Advisor and CGD observed considerable difference in the valuation of land by the two Valuers. The Valuers, therefore, revised the valuation of the land in case of four mills as given below:

(₹ in crore)

Name of the unit	RB Shah , Valuer			TMI, Valuer			Net effect
	Market value of land initially assessed by the Valuer	Revised Market value of land	Difference	Market value of land initially assessed by the Valuer	Revised Market value of land	Difference	
1	**2**	**3**	**4=(3-2)**	**5**	**6**	**7=(6-5)**	**8=(7-4)**
Baitalpur	17.63	23.83	6.20	47.51	28.50	-19.01	-12.81
Bhatni	3. 95	5.27	1.32	17.34	7.49	-9.85	-8.53
Deoria	18.42	25.99	7.57	46.45	28.67	-17.78	-10.21
Shahganj	13.08	16.67	3.59	29.93	19.59	-10.34	-6.75
Total of four mills	**53.08**	**71.76**	**18.68**	**141.23**	**84.25**	**-56.98**	**-38.30**
Total value of land of 11 mills		**141.90**			**162.53**		
Average of the two valuer (141.90 + 162.53) / 2 =							**152.21**

The basis of this revision of valuation of land was not furnished by the valuers.

Fixation of Expected Price

3.7 The CGD on the recommendations of the Advisor considered only the Asset Valuation Method for deriving Expected Price assigning the reason that valuations of fixed assets arrived at by using Balance Sheet Method were not representative of market valuation.

The following table depicts average valuation (Asset Valuation Method) of the 11 sugar mills as per the Valuers, discount allowed by the Advisor to arrive at the Expected Price and final Expected Price as accepted by CGD (***Annexure 17***):

(₹ in crore)

Name of the Sugar Mill	Total Assets Value (average of both valuers)	Less adjustment (by valuers)	Net value after adjustment as on 26 August 2010	Discount- five *per cent* for TDC such as stamp duty, Registration charges etc.	Net value After discount	Additional Discount @ Ten *per cent* (by advisor)	Expected Price As on 26 August 2010
1	**2**	**3**	**4=(2-3)**	**5**	**6=(4-5)**	**7**	**8=(6-7)**
Baitalpur	30.93	0.76	30.17	1.51	28.67	2.87	25.80
Barabanki	28.05	0.81	27.24	1.36	25.88	2.59	23.29
Bareilly	32.81	0.64	32.17	1.61	30.56	3.06	27.50
Bhatni	11.70	1.18	10.52	0.53	10.00	1.00	9.00
Chhitauni	6.01	0.55	5.46	0.27	5.18	0.52	4.67
Deoria	32.29	0.88	31.41	1.57	29.84	2.98	26.86
Ghooghli	8.88	0.76	8.12	0.41	7.71	0.77	6.94
Hardoi	19.98	1.12	18.86	0.94	17.91	1.79	16.12
Lxmiganj	8.33	0.76	7.57	0.38	7.19	0.72	6.47
Ramkola	10.24	0.93	9.31	0.47	8.84	0.88	7.96
Shahganj	22.98	0.73	22.25	1.11	21.14	2.11	19.02
Total	**212.20**[17]	**9.12**	**203.08**	**10.16**	**192.92**	**19.29**	**173.63**

We noticed the following irregularities with respect to the valuation as done by the valuers and Expected Price accepted by the CGD:

17 This includes market value of land as assessed by the Valuers in 2009-10.

Undue haste for Revisions in valuation

3.7.1 The Advisor submitted to the CGD his observations (26 August 2010) after the valuations by the two Valuers. On the same day the following events took place:

- The Valuers were requested to have a re-look on the valuations.
- The Valuers submitted revised valuations having the net effect of reduction of ₹ 38.30 crore in the original average valuation.
- The Advisor derived Expected Price based on the revised valuations and after allowing further discount of five *per cent* (₹ 10.16 crore) on account of transaction cost, stamp duty, registration charges etc. and ten *per cent* (₹ 19.29 crore) on account of large size of land and not ready marketability and sent his recommendations of Expected Price to CGD.
- CGD approved the Expected Price on the same day.

Thus, revision in the valuation by valuers and determination of Expected Price by the Advisor were all done in haste. It is evident that due consideration to all aspects on such important issues was not possible in this short time. This creates apprehension on the appropriateness of this revised valuation and the Expected Price.

Unjustified reduction in the market value of Land

3.7.2 The Valuers appointed in first phase of disinvestment process for valuation of 33 mills of UPSSCL and UPRCGVNL in 2007-08, had valued the land of 11 sugar mills of UPRCGVNL at market rate at ₹ 280.62 crore (***Annexure 16***).

The average market value of land as per the 2007-08 report of valuers was ₹ 280.62 crore while average market value of land considered by the valuers in 2009-10 was ₹152.21 crore.

We observed that in normal course, the value of land registers significant appreciation by passage of time. However in this case, an overall reduction in market value of land was seen to the extent of ₹ 128.41 crore (₹ 280.62 crore *minus* ₹ 152.21 crore) which is not understandable and creates doubts on the authenticity of valuation done by two valuers based on market value of 2009-10.

Our observation is further reinforced by the fact that in case of operating mills in the land valuation by successive valuers the value of land had appreciated from ₹ 358.70 crore in 2007-08 to ₹ 719.69 crore (***Annexure 11***) in 2009-10.

Non consideration of prevalent circle rate for valuation

3.7.3 At the prevalent circle rates the average value of land alone was worked out as ₹ 614.34 crore by the two Valuers (***Annexure 16***) whereas the average market value of land was considered only ₹ 152.21 crore. The difference of ₹ 462.13 crore (₹ 614.34 crore *minus* ₹ 152.21 crore) is 75 *per cent* of the value of land at the prevalent circle rates. This does not appear justified in view of the fact that only two (Laxmiganj and Chhitauni) out of 11 sugar mills come under the rural area and rest of the mills are located under the respective urban or regulated areas and, therefore, merit for valuation as per applicable circle rates.

Inaccuracies in circle rates of land

3.7.4 When examining the prevalent circle rates of these areas we noticed that in the case of six mills[18] even the valuation by the Valuers on basis of circle

[18] Baitalpur, Barabanki, Bhatni, Chittauni, Laxmiganj and Ramkola.

rate was incorrect. The valuation of land for these six mills as per the actual prevalent circle rates was ₹ 355.20 crore and not ₹ 198.04 crore as valued by the Valuers (***Annexure-23***). Thus, the Valuers had not adopted any appropriate method for valuation as per circle rates.

Undue discount for stamp duty and registration fees

3.8 The discount of five *per cent* allowed on account of stamp duty, registration fee etc. by the Advisor in working out the Expected Price is not justified as these elements do not affect the realistic value of assets and normally a purchaser consider these expenditure over and above the realistic value of assets. This resulted in undue reduction in Expected Price by ₹ 10.16 crore (***Annexure-17***).

Discount of five *per cent* was allowed on account of stamp duty, registration fee etc. by the advisor.

Discount for large size of land and non-marketability

3.8.1 The Advisor deducted 10 *per cent* from the average value of assets so arrived by assigning the following reasons:

- Tech Mech International had not considered discount on account of " large size of land" but RB Shah had considered the same; and
- Tech Mech International had considered discount on account of "not ready marketability" but RB Shah did not consider the same.

This additional discount was not justified as the two factors ("large size of land" and "not ready marketability") are related and in effect same thing. Thus, additional reduction by Advisor had the effect of reducing Expected Price by ₹ 19.29 crore (***Annexure-17*)**.

Valuation of Plant and Machinery at low scrap value

3.9 The Company sold the assets and certain liabilities of each mill as per respective mill's Balance Sheet under slump sale process on "as is where is basis" to the successful bidders. RB Shah valued the plant and machinery at its salvage value at 20 *per cent* of the gross current replacement cost whereas the other Valuer Tech Mech valued it at the rate of ₹ 19000 per Tonnes Crushing per Day (TCD) and allowing the rebate of 10 *per cent* in market value to arrive at the realizable value on account of not readily saleability at the time of need.

We noticed that Plant and Machinery of 11 mills were taken as average scrap value (₹ 41.03 crore) by the two Valuers despite the fact that:

- In normal course the plant and machinery should be disposed of as scrap by weight. Hence, this should have been valued considering the weight of plant and machinery which depends on its capacity (TCD).
- The scrap included mild steel components, Gun metal and Brass which had different scrap value.
- The Advisor suggested in a presentation (March 2009) the rate of scrap value of Plant and Machinery at the rate of ₹ 75000 per TCD. However, the Advisor accepted the scrap value of plant and machinery as submitted by the two Valuers. On this basis the value of scrap worked out to ₹ 84.23 crore[19].

[19] Total capacity 11230 TCD (Annexure-2) X ₹ 75000 per TCD

Thus, valuation of plant and machinery at scrap value lower than that suggested by the Adviser resulted in reduction of Expected Price by ₹ 43.20 crore.

Clubbing of land

3.10 Baitalpur and Shahganj mills had land admeasuring 2,92,560 sq. meter and 2,060 sq. meter respectively outside the factory premises at different locations. As these areas were away from the main mill, there was no rationale for clubbing these areas with the closed mill area as a whole. The clubbing of the land obviously had adversely affected the bid price because of lower marketability of assets of the mill area.

Conclusion

The following summaries reduction in valuation of 11 closed sugar mills of UPRCGVNL:

- **Valuation of Land of closed sugar mills was much lower than that assessed in 2007-08 by the Valuers during first attempt of disinvestment/ sale of sugar mills,**
- **undue reduction of five *per cent* in the valuation on account of stamp duty, registration fees etc.,**
- **further unjustified reduction of ten *per cent* on account of large size of land and non marketability, and**
- **valuation of Plant and Machinery of the mills at lower scrap value**

All these resulted in reduction in valuation of sugar mills by ₹ 201.06 crore and lowering the Expected Price to the extent as summarised in table below:

Our observations on	Impact (₹ in crore)
Unjustified reduction in market value of land	128.41
Non-consideration of prevalent circle rate for valuation and inaccuracies in taking circle rates (₹ 600.18 crore not included in impact)	
Undue discount for stamp duty and registration fees	10.16
Discount for large size of land and non-marketability	19.29
Valuation of plant and machinery as a scrap	43.20
Total	201.06

Thus, in respect of ten operating mills of UPSSCL and 11 closed mills of UPRCGVNL, there was reduction of ₹ 840.34 crore in valuation and Expected Price.

Chapter 4

Expected Price-its Disclosure

Reserve price is the threshold amount below which a seller generally perceives any offer or bid inadequate and is determined by carrying asset valuation of the entity/unit to be sold.

Fixation of Expected Price

4.1 In the case of sale of sugar mills of UPSSCL and UPRCGVNL, Expected Price were fixed for each mill instead of a Reserve Price.

We noticed that:

❖ Following the request of the Bidders in the pre-bid meeting on 10 July 2009 and after the receipt of Expression of Interest-cum-Request for Qualification (EOI-cum- RFQ) from ten[20] applicants on 21 July 2009, the Bidders were informed[21] of the Expected Price on 26 August 2009, i.e. before submission of Request for Proposal (RFP i.e. financial bid) after approval from GoUP. The reasons assigned were global economic recession, ensuring transparency in bidding process and appropriate price discovery. Thus, on recommendation of the CGD, the Government modified the earlier Guidelines that there should be no chance of the Bidders knowing the Reserve Price fixed by the Government.

The DID (Para No. 3.2.10 of Guidelines issued on 29 June 2007) with a view to maintaining absolute transparency, ensuring a foolproof process and removing all possibilities of tampering, has evolved a bidding procedure. The criteria that need to be satisfied are: -

- **Reserve Price should not be fixed by the Government before the bidders submit their financial bids, so that there is no chance of the bidders knowing the Reserve Price fixed by Government.**
- **The Government, while fixing the Reserve Price, should not have knowledge of the price bids submitted so that the fixing of the Reserve Price is not influenced by such knowledge.**

❖ Similarly, after the receipt of EOI-cum-RFQ from Bidders, the Government introduced Swiss Challenge Method (SCM) in the bidding process on 30 July 2009. The SCM method was to be applied in case the highest financial bid received was below the Reserve/ Expected Price but above 50 *per cent* of the Reserve/Expected Price.

The reasonability of introduction of very low benchmark of 50 *per cent* of the Expected Price for applicability of SCM method was not available on record nor explained in the Government Order of 30 July 2009.

❖ The part 2 (b) of the Government Order which stated that the SCM method will be applicable only when re-tendering was done, was also subsequently removed by a Government Order dated 27 August 2009.

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[20] DCM Shriram Industries Limited, Dwarikesh Sugar Industries Limited, Indian Potash Limited, Laxmipati Balaji Sugar and Distilleries Private Limited, Patel Engineering Limited, PBS Foods Private Limited, Triveni Engineering and Industries Limited, SBEC Bio Energy Limited (consortium), Tikaula Sugar Mills Limited(Group), Wave Industries Private Limited (Group).

[21] By email to all Bidders.

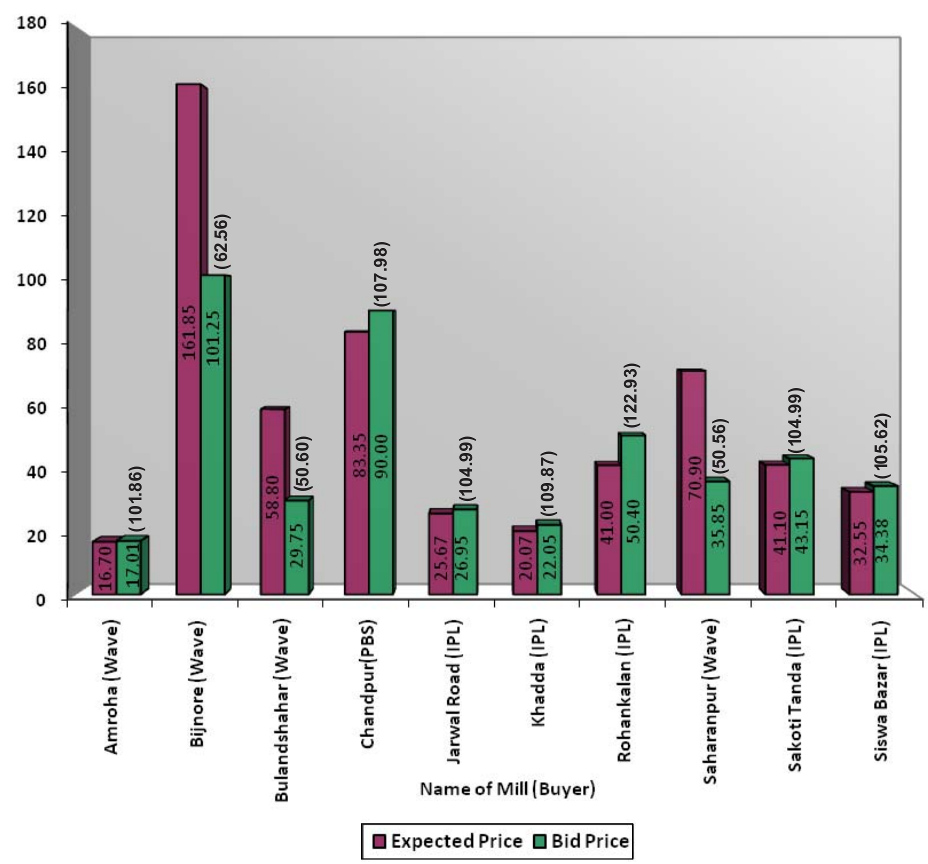
4.1.1 We are of the view that the modifications in the Guidelines regarding Disclosure of Expected Price to the applicants before submission of bids and applicability of SCM, influenced the Bidding process. The Bidders became aware of:

1. the Expected Price,
2. the fact that the SCM method ensured that bids just above 50 *per cent* of Expected Price would remain in contention.
3. there would be no re-tendering.

As a result, Bid Prices were received at about 51 *per cent* of Expected Price in case of Bulandshahar and Saharanpur mills where Wave Industries Private Limited (Wave) and PBS Foods Private Limited (PBS) were the only Bidders. On the other hand, Indian Potash Limited (IPL), administratively controlled by the Government of India, quoted bid prices over and above the Expected Price in case of six mills and subsequently withdrew its bid for Chandpur Sugar Mill resulting forfeiture of bid security amounting to ₹one crore.

The accepted final Bid Price vis-à-vis Expected Price as approved by CGD in respect of sale of ten operating sugar mills of UPSSCL are given in the chart below:

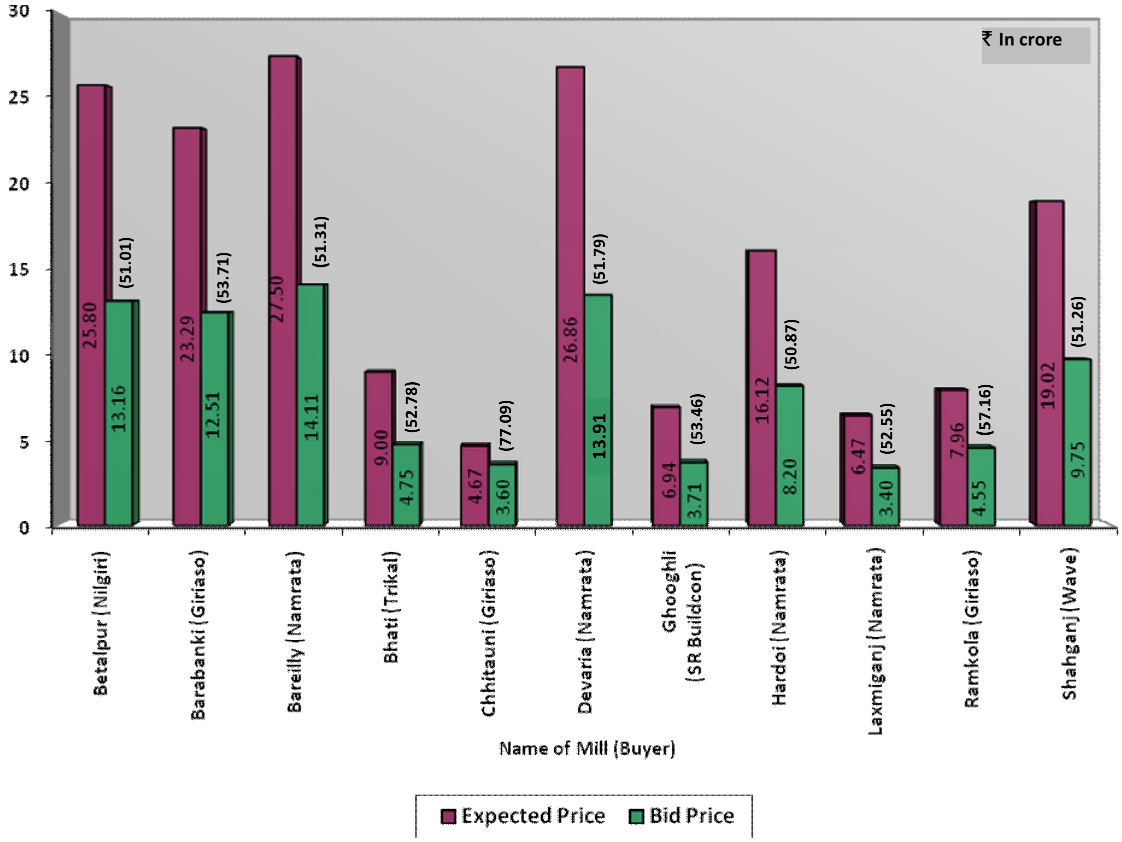
₹ In crore



(Figure in brackets shows percentage of Bid Price over the revised Expected Price)

The Bid price received for the ten mills ranged from 50.56 *per cent* (Saharanpur) to 122.93 *per cent* (Rohankalan) of the Expected Price. The Bids price received totaled to ₹ 450.79 crore against the total Expected Price of ₹ 551.99 crores (about 81.67 *per cent*). Most bids were marginally above the Expected Price and two[22] were in the exact range of the applicability of SCM method, *i.e.* at 50 *per cent* of the Expected Price (***Annexure 18***).

4.1.2 The accepted final Bid Price *vis-à-vis* Expected Price as approved by CGD in respect of sale of 11 closed sugar mills of UPRCGVNL are given in the chart below:



(Figure in brackets shows percentage of Bid Price over Expected Price)

Bids price received ranged from 50.87 *per cent* to 57.16 *per cent* and one bid was 77.09 *per cent* (for Chhitauni Mill) of the Expected Price (***Annexure 19***). The final bid price received totaled to ₹ 91.65 crore as against Expected Price of ₹173.63 crore (about 53 *per cent*). All the bids were in the exact range of the applicability of SCM method.

Thus, Disclosure of Expected Price and change in terms and conditions governing SCM resulted in receiving consideration far below than the Expected Price of 14 mills (including three operation mills) out of 21 mills sold. In the remaining mills, in six cases, the bid prices received were marginally above (1.86 *per cent* to 9.87 *per cent*) the Expected Price and only in one case the bid price was 22.93 *per cent* higher than the Expected Price. In the case of UPRCGVNL mills none of the bid prices received was even close to the Expected Price.

[22] Bulandsahar and Saharanpur.

Adjustment in Expected Price

4.2 When arriving at the Expected Price of mills of UPSSCL and UPRCGVNL, the Advisor deducted ₹ 125.07 crore from the value of the mills under the heading 'Other Adjustments'. This amount included Voluntary Retirement Scheme (VRS) liability, Transaction Development Cost (TDC) and Contingent Liabilities on legal cases as detailed below:

Expected Price was unreasonably reduced on account of Transaction Development Cost (₹ 5.25 crore) and Contingent Liabilities (₹ 24.10 crore).

(₹ in crore)

Name of the Company	VRS Liability	Transaction Development Cost (TDC)	Contingent Liabilities for legal cases pending in the court	Total other adjustment
1	2	3	4	5=(2+3+4)
UPSSCL	94.80	2.50	18.65	115.95
UPRCGVNL	0.92	2.75	5.45	9.12
Total	95.72	5.25	24.10	125.07

When we pointed out to the UPSSCL that concessions on Expected Prices due to TDC and contingent expenditure on legal cases were not appropriate, the Management of UPSSCL stated (August 2011) that payment on VRS of employees, contingent liabilities and TDC were to be made by the purchaser, hence the said adjustment in determination of Expected Price was justified. We do not agree with this reply and are of the view that:

- Element of TDC is an incidental expenditure and does not affect the realistic value of the sugar mills. Normally, a purchaser considers these expenses over and above the value of the assets to be purchased. As such, deducting this element ₹ 2.50 crore in case of UPSSCL and ₹ 2.75 crore in case of UPRCGVNL, while working out the Expected Price amounted to giving a benefit to the Bidders.
- Reduction of Expected Price by the amount of ₹ 18.65 crore at the rate of ₹ two lakh per case in case of UPSSCL and ₹ 5.45 crore at the rate of ₹ one lakh per case in case of UPRCGVNL on account of Contingent Liabilities was arbitrary as it was not based on any scientific method or case to case basis. This was also against the suggestion of the earlier Advisor (M/s Ernst & Young) who suggested UPSSCL should maintain an Escrow account of this amount to meet future Contingent Liabilities on legal cases.
- By merely giving a rebate to the purchasers on the price as a liability on legal expenses, UPSSCL, being a party, would not escape any future legal cases and their possible liabilities in future. Thus, discount of 24.10 crore should not have been allowed in fixation of Expected Price. Besides, UPSSCL could have also earned interest of approximately ₹ one crore per year on ₹ 24.10 crore (at the rate of six *per cent* per annum) if kept in Escrow account.

Conclusion

Modifications in the Guidelines of Disinvestment regarding Disclosure of Expected Price to the Bidders before submission of Request for Proposal (financial bids) and applicability of Swiss Challenge Method on receipt of financial bid just above 50 *per cent* of Expected Price influenced the Bidding Process as evident from the fact that Bid Prices were just above the 50 *per cent* of Expected Price in most of the sugar mills or marginally above the Expected Price in a few sugar mills. Besides this, Expected Price was unjustifiably reduced on account of Transaction Development Cost and Contingent Liabilities which adversely affected Bids Price.

Chapter 5

Lack of Competition in the Bidding Process

The Guidelines on Disinvestment provide that in case the competitive bidding process does not generate sufficient response, then the State Government shall modify either the prequalification criteria and/ or the risk sharing provisions and restart the bid process or may cancel the competitive bid process. In order to secure best price in bidding for sale, there should be sufficient number of participating bidders so as to generate Competition among them or there should not be any collusion among bidders to avoid competition.

UPSSCL

Bidding for Operating Mills

5.1 On 29 June 2009 UPSSCL invited Expression of Interest-cum-Request for Qualification (EOI-cum-RFQ) for sale of 11 mills of UPSSCL in slump sale of assets through a Competitive bidding process. Ten applicants submitted EOI-cum-RFQ for the mills. All the applicants were short-listed according to eligibility criteria of EOI-cum-RFQ and in July 2009 UPSSCL offered them Request for Proposal (RFP) informing about process of sale of units and inviting financial bid from them. Only three,[24] out of the ten applicants, submitted financial bid.

The milestone dates in the entire Bid Process were:

- Date of Advertisement in newspaper — 29 June 2009
- Last date of receipt of EOI-cum-RFQ — 21 July 2009
- Last date of receipt of RFP (financial bid) — 03 June 2010
- Date of Advertisement for SCM for six mills — 28 July 2010
- Last date of receipt of EOI-cum-RFQ — 12 August 2010
- Last date of receipt of financial bid of challenger — 6 September 2010

The table below shows all the events in the process of bidding of ten mills indicating Expected Price, Bid Amount, Sale Price and name of the bidders/ buyers:

(₹ in crore)

Sugar Mill	Expected Price	RFP (Financial bid) received	Bid Price quoted	Sold to Original Bidder	Sold to Bidder (in SCM)	Bid Price (Approved)
Amroha	16.70	1. Wave Industries Pvt. Ltd 2. PBS Foods Pvt. Ltd	17.01 16.70	Wave Industries Pvt. Ltd		17.01
Bijnore	161.85	1. Wave Industries Pvt. Ltd 2. PBS Foods Pvt. Ltd	81.80 64.80	Taken to SCM	Wave Industries Pvt. Ltd	101.25*
Bulandsahar	58.80	1. Wave Industries Pvt. Ltd 2. PBS Foods Pvt. Ltd	29.75 23.55	Taken to SCM	Wave Industries Pvt. Ltd	29.75
Chandpur	83.35	1. Indian Potash Ltd 2.PBS Foods Pvt. Ltd 3.Wave Industries Pvt Ltd	91.80 90.00 8.40	PBS Foods Pvt. Ltd (IPL withdrew its bid)		90.00
Jarwal Road	25.67	1.Indian Potash Ltd 2.Wave Industries Pvt. Ltd	26.95 14.21	Indian Potash Ltd		26.95
Khadda	20.07	1. Indian Potash Ltd	22.05	Taken to SCM	Indian Potash Ltd	22.05
Rohankalan	41.00	1. Indian Potash Ltd	50.40	Taken to SCM	Indian Potash Ltd	50.40
Saharanpur	70.90	1. Wave Industries Pvt. Ltd 2. PBS Foods Pvt. Ltd	35.85 28.40	Taken to SCM	Wave Industries Pvt. Ltd	35.85
Sakotitanda	41.10	1. Indian Potash Ltd	43.15	Taken to SCM	Indian Potash Ltd	43.15
Siswa Bazar	32.55	1.Indian Potash Ltd 2.Wave Industries Pvt. Ltd	34.38 17.91	Indian Potash Ltd		34.38
Total	**551.99**					**450.79**

* *Bid price increased during negotiation.*

23 DCM Shriram Industries limited, Dwarikesh Sugar Industries limited, Indian Potash Limited, Laxmipati Balaji Sugar and Distilleries Private Limited, Patel Engineering Limited, PBS Foods Private Limited, Triveni Engineering and Industries Limited, SBEC Bio Energy Limited(consortium), Tikaula Sugar Mills Limited(Group), Wave Industries Private Limited (Group).

24 Waves Industries Private Limited (Group), PBS Foods Private Limited and Indian Potash Limited.

We noticed that:

- Indian Potash Limited was the only bidder for three mills at Khadda, Rohankalan and Sakoti Tanda.
- Wave Industries Private Limited and PBS Foods Private Limited were the Competitive Bidders for four mills at Amroha, Bijnore, Saharanpur and Bulandsahar.
- Bid prices for the six mills[25] where Indian Potash Limited submitted RFP, were more than the Expected Price. In the case of Chandpur, Indian Potash Limited withdrew its RFP and the mill was sold to the next highest bidder.
- For Bijnore, Saharanpur and Bulandshahar, where only Wave Industries Private Limited and PBS Foods Private Limited submitted RFP, their bid prices were far below the Expected Price and ranged from 51 *per cent* to 63 *per cent* of the Expected Price. In these mills, UPSSCL recovered only ₹ 166.85 crore against the Expected Price of ₹ 291.55 crore. The resultant short realisation was ₹ 124.70 crore (***Annexure 18***).
- Six mills[26] were taken to the 'Swiss Challenge Method' (SCM) as the financial bids received for three mills were below the Expected Price but above 50 *per cent* of the Expected Price (for Bijnore, Bulandshahar, Saharanpur) and as single bid was received for other three mills (Khadda, Rohankalan, Sakoti Tanda).

EOI-cum-RFQ from two challengers *viz.* Indian Sucrose Limited and PBS Foods Private Limited were received for these six mills under SCM but no RFP was received from them (Indian Sucrose Limited and PBS Foods Private Limited).

These six mills were sold to the highest original bidder under condition 4.1(2) of the RFP[27].

Related Companies bidding against each other

Two of the three Bidders were Related Companies.

5.2 Our examination of Documents received with EOI-cum-RFQ and financial bids from bidders revealed that two bidders[28] were Related Companies, as would be observed from the following facts:

5.2.1 Significant influence of one Company over the other

- At the time of filing Profit and Loss Account and other documents for the year 2009-2010 with the Registrar of Companies (ROC), Wave Industries Private Limited declared that PBS Foods Private Limited was an enterprise in which its key management personnel were able to exercise significant influence.

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25 Chandpur ,Jarwal Road, Khadda, Rohankalan, Sakhoti Tanda and Siswa Bazar

26 Bijnore, Bulandsahar, Khadda, Rohankalan, Sakhoti Tanda and Saharanpur.

27 In case no fresh bid is received under the SCM process, the UPSSCL may consider the bid of the original highest bidder even though it is lower than the Expected Price.

28 Waves Industries Private Limited (Group) and PBS Foods Private Limited.

5.2.2 Consecutive serial numbers of Demand Drafts

- Two Demand Drafts (DDs) valuing ₹ 50000 submitted by PBS Foods Private Limited and Wave Industries Private Limited for purchasing EOI-cum-RFQ were obtained on same date i.e 16 July 2009, from the same Bank and bore consecutive serial numbers i.e. 528450 and 528451.

5.2.3 Same Address

- The same address viz, A-129, New Friends Colony, New Delhi was noted in the endorsement of the sale of stamp paper, needed for the Power of Attorney submitted by both Wave Industries Private Limited and PBS Foods Private Limited. This address was the Registered office address of Wave Industries Private Limited as per records like Certificate of Incorporation etc.

- Stamp papers submitted by both the Companies for Performance Guarantee contained the same address as "60, Friends Colony East, New Delhi".

5.2.4 Consecutive serial numbers for covering letter of Bank Guarantees

- The Bank Guarantees submitted by them were issued by the same bank on same date (28 August 2010). The Bank Guarantees obtained from Oriental Bank of Commerce, Connaught Place, New Delhi. by Wave Industries Private Limited and PBS Foods Private Limited contained consecutive serial numbers 119636 and 119637 .

5.2.5 Common Directors and Shareholdings

- Terms and Conditions of EOI-cum-RFQ stipulated submission of Shareholding pattern and background of key promoters by the bidders. However, PBS Foods Private Limited did not submit the same alongwith EOI-cum-RFQ submitted in July 2009.

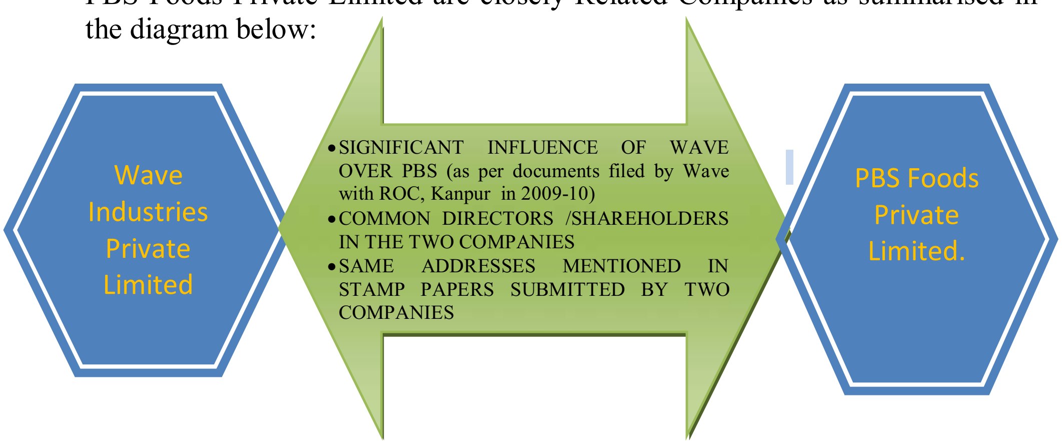
  As per the records of Registrar of Companies, Kanpur, Shri Trilochan Singh was a director in both Companies *i.e.* Wave Industries Private Limited and PBS Foods Private Limited since 1 November 1998 and 4 May 2006 respectively. However, at the time of formation of Special Purpose Vehicle (PBS Foods (Sugar) Private Limited), the list of its shareholders[29] submitted by PBS Foods Private Limited did not contain the name of Shri Trilochan Singh.

- As per the records of Registrar of Companies (ROC) Kanpur and information available on website of Ministry of Corporate Affairs, Common Directorships and Shareholdings between the two Companies were noticed as detailed below:

[29] As on 31 December 2008.

Position in Wave Industries Private Limited and Group Companies.	Name of Person and Directors Identification Number (DIN)	Position in PBS Foods Private Limited
Director since 01.11.1998	Trilochan Singh (00071553)	Director since 4.05.2006 and equity shareholder
1. Director in Elevate Entertainment Pvt. Ltd. (Wave Group) (since 05.01.2005) 2. Director in AB Sugar Ltd (Wave Group) (since 01.05.2010 to 27.01.2011)	Bhupinder Singh (00176255)	Director since 4.05.2006 and equity shareholder
1. Director in Real Conergy India Private Ltd (Wave Group) (since 05.10.2006 to 22.07.2011) 2. Director GSR Hotels Ltd. (Wave Group) (since 27.08.2007)	Juned Ahmed (00165509)	Director since 4.05.2006 and equity shareholder
Director in RCPL Food Processing Pvt. Ltd. (Wave Group) (since 19.09.2005)	Shishir Rawat (0236015)	Director since 04.05.2006
Additional Director in AB Sugar Ltd (Wave Group) (Since Dec. 2010)	Manmeet Singh (03342286)	Shareholder (500 equity share of Rs. 100 each)

Thus, from the above it is evident that Wave Industries Private Limited and PBS Foods Private Limited are closely Related Companies as summarised in the diagram below:



Conclusion

We are of the view that the Advisor/ Management/ CGD did not exercise due diligence while scrutinizing the bid documents despite several apparent indications like common Directors and Shareholdings, same address and consecutive serial number for covering letter of bank guarantee indicating participation in bidding by Related Companies. Thus, there was lack of Competition which affected the realization of fair value of sugar mills. In respect of three mills [30] only ₹ 166.85 crore could be realised against Expected Price of ₹ 291.55 crore. This resulted in short realisation of ₹ 124.70 crore. They also did not take any step to analyse the reasons as to how Bid Prices received in respect of three mills were far below the Expected Price.

In response, UPSSCL stated that both the Companies (Wave Industries Pvt. Ltd and PBS Foods Pvt. Ltd) were separate legal entities. There was no opportunity to know about bank guarantee at the time of evaluation of bids, there was no common director at the stage of EOI-cum-RFQ as per the information of applicant (Bidders) and there was no prescribed format to provide information about key promoters. It further stated that sale of Bijnore, Saharanpur and Bulandsahar mills were resorted to by adopting 'Swiss Challenge Method' which was transparent method of price discovery.

We are not convinced with the reply as the Management/ Advisor/ CGD failed to examine the documents submitted by the Bidders at different stages of sale process. They had not asked for details of Directors as required in the Guidelines of Disinvestments. They also had not insisted for list of Shareholders of PBS Foods Private Limited who had not submited it with EOI-cum-RFQ. Thus, there was lack of Competition due to participation by only three Companies of which two were closely related to each other resulting in receipt of bids far below the Expected Price in respect of three mills.

UPRCGVNL

5.3 UPRCGVNL invited (June 2010) EOI-cum-RFQ for sale of its 14 closed mills via 'Slump Sale of Assets' on 'As is where is basis' through Competitive bidding process. Nine applicants[31] submitted EOI-cum-RFQs in August 2010 for the purchase of 11 closed mills only. All the applicants were short-listed according to eligibility criteria and were given an offer for submission of RFP (financial bid). Only three[32] out of nine bidders submitted (September/

30 Bijnore, Bulandsahar and Saharanpur.

31 Anand Triplex Board Limited (Meerut), Gautam Realtors Private Limited (Varanasi), Shree Sidhdata Ispat Private Limited (Noida), Wave Industries Private Limited (New Delhi), Nilgiri Food Products Private Limited (Unnao), Trikal Foods and Agro Products Private Limited (New Delhi), SR Buildcon Private.Limited (Delhi), Kapil kumar tyagi (Greater noida), Shree Radhey Industries Private Limited (Delhi).

32 Wave Industries Private Limited (New Delhi), Nilgiri Food Products Private Limited (Unnao) and Trikal Foods and Agro Products Private Limited (New Delhi).

October 2010) RFP (financial bid) for these mills. As all the bids were just above the 50 *Per cent* of Expected Price, SCM was applied in all the cases.

The milestone dates in the entire bid process were:

- Date of advertisement in newspaper 21-23 June 2010
- Last date of receipt of EOI-cum-RFQ 13 August 2010
- Last date of receipt of RFP (financial bid) 16 September2010
- Date of advertisement for SCM for all the 11 mills 22 September2010
- Last date of receipt of EOI-cum-RFQ 11 October 2010
- Last date of receipt of RFP(financial bid) challenger 1 November 2010

The particulars of the mills, their Expected Price, Bid Amount and names of Original bidders, Challengers and Buyers are given below in the table:

(₹ in crore)

Sugar Mill	Expected Price	Original Bidder	Original Bid Price quoted	Challenger Bidder	Bid Price quoted by challenger Bidder and Bid Price (Approved)	Response of Original Bidder to the Bid Price of challenger Bidder	Finally sold to Bidder
Baitalpur	25.80	Nilgiri Food Products Private Limited	12.96	IB Trading Private Limited	13.16	Accepted	Nilgiri Food Products Private Limited
Bareilly	27.50	Wave Industries Private Limited	13.78	Namrata Marketting Private Limited	14.11	Not accepted	Namrata Marketting Private Limited
Bhatni	9.00	Trikal Foods and Agro Products Private Limited	4.55	Shri Radhey Intermediaries	4.75	Accepted	Trikal Foods and Agro Products Private Limited
Deoria	26.86	Nilgiri Food Products Private Limited	13.50	Namrata Marketting Private Limited	13.91	Not accepted	Namrata Marketting Private Limited
Ghugli	6.94	Trikal Foods and Agro Products Private Limited	3.51	S R Buildcon Private Limited	3.71	Not accepted	S R Buildcon Private Limited
Shahganj	19.02	Wave Industries Private Limited	9.54	IB Commercial Private Limited	9.75	Accepted	Wave Industries Private Limited
Barabanki	23.29	Nilgiri Food Products Private Limited	12.00	Giriasho Company Private Limited	12.51	Not accepted	Giriasho Company Private Limited
Chhitauni	4.67	Trikal Foods and Agro Products Private Limited	3.00	Giriasho Company Private Limited	3.60	Not accepted	Giriasho Company Private Limited
Ramkola	7.96	Wave Industries Private Limited	4.05	Giriasho Company Private Limited	4.55	Not accepted	Giriasho Company Private Limited
Lakhmiganj	6.47	Nilgiri Food Products Private Limited	3.25	Namrata Marketting Private Limited	3.40	Not accepted	Namrata Marketting Private Limited
Hardoi	16.12	Wave Industries Private Limited	8.08	Namrata Marketting Private Limited	8.20	Not accepted	Namrata Marketting Private Limited
Total	**173.63**		**88.22**		**91.65**		

We noticed from the bidding pattern that:

- There was only one bid for each of the 11 mills, divided among the three bidders [33] and no Competition among Bidders for any mill.
- The six challengers[34] who submitted financial bid under SCM challenging the highest offer made the offer for separate mills, with no

[33] Wave Industries Private Limited (New Delhi), Nilgiri Food Products Private Limited (Unnao) and Trikal Foods and Agro Products Private Limited (New Delhi).

[34] I.B Trading Private Limited, Shri Radhey Intermediaries, Namrata Marketing Private Limited, Giriasho Company Private Limited, I.B. Commercial Private Limited and S.R. Buildcon Private Limited.

Competition among them. Thus, there was only one bid for a mill both in original bidding and bidding under SCM (details in ***Annexure 20***).

- The bid price of the original three Bidders was just above 50 *per cent* of Expected Price except the bid price of Trikal Foods and Agro Products Private Limited in respect of Chhitauni mill which was 64 *per cent* of the Expected Price.
- Even after SCM, the bid prices by all the six challengers were only marginally above (ranging from ₹ 12 lakh to ₹ 60 lakh) the highest amount in the original bid. **(*Annexure 20*)**.
- Against the total Expected Price of ₹ 173. 63 crore only ₹ 91.65 crore was realised resulting in short realisation of ₹ 81.98 crore.

On further examining these issues, we noticed that Related Companies bid in a concerted manner. The audit findings as outlined in the subsequent paragraphs support our contention:

Bidding by Related Companies

5.4 The examination of documents submitted with EOI-cum-RFQ and RFP revealed that Bidders were Related Companies as emerged from the following facts:

All the bidders at initial and SCM level were Related Companies.

5.4.1 Majority shares of one company held by other

❖ As already mentioned under Paragraph 5.2.5, every bidder Company was required to submit its shareholding pattern at the time of submitting technical bid. Two bidder Companies i.e. Namrata Marketing Private Limited and Giriasho Company Private Limited, however, did not fulfill this requirement.

Shareholding pattern of the two Companies was obtained by us from Registrar of Companies (ROC) Kanpur which revealed that Giriasho Company Private Limited held 86.42 *per cent* Equity Shares in Namrata Marketing Private Limited by way of transfer in May 2010. Thus, Namrata Marketing Private Limited was a fully controlled subsidiary of Giriasho Company Private Limited.

5.4.2 Consecutive serial numbers of Demand Drafts

❖ Demand Drafts (DDs) valuing ₹ 50,000 submitted by the Bidders to purchase EOI-cum-RFQ had consecutive serial numbers as mentioned below:

Demand Draft Number	Date of issue	Name of issuing Bank	Name of the Bidder to whom issued
166456	6 August 2010	Punjab National Bank	Wave Industries Private Limited
166457, 166459, 166461	6 August 2010	Punjab National Bank	Nilgiri Food Products Private Limited
166460, 166462, 166463	6 August 2010	Punjab National Bank	Trikal Food & Agro Products Private Limited
66727	7 August 2010	State Bank of India	Trikal Food & Agro Products Private Limited
66730	7 August 2010	State Bank of India	Nilgiri Food Products Private Limited
66731, 66732	7 August 2010	State Bank of India	Wave Industries Private Limited

- Bank drafts submitted by the Bidders for depositing Bid Security were issued on same date by same bank and had consecutive numbers / same series as detailed below:

Bank Draft Number	Date of issue	Name of issuing Bank	Name of the Bidder to whom issued
19002, 19003	14 September 2010	H.D.F.C.	Trikal Food & Agro Products Private Limited
19010 to 19012 ,19020	14 September 2010	H.D.F.C.	Wave Industries Private Limited
19016, 19017	14 September 2010	H.D.F.C.	Nilgiri Food Products Private Limited
19062	23 September 2010	H.D.F.C.	Nilgiri Food Products Private Limited
19063	23 September 2010	H.D.F.C.	Trikal Food & Agro Products Private Limited
19064, 19065	23 September 2010	H.D.F.C.	Wave Industries Private Limited

5.4.3 Common Address, Phone Number and E-Mail id

- Correspondence address mentioned by two Bidders viz, Namrata Marketing Private Limited and Giriasho Company Private Limited in their EOI-cum-RFQ and RFP was same i.e. "Chamber 1, A 257, Sarita Vihar, New Delhi-110076". The Management of UPSSCL addressed letters to both firms at the above mentioned address.
- E-mail id and Contact Number of Namrata Marketing Private Limited and Giriasho Company Private Limited as mentioned in EOI-cum-RFQ and RFP were same i.e. "grandpeak2010@gmail.com" and "011-40574598" respectively.
- Address and Phone number i.e. 574, Magarwara Unnao (U.P.), Tel. 0515-2833525, mentioned on the letter head of Nilgiri Food Products Private Limited was same as that of works Unit - II of PBS Foods Private Limited.

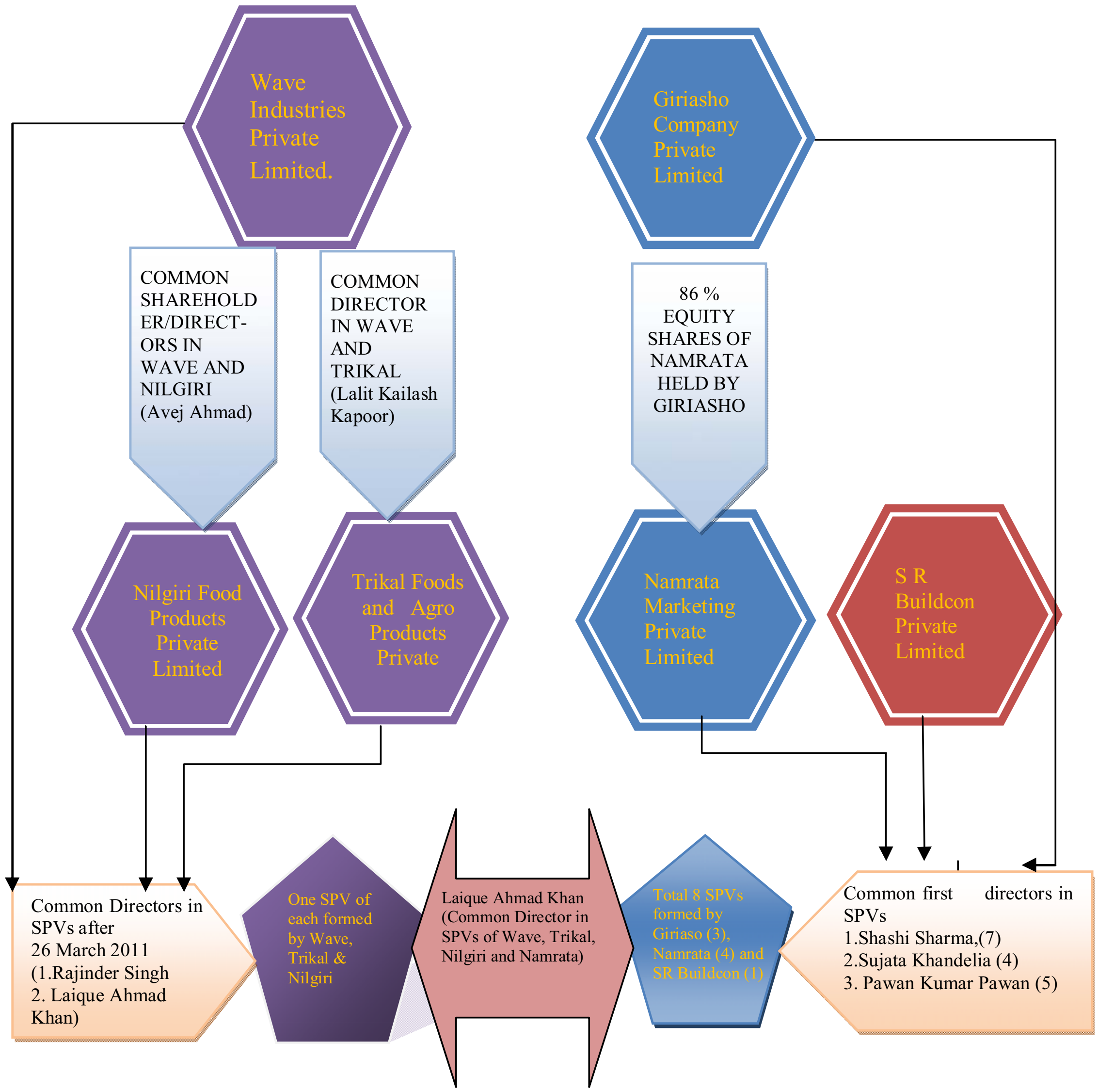
5.4.4 Handing over of mill to authorized signatory of other Company

- Bhatni mill purchased by Trikal Food & Agro Products Private Limited was handed over to Shri Israrul Hasan Zaidi (vide Board resolution of buyer dated 4 February 2011). He was also authorized signatory of Namrata Marketing Private Limited.

5.4.5 Common Directors and Shareholdings

- Our scrutiny of documents submitted by Bidders and information from ROC Kanpur, showed that there were several common Directors/Shareholders among bidding Companies/ SPVs formed by Bidding Companies (***Annexure 21***).
- Shri Laique Ahmad Khan was director in one SPV each of Wave Industries Private Limited, Nilgiri Food Products Private Limited, Trikal Foods & Agro Products Private Limited and four SPVs of Namrata Marketing Private Limited.
- Shri Rajinder Singh was director in one SPV each of Wave Industries Private Limited, Nilgiri Food Products Private Limited and Trikal Foods & Agro Products Private Limited.
- While Ms Shashi Sharma and Sujata Khandelia were directors in seven and four SPVs respectively of Namrata Marketing Private Limited, Giriasho Company Private Limited and S R Buildcon Private Limited. Similarly, Mr. Pawan Kumar Pawan was director in five SPVs of Namrata Marketing Private Limited and Giriasho Company Private Limited.

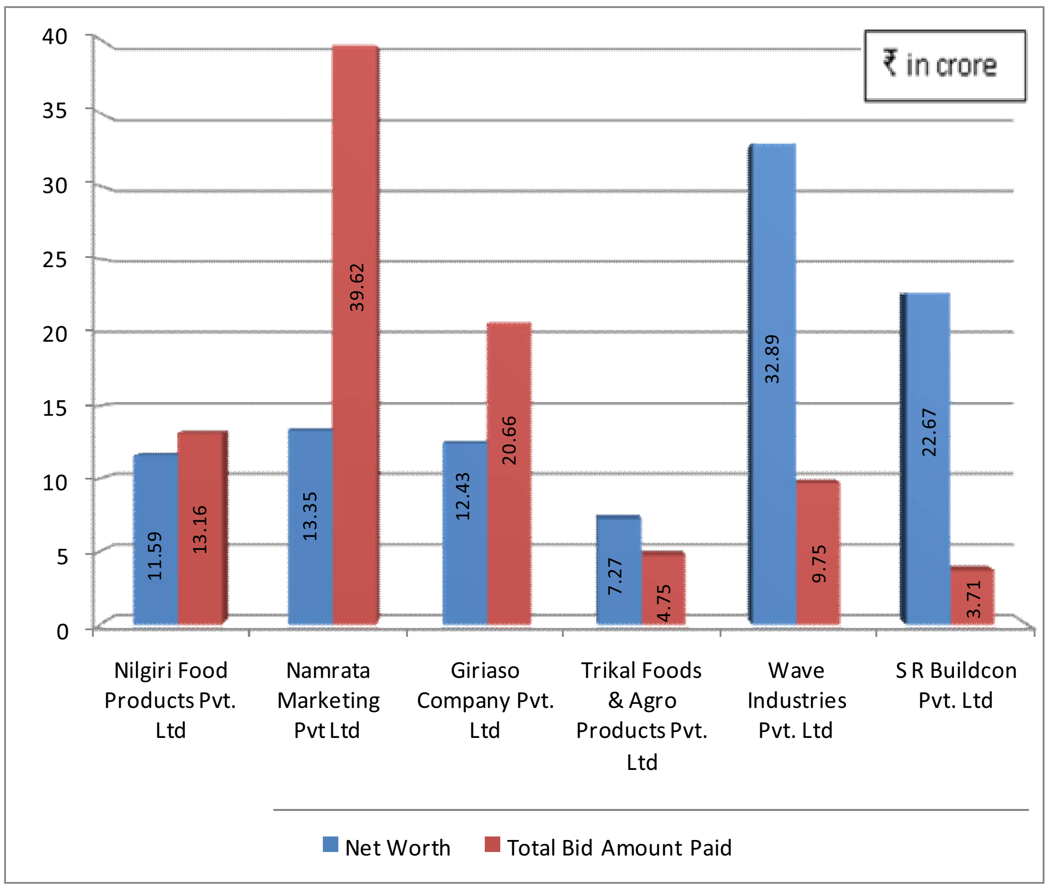
Chart depicting the relationship among the bidding companies



Paying Capacity of buyers not ascertained

5.5 We noticed that in contravention to Guidelines of Disinvestment, certificates depicting Paying Capacity of the applicants were not demanded by the Management from the bidders. The graph below shows comparative analysis of net worth of buyer and payments made by them on purchase of mills:

As per Clause 2.3 of Annexure VI of the Guidelines of Disinvestment, before accepting the financial bid of any party a certificate is required either from the banker or from an independent Chartered Accountant that the bidder has got enough funds to complete the transaction. Management did not ask the Bidders to submit this certificate.



Thus, it can be seen from the graph that three Companies, viz. Namrata Marketing Private Limited, Giriasho Company Private Limited and Nilgiri Food Products Private Limited made payments which far exceeded their net worth but the Management made no effort to satisfy itself about the source of funds of buyers and ensure fairness in bidding process to rule out participation as a proxy of other bidders.

Frequent changes in Eligibility Criteria at the instance of Bidders

The Eligibility Criteria was revised twice, the second time on the suggestion of bidders. Three successful bidders did not meet even the revised requisite criteria.

5.6 For the purpose of defining Eligibility Criteria for participation in sale process of closed mills, the CGD fixed (20 May 2009), the requirement of minimum net worth of bidders at ₹ 20 crore. Subsequently, the CGD revised (18 June 2010) eligibility criteria for bidders as follows:

- Minimum net worth- ₹ 10 crore
- Minimum turnover – ₹ 25 crore (average for last three years); and
- The bidders could submit bids for maximum five mills and they had to fulfill cumulative eligibility criteria in case of purchase of more than one mill.

On 21 June 2010, UPSSCL invited EOI-cum-RFQ from the prospective Bidders for sale of 14 closed mills of UPRCGVNL. On the basis of suggestions received by prospective bidders in the pre-bid meeting on 1 July 2010, the CGD revised (6 July 2010) the eligibility criteria of minimum net worth from ₹ 10 crore to ₹ two crore and withdrew the minimum turnover criteria. Besides this, the CGD fixed 20 *per cent* of Expected Price as bid security (EMD).

A second pre-bid meeting was held on 30 August 2010. On the basis of suggestion received from bidders in this meeting, the CGD made (31 August 2010) further changes and reduced bid security to ten *per cent* of Expected Price subject to minimum of ₹ 1 crore per mill (for 12 closed mills), ₹ 1.5 crore for Hardoi mill.

The net worth of Companies which were successful bidders and number of units purchased by them are given as below:

(₹ in crore)

S. No.	Name of the Bidder	Net worth	Minimum net worth (₹ ten crore per mill) required as per criteria dated 18 June 2010	No. of mills eventually purchased
Initial Level				
1.	Wave Industries Private Limited	32.89	10.00	1
2	Trikal Food and Agro Products Private Limited	7.27	10.00	1
3	Nilgiri Food Products Private Limited	11.59	10.00	1
SCM level				
1	Namrata Marketing Private Limited	13.35	40.00	4
2	Giriasho Company Private Limited	12.43	30.00	3
3	S R Buildcon Private Limited	22.67	10.00	1

It is evident from above that three bidders [35] though did not meet the net worth criteria fixed on 18 June 2010 remained in the fray and purchased one, four and three mills respectively. Thus, these bidders were unduly favoured by reducing the net worth criteria further to ₹ two crore in July 2010.

Unusual withdrawal of bids

5.7 In respect of all the 11 mills of UPRCGVNL challenge bids were invited under SCM. Bids from five challengers for all the 11 mills were received (November 2010). The Management informed (15 November 2010) all the original highest bidders [36]about the SCM challenge bids and asked them to match the bids so received. Initially, all the original highest bidders conveyed (17 November 2010) their willingness to accept the challenge bids. However, three original bidders withdrew (24 December 2010) their consent and allowed their bid security to be forfeited in respect of eight mills as detailed below (***Annexure 20***):

(₹ in crore)

Sugar Mill	Original Bidder	Original Bid Price	Amount of Bid Security forfeited	Excess of Challenger Bid over original Bid Price	Name of Challenger Bidder who were favoured by Original Bidder
Barabanki	Nilgiri Food Product Private Limited	12.00	2.33	0.51	Giriasho Company Private Limited
Deoria	Nilgiri Food Product Private Limited	13.50	2.69	0.41	Namrata Marketing Private Limited
Hardoi	Nilgiri Food Product Private Limited	8.08	1.50	0.12	Namrata Marketing Private Limited
	Total		**6.52**	**1.04**	
Bareilly	Wave Industries Private Limited	13.78	2.75	0.33	Namrata Marketing Private Limited
Laxmiganj	Wave Industries Private Limited	3.25	1.00	0.15	Namrata Marketing Private Limited
Ramkola	Wave Industries Private Limited	4.05	1.00	0.50	Giriasho Company Private Limited
	Total		**4.75**	**0.98**	
Chittauni	Trikal Food and Agro Products Private Limited	3.00	1.00	0.60	Giriasho Company Private Limited
Ghughli	Trikal Food and Agro Products Private Limited	3.51	1.00	0.20	SR Buildcon Private Limited
	Total		**2.00**	**0.80**	

[35] Trikal Foods and Agro Product Private Limited, Namrata Marketing Private Limited and Giriasho Company Prviate Limited

[36] Waves Industries Private Limited, Trikal Food and Agro Products Private Limited and Nilgiri Food Product Private Limited.

It is evident from the above table that Nilgiri Food Product Private Limited, Wave Industries Private Limited and Trikal Food and Agro Products Private Limited withdrew its original bid in favour of Giriasho Company Private Limited, Namrata Marketing Private Limited and SR Buildcon Private Limited being 'Related Companies' and allowed to forfeit their bid security ranging from ₹ One crore to ₹ 2.75 crore instead of matching the challengers' bids which were just above the original bid amount ranging from ₹ 12 lakh to ₹ 60 lakh. This reflects cartelization of bids. The cartelization among the participating Companies tantamount to appreciable adverse effect on Competition under Section 3(3)(d) of the Competition Act, 2002.

Section 3(3)(d) of the Competition Act 2002 inter alia provides "Any agreement[37] entered into between enterprises or associations of enterprises or decision taken by any association of enterprises or association of persons, including cartels, engaged in identical or similar trade of goods which directly or indirectly results in bid rigging or collusive bidding, shall be presumed to have an appreciable adverse effect on competition."

The Management of UPSSCL stated (17 November 2011) that UPSSCL was not involved in any part of the evaluation process since it was not required as per provisions of Guidelines.

The reply is not based on facts because the UPSSCL was nominated (May 2008) as a nodal agency to carry out the process of disinvestment of sugar mills by the GoUP and the Managing Director of UPSSCL was also a member of the CEC. He had also participated in most of the meetings of the CGD. Hence the responsibility of the Management in the sale process was clearly specified.

Conclusion

The Advisor/ Management/ CGD did not exercise due diligence while evaluating the bids despite several apparent indications of participation by closely related companies such as, Common Directors and Shareholdings, Majority shares of one Company held by other Company, Consecutive numbers of Demand Drafts submitted by the Companies, same address/ email ids/ phone numbers of the Companies and handing over of one mill to authorized signatory of other Company. Besides, paying capacity of purchasers were not ascertained to ensure satisfaction regarding their source of funds, frequent changes were made in eligibility criteria at the instance of the bidders and the original bidders unusually preferred to forgo their bid security of higher amount instead of matching the challenge bids which were marginally above the original bid amount clearly pointing to cartelization of bids. There was single bid for each of the mills both in original bidding and bidding under SCM.

As such, there was complete lack of competition which affected the realization of fair value of sugar mills as only ₹ 91.65 crore was realised from 11 mills against total Expected Price of ₹ 173.63 crore. Thus, there was short realisation of at least ₹ 81.98 crore if only the Expected Price is taken into account. The Advisor/ Management/ CGD did not analyse

[37] Agreement includes any arrangements or understanding or action, whether or not formal/in-writing.

reasons as to how the bid prices received for all the 11 mills were just above 50 *per cent* of the Expected Price.

Thus, Lack of Competition resulted in short realization of at least ₹ 206.68 crore in Disinvestment process of sugar mills of UPSSCL (₹ 124.70 crore) and UPRCGVNL (₹ 81.98 crore) when compared to the Expected Price. Since the market value of the mills was much higher than the Expected Price, a fair, transparent and competitive bid process may have resulted in a much higher bid amount.

Chapter 6

Stamp Duty and Procedural Lapses

Issue regarding short levy of stamp duty on the deeds in respect of sale of sugar mills in the sale process has been discussed in succeeding paragraph.

UPSSCL & UPRCGVNL

Short levy of Stamp Duty due to under valuation of Land

6.1 The Advisor appointed for sale of sugar mills had decided that the average value of Land and Building as per the Valuers consideration should be discounted by 25 *per cent* on grounds of restricted land use, large land area, stamp duty to be paid by purchasers etc. This had an adverse impact on the valuation of Expected Price and the final bids received.

As per Section 3 read with Schedule I B (item -23) of the Indian Stamp Act, 1899 stamp duty on a deed of conveyance is chargeable on the market value of the property or on the value of consideration set forth therein, whichever is higher. As per Uttar Pradesh Stamp Rules, 1942 and U.P. Stamp (Valuation of Property) Rules, 1997, market rates of various categories of land situated in a district are to be fixed biennially by the collector concerned for the guidance of the registering authorities in his district. The Government order dated 23 August 2010, specified that on sale of Building, Plant and Machinery of industrial estates stamp duty is payable on valuation or consideration whichever is higher. As per provision of the U.P. Stamp (46 Amendment) Rules, 2002, a certified copy of the decision delivered by the Collector Stamp will be sent to Registering Authority. After consideration of all the facts, if Registering Authority feels that stamp duty was not properly paid, the case should be forwarded to Deputy Inspector General (DIG)/Assistant Inspector General (AIG) (Revenue) after seeking advice from District Government Advocate. DIG/AIG(R), if satisfied with the report of Registering Authority the case will be forwarded to Commissioner Stamp for appeal in CCRA.

Scrutiny of sale deeds of these mills registered in 17 Sub-Registrar[38] (SR) offices and one District Registrar, revealed that the stamp duty payable on valuation of ₹ 1645.87 crore of the sugar mills set forth by the valuers, was ₹ 104.43 crore while actual stamp duty paid was ₹ 27.35 crore, based on consideration of ₹ 440.75 crore. Thus, stamp duty of ₹ 79.57 crore[39] was short paid by the purchasers as detailed in ***Annexure 22.***

We further noticed that in respect of 11 of these sugar mills[40] the valuation of land on the basis of market rates circulated by collectors, was short assessed by ₹ 329.43 crore by the valuers themselves. Hence, if the correct value is computed as per the prevailing circle rates, there was a further short payment of ₹ 21.20 crore **(*Annexure 23*)**. The acceptance of under valuation of land by

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[38] Sub- Registrar Amroha, Bahraich (Kesarganj), Bareilly, Bijnore, Bulandshahar, Chandpur Bijnor, Deoria, Deoria (Baitalpur), Deoria (Salempur), Hardoi (Sahabad), Jaunpur (Shahganj), Kushinagar (Khadda), Kushinagar Sadar, Kushinagar (Chhitauni), Kushinagar Hata (Laxmiganj), Kushinagar Hata (Ramkola), Maharajganj (Ghughali), District Registrar Saharanpur.

[39] There was a difference of ₹ 2.49 crore due to payment of stamp duty of ₹ 4.74 crore against payable stamp duty of ₹ 2.25 crore in case of Chandpur Sugar mill.

[40] Amroha, Bahraich (Kesarganj), Bulandshahar, Meerut (Sardhana), Muzaffarnagar, Barabanki (Nawabganj), Deoria (Baitalpur), Deoria (Salempur), Kushinagar(Chhitauni), Kushinagar Hata (Laxmiganj), Kushinagar Hata (Ramkola).

the registering authorities resulted in total loss of revenue of ₹ 100.77 crore (UPSSCL: ₹ 53.71 crore and UPRCGVNL: ₹ 47.06 crore) to the department.

For the purpose of adjudication as to stamp duty, the Managing Director of UPSSCL/ UPRCGVNL referred (between September 2010 and March 2011) all the cases of sale of sugar mills to Collector/Additional District Magistrate (ADM) (Finance and Revenue) under Section 31 of Indian Stamp Act. In all the cases the final consideration received (bid price after adjustment) was taken as the basis by the collector for determining stamp duty.

We noticed that:

- As per the conditions of the sale agreements, purchasers of the sugar mills were to bear expenditure on stamp duty. As such the Company should not have approached Collector/ADM (Finance and Revenue) for adjudication on stamp duty.
- In eleven [41] cases the concerned District Magistrates (DM) constituted committees in which Sub Divisional Magistrate (SDM) / Tehsildar/ Assistant Inspector General (AIG) (Stamps and Registration) / SR/ Executive Engineer (EE) PWD/ General Manager District Industries Centre/ District Government Advocate (Civil & Revenue) were members.

  The findings of all these committees concluded that for the purpose of assessment of the Stamp Duty, the value of each sugar mill should be the adjusted bid amount (value of bid amount less the adjustments) in respect of Operating sugar mills and the 'bid amount' in respect of closed sugar mills. However, in respect of nine operating sugar mills except Khadda Sugar Mill, assessment of Stamp Duty was made on the adjusted bid amount.
- The recommendations of the above Committees were agreed to by the Collectors (Stamp) in all the cases and accepted the adjusted bid price for the valuation of the mills for the purpose of stamp duty payment.
- The adjudication orders for different mills were issued by the Collectors (Stamp) of the area concerned. However, adjudication orders of the collectors in respect of three sugar mills (Siswa Bazar, Amroha and Bulandsahar), four sugar mills (Laxmiganj, Ramkola, Chittauni and Khadda) and five sugar mills (Baitalpur, Bhatni, Deoria, Shahganj and Ghugli) were identical to each other except for changes in the name of the sugar mills and individual mill specific details.The remaining orders were also clearly on similar lines to the above with minor differences.
- In case of four mills (Nekpur Bareilly, Rohankalan Muzzaffar Nagar and Bijnore) not even the committees were constituted at District Magistrate level. In all these cases the Collectors (stamp) concerned straightaway accepted the mill values as per bid price and opined that if Government decided on a slump sale after inviting bid with proper system, they did not feel the need of any separate valuation at this stage, and adjudicated that the bid amount minus adjustments was the correct valuation.

[41] Shahganj Jaunpur, Nawabganj Barabanki, Betalpur Deoria, Bhatni Deoria, Deoria, Bulandshahar, Amroha JP Nagar, Siswa Khurd Maharajganj, Khadda Padrauna, Jarwal Road Bahraich, Sakauti Tanda Meerut.

Thus, in all the cases the valuation made by the Valuers was not taken into consideration.

We further observed that after receipt of decision of the respective Collectors (Stamp) for valuation of mills at bid price (after adjustments), the concerned Registering Authorities (i.e. Sub-Registrars) did not feel the necessity to refer the issue to DIG/ AIG (Revenue) for their consideration, after obtaining advice of District Government Advocate. Thus, in none of the cases, necessity to file an appeal in CCRA in terms of the provisions of the U.P. Stamp (Amendment) Rules, 2002 was considered. Therefore, acceptance of valuation of mills at adjusted bid price/ bid price by the registering authorities as compared to circle rates, resulted in loss of revenue of ₹ 100.77 crore to the State Exchequer.

The Management of UPSSCL stated (August 2011) that adjusted bid was the sale price/ consideration for the sugar mills and therefore deeds of sugar mills were executed on sale price/ consideration and there was no provision in the Act or Rules which required payment of stamp duty on the basis of circle rate or market rate whichever was higher. It was also stated that the rates fixed under U. P. Stamp (Valuation of Property) Rules, 1997 were only for guidance of sub registrar and in each matter market value and liability of stamp was assessed by the concerned collector under Section 31 of the Act.

We are not in agreement with the reply as the provisions of the Indian Stamp Act, 1899 clearly provided for adopting the Market value of the property or Sale consideration, whichever is higher for charging of stamp duty. Further, the circle rates fixed by the Revenue Authorities are always considered to be a guiding factor for arriving at appropriate market value of property. Moreover issue of identical adjudication orders by the respective Collectors (Stamp) accepting the mill valuation at adjusted bid price/bid price appeared to be uncommon since even the language used was similar.

We are of the view that the Stamp and Registration department takes cognizance of this loss of revenue and goes in for appeal at the appropriate forum.

UPSSCL

Excess Payment to Advisor

6.2 In the first attempt of Disinvestment/sale of sugar mills initiated in June 2007, UPSSCL appointed (August 2007) Ernst & Young as Advisor at the fee of ₹ 4.80 crore (including Success Fee). In the event of transaction being called off by the Government, 'Drop Dead Fee' of ₹ 0.50 crore only was payable to the Advisor.

As per para 4.1 of Chapter-I of Guidelines on Disinvestment fees payable to advisors is generally of two types. The first is 'Success Fee' which is a fixed percentage of the gross proceeds to be received by the Government on disinvestment. The other is 'Drop Dead Fee' which is lump sum amount, payable to the Advisors in the event of transaction being called off by the Government.

The Government called off (14 November 2008) the sale process because of insufficient bid amount. Thus, at that stage only the financial bids were received but the transactions [42] were not completed. As such the Advisor was eligible for 'Drop Dead Fee' only as per the guidelines.

[42] Transaction is defined in EOI cum RFQ as "transfer of units of UPSSCL to the purchaser.

We noticed that, instead of paying the 'Drop Dead Fee' of ₹ 0.50 crore, the Advisor were paid success fee of ₹ 1.75 crore. Thus, there was excess payment of ₹ 1.25 crore to the Advisor.

The Management of UPSSCL stated (August 2011) that as per the agreement with the Advisors, Drop Dead Fee was payable when the sale process was cancelled before receipt of financial bid. It would not be out of place to mention that terms and condition of the agreement with the Advisor were in violation of the Guidelines of Disinvestment.

Recovery of Repair and Maintenance cost not provided for

6.3 Annual Repair and Maintenance (ARM) of a sugar mill is done before start of every crushing season (October to March). Therefore, major ARM activities are carried out during off season (April to September) to make the plant operational.

As per the slump sale agreements, sugar mills were to be handed over to the purchasers for repair and maintenance and preparation of mills for crushing activities after initial payment of 25 *per cent* of sale consideration and furnishing the financial guarantee for balance 75 *per cent*. The bidders paid initial amount of 25 *per cent* and submitted financial guarantee of 75 *per cent* of sale consideration on or before the date of agreements in respect of all 10 operating mills (17 July 2010 in respect of four mills and 4 October 2010 in respect of six mills).

Accordingly, the sugar mills were transferred (July 2010 to October 2010) to purchasers who operated the mills in crushing season October 2010 - March 2011. The UPSSCL incurred expenditure of ₹ 1.45 crore on repairs and maintenance of sugar mills before handing over the same to the purchasers as detailed below:

Name of Unit	Date of handing over of mills to purchaser	Total Expenditure on Repair and Maintenance (₹ in Lakh)
Amroha	17 July 2010	**6.41**
Bijnore	4 October 2010	**38.16**
Bulandsahar	4 October 2010	**12.73**
Chandpur	17 July 2010	**22.89**
Jarwal Road	17 July 2010	**7.45**
Khadda	4 October 2010	**9.16**
Siswa Bazar	17 July 2010	**5.06**
Rohankalan	4 October 2010	**1.93**
Saharanpur	4 October 2010	**5.00**
Sakoti Tanda	4 October 2010	**36.45**
Total		**145.24**

We noticed that the UPSSCL did not make any provision in the bidding document and agreement for sale of sugar mills to recover the expenditure on maintenance and repair from the purchasers who were to operate the mills after such maintenance and repair. In the absence of such provision, UPSSCL could not recover the expenditure of ₹ 1.45 crore from the purchasers.

The Management of UPSSCL replied that the sale of sugar mills was to be done on 'on-going' concern basis, mills were sold 'as is where is basis' and mills were to be kept in running condition at the time of sale. It further stated that if the amount was provisioned in the RFP, the bidders would have submitted bids after reducing expenditure on repair and maintenance.

We are not convinced with the reply as the prospective purchasers while submitting financial bids in June 2010 had taken into account the expenditure on maintenance and repair for next crushing season. This is evident from the fact that Indian Potash Ltd. and Wave Industries Pvt. Ltd (purchasers of nine out of ten mills of UPSSCL) indicated their intention to bear such expenditure; this aspect is clear from the minutes of meeting of CGD held on 28 September 2010.

Conclusion

The acceptance of under-valuation of sugar mills and non-consideration of circle rate for determining the realistic value of land of the sugar mills by the registering authorities resulted in loss of revenue of ₹ 100.77 crore to the Government.

The Advisor engaged in first attempt (June 2007) of Disinvestment/sale of sugar mills was paid excess fee of ₹ 1.25 crore as a result of deviation from the Guidelines of Disinvestment. Further, UPSSCL could not recover expenditure of ₹ 1.45 crore incurred on Repairs and Maintenance of sugar mills from the purchasers, as no condition in this respect was included in the agreement with the purchasers.

Lucknow **(SMITA S. CHAUDHRI)**
The **Accountant General (Commercial and Receipt Audit), Uttar Pradesh**

Countersigned

New Delhi **(VINOD RAI)**
The **Comptroller and Auditor General of India**

Annexures

Annexure-1
Profile of the Ten operating sugar mills of UPSSCL
(Referred to in paragraph 1.3)

Sl. No.	Name of Sugar mill	District	Crushing capacity at acquisition TCD	Present Crushing Capacity TCD	Total Land (Hectare)	Location of sugar mills			
						Front	Back	Left	Right
1	Amroha,	J.P.Nagar	1925	3000	30.41	Joya Amroha Road	Hasapur Road	Agriculture Land	Delhi Moradabad Railwy Line
2	Bijnore	Bijnore	1100	2500	14.85	Bijnor Road	Private Colony	Other Proprity	Railwy Line
3	Bulandsaher	Bulandsahar	1250	2500	31.98	09 Meter Road	Railwy Line	Khurja Road	Chandpur Road
4	Chandpur	Bijnor	1250	2500	32.10	Haldaur Chandpur Road	Railway Line	Agriculture Land	Agriculture Land
5	Jarwal Road	Baharaich	900	2500	21.55				
6	Khadda	Kushinagar	768	1600	27.72				
7	Rohan kalan	Muzaffarnagar	1300	1300	35.53	Main Road	Railway Line	Agriculture Land	Agriculture Land
8	Saharanpur	Saharanpur	1320	2500	27.87(Old mill) 33.98 (New mill)				
9	Sakaoti Tanda	Meerut	1000	1800	9.90	Road & Market	Residential	Greenfield 7 Road	Railwy Line
1o	Siswa Bazar	Maharajganj	900	2500	16.39				
		Total	**11713**	**22700**					

Annexure-2
Profile of the 11 closed sugar mills of UPRCGVNL
(Referred to in paragraphs 1.3 and 3.9)

SI No.	Name of the Sugar mills	Village/Pargana Tehsil/District	Crushing Capacity (TCD)	Land area(Hectare)	Location of sugar mill				Closed Since	Area/Location	Nearest District
					North	South	East	West			
1	Baitalpur	Silhal/ Deoria/	914	45.2500	Open Land	Gorakhpur Deoria Road	Belawar Road	Residential Colony	2008	Developing mixed area residential,industrial, commercial cum agriculture	Deoria- 7 kms
2	Barabanki	Barabanki	1000	39.1840	Village Land	Market Area N.E. Rly track (Lko-Gkp)	Food Corporation of India	Residential	1998		Barabanki Rly Station –2.5 kms Dewa Rd. -3Km. From NH.28
3	Bareilly	Nekpur & shaidpur village / Bareilly	1016	13.1340	Indian Oil Corporation	Factory colony	Gotiya Colony	Ganesh colony	1998	Nekkpur is a posh Locality in South Bareilly	Bareilly Railway Station-1.5 kms
4	Bhatni	Salempur/Deoria	1016	13.8730	Open Land	Bhatni Deoria Road	Gandek River	Railway station	2006-07	Developing Residential Cum Comml. Area	Deoria- 15 kms
5	Chhitoni	Shidhwa/ Padrauna/ Kushinagar	800	15.2540	Village Road	Agriculture Land	Residential House of Village	Agriculture Land	1999	Khadda 10 Km. village Rd. of Chittouni leads towards N H 28 B on border of U.P. & Bihar	
6	Deoria	Salempur/ Deoria	965	26.5440	Residential Colony	Residential Colony	Deoria- Gorakhpur road	Ram Chandra Colony	2007-08	Developing Residential Cum Commercial. Area Located at Deoria about on CC. Road	
7	Ghugli	Haveli/sadar/ Maharajganj	982	18.6570	Agriculture Land	Village Road	Village Road	Agriculture Land	1999-2000	Siswa Bazar 12 Km.	
8	Hardoi	Nanakganj/ Hardoi	1829	38.2630	Utsav hotel- 1km	State highway no. 25- 2km			1999-2000	Developing as Residential Cum Agriculture Area	Hardoi bus stand-4km
9	Laxmiganj	Sidhwa jogna/ Kushinagar	900	15.8970	Agriculture Land	Railway line	Agriculture Land	Village Road	2008	Hari Om Inter College & Agriculture & Residential Cum Indusrial Area	Kushinagar-30 km
10	Ramkola	Sidhwa/ Kushinagar	792	9.2190	S H 67	Agriculture Land	Agriculture Land and Kanshiram Avas Yojna	Residence of local villagers		Triveni Suger Mills Village. Ramkola Agriculture Cum Industrial Area	Kushinagar- 22km
11	Shahganj	Jaunpur	1016	18.1420	Open Land	Railway Track toward Azamgarh	Railway Track toward Lucknow	Nawab yusuf road	--		Jaunpur-40 km
		Total	**11230**								

Annexure-3

The extracts of the Guidelines containing formation of various committees, process to be followed for disinvestment etc

(Referred to in paragraphs 2.1.1)

Executive Summary

3.1 The brief description of Guidelines of DID is given below;

1. The procedure to be followed by Government of Uttar Pradesh for disinvestment seeks to promote administrative simplicity and speed of decision-making without compromising on transparency and fair play.
2. For decision-making and implementation of disinvestment there will be a two-tier mechanism in:
    1. Cabinet or a Cabinet Committee for the purpose (CCD)
    2. Core Group of Secretaries on Disinvestment (CGD)
3. **Cabinet /Cabinet Committee on Disinvestment**

    The Hon'ble Cabinet of Ministers shall normally decide all the important issues relating to Disinvestment. The Cabinet may alternatively or in addition form a Cabinet Committee on Disinvestment. The Cabinet Committee on Disinvestment (CCD) shall be chaired by the Chief Minister and with Ministers of Power, Law & Justice, Industry, Finance, Vice Chairman of State Planning Commission, and the Minister concerned with the PSU under disinvestment as members. The Committee can also co-opt other Members as and when necessary.

    The suggested functions of the Committee were:
    1. To consider the advice of the Core Group of Secretaries regarding policy issues relating to the disinvestment programme.
    2. To decide the price band for the sale of Government shares through international/ domestic capital market route prior to the book building exercise, and to decide the final price of sale in all cases.
    3. To decide the final pricing of the transaction and the strategic partner in case of strategic sales.
    4. To approve the three-year rolling plan and the annual programme of disinvestment every year.
4. **Core Group of Secretaries on Disinvestment**

    The Core Group of Secretaries is headed by the Chief Secretary and comprises of the Industrial Development Commissioner, Secretaries from Departments of Finance,Industry, Planning and Administrative Department and any other Department as may be required, like Departments of Legal Affairs etc. The Group can also co-opt other Members as and when necessary.

    The functions of the Core Group are as follows:
    1. directly supervises the implementation of the decisions of all strategic sales.
    2. monitors the progress of implementation of the Cabinet/ CCD decisions.
    3. makes recommendations to the Cabinet/ CCD on disinvestment policy matters.
5. **The process for Disinvestment proposed to be followed, is as under**:
    a. Proposals for disinvestments in any PSU are placed for consideration of the Cabinet or Cabinet Committee on Disinvestment (CCD).
    b. After Cabinet or CCD, as the case may be, gives initial in-principle approval to the disinvestment proposal, selection of the Advisor is done through a competitive bidding process.
    c. Selection of Advisor would be done either by Administrative Department of concerned PSU or by department for Infrastructure Development and Disinvestment

after seeking in principle consent from CCD on broad Terms of reference (TOR) for the study by the Advisor.

d. The disinvestment process will be carried out by Administrative Department /Department of Infrastructure Development through the specified Government Nodal Agency.
e. The Department of Infrastructure Development for infrastructure development may designate one or more Government Agencies as the specified Nodal Agency, with the approval of Industrial Development Commissioner, for these purposes.
f. The entire Disinvestment process will be carried out with the assistance of an Global Advisor (known as Lead Advisor). They could be Merchant Bankers /Consultancy / Advisory firms, but in addition Legal Advisors, Chartered Accountants, Asset Valuers and other valuers are also required for specific services. However, Multi - disciplinary Lead Advisor could also be engaged. But valuer would necessarily be an independent valuer.
g. After receipt of the Expression of Interest (EOI), in pursuance of Advertisement in newspapers / website, Lead Advisors are shortlisted based on objective screening in the light of announced criteria / requirements. Thereafter selection is made as per the procedure laid down in Part-I of these guidelines.
h. Legal Advisors, Chartered Accountants and Asset Valuers are selected on the basis of their work experience through a process of limited competitive bidding by an inter department Committee, from a panel suggested / recommended by Advisors, and are paid a lump sum amount as fees.
i. In the first step, the Advisor would make a detailed study on the feasibility of Disinvestment of the referred PSU and on various alternatives available. Thereafter the Department of Infrastructure Development and disinvestment or the Administrative department of the concerned PSU would seek final In-principle consent of Cabinet on (i) the disinvestment proposal and (ii) the route/ method to be chosen. Thereafter the three-stage disinvestment process would be followed.
j. Bidders were to be invited through advertisement in newspapers / website to submit their Expression of Interest. On receiving EOI from bidders, the advisors, after due diligence of the PSU, prepare the detailed Confidential Information Memorandum (CIM) in consultation with the concerned PSU. This is given to the short listed prospective bidders who have entered into a confidentiality agreement. The list of bidders is prepared after scrutiny of EOIs and those are shortlisted, who meet the prescribed qualification criteria.
k. The draft share purchase agreement and the shareholder agreement are also prepared by the Advisor with the help of the legal Advisors, and the final draft is prepared after detailed consultation with the bidders, in consultation with the Core Group.
l. The prospective bidders undertake due diligence of the PSU and hold discussions with the Advisor/ the Government/ the representatives of the PSU for any clarifications.
m. Concurrently, the task of valuation of the PSU is undertaken by two independent, reputed valuers in accordance with the standard national and international practices as being followed by the Government of India.
n. Based on the feedback received from the prospective bidders, the Share Purchase. Agreement (SPA) and Shareholders Agreement (SHA) are finalised by Core Group of Secretaries. After getting them vetted by the Department of Law, they are approved by the Government (Cabinet or CCD). Thereafter, they are sent to the prospective bidders for inviting their final binding financial bids.
o. The material for finalising upset price is taken from the advisors after receipt of financial bids. The bids are not opened at this stage and are sealed after receipt, in presence of bidders. 'Upset price' determination exercise is thereafter completed by

Core Group of Secretaries. The sealed bids are then opened by Core Group of Secretaries in presence of bidders. The ‘Upset Price.’ is then compared by the Core Group.

p. After examination, analysis and evaluation, the recommendations of the Core Group of Secretaries are placed before the Cabinet for a final decision regarding selection of the strategic partner, signing of the Share Purchase Agreement and Shareholders Agreement, and other related issues.

q. In case the disinvested PSU's shares are listed on the Stock Exchange, an open offer could be required to be made by the bidder before closing the transaction, as per SEBI guidelines: Takeover Code.

r. Disinvestment / Privatisation Monitoring Committee shall be formed under the Chairmanship of Industrial Development Commissioner to monitor implementation of above decision of the Cabinet. The Committee may take the assistance of a separate Escort/ Monitoring Consultant as per Part - I or use the Original Lead Advisor of the matter in hand for all these purposes.

s. Timeframe: The timeframes for selection of the Global advisor shall be similar to those for selection of consultant in Part-I. The timeframe for selection of the Private Partner for Disinvestment process may be similar to those for selection of developer for PPP projects in Part-II.

t. The Guidelines for selection of consultants/advisors, for selection of PPP Developers/Investors and for selection of Private Partners for Disinvestment shall not be mandatory for cases where the above selections are required to be done under the procedures decided by the Govt. of India or where GoUP has agreed to follow guidelines as per loan / credit / grant agreement with donor agencies.

u. In case where the procedures for selections of consultants / developers / private partners etc. are already laid down by an Act of the State Govt., the provisions of the Act shall take precedence over these guidelines. Subject to not being inconsistent with the Act, the concerned department shall have the option to adopt these guidelines.

v. The Guidelines for selection of consultants / advisors, for selection of PPP Developers/ Investors and for selection of Private Partners for Disinvestment shall supercede any other guidelines or Govt. Orders which may have been issued from time to time, before 29th June 2007.

w. The guidelines shall apply with prospective effect from 29 June 2007. In cases where certain selection procedures have been initiated before the 29 June 2007, the remaining steps after 29 June 2007 shall be taken in conformity with the guidelines to the best possible extent.

x. Difficulty Removal Committee (DRC) : A Difficulty Removal Committee shall be constituted under the Chairmanship of Infrastructure & Industrial Development Commissioner to decide on matters necessary for removal of difficulties which may arise out of the provisions of these guidelines. The Committee shall also be empowered to examine and decide on cases where deviations in the guidelines are being sought. The Committee shall also include Principal Secretary / Secretary Finance, Law and may co-opt any other officer(s) as its member, as deemed fit.

3.2 The entire process is carried out by the Administrative Department/ Department of Infrastructure Development with the assistance of specified Government Nodal Agency. The Department of Infrastructure Development may, with the approval of Industrial Development Commissioner designate one or more Government Agencies such specified Nodal Agency for these purposes. In the above process, State Govt. is assisted by Advisors for different purposes.

3.3 Lead Advisor

Advisors assist Government in all aspects of privatisation transactions. In addition to implementing the basic steps mentioned earlier, advisors also counsel Government on the strategic options open to it for privatisation. The responsibilities of the Advisor, would interalia, cover rendering of advice and assisting government in the disinvestment of the PSU, suggesting measures to enhance sale value, preparing a detailed information memorandum, marketing of the offer, inviting and evaluating the bids, assisting during negotiations with prospective buyers, drawing up the sale/other agreements and advising on post-sale matters.

Advisors are appointed by a competitive bidding procedure. The Department of Infrastructure Development and Disinvestment or the Administrative Department of concerned PSU, in consultation with the PSU and Administrative Ministry concerned, prepares broad Terms of Reference (TOR) for the Advisors, seeks in principle consent of CCD on TOR and methodology to be followed, and invites expression of interest from them to submit proposals. The Advisors offering the best technical and financial terms are hired to implement the privatisation transaction.

A typical letter of mandate is to be signed between the Advisor and the Government. This may require some modifications depending on the nature of transaction. Government of India has also issued guidelines for qualifications of Advisors, which are to be followed in the State as well.

For strategic sale the fees payable to the Advisors is generally of two types. The first type is called 'success fee' which is a fixed percentage of the gross proceeds to be received by the Government from the disinvestment. Since it is directly linked with the amount of money realizable from disinvestment, it serves as an incentive to the Advisor to get the best price from disinvestment.

The other type of fee is called 'drop dead fee' which is a lump sum amount payable to the Advisor only in the event of the transaction being called off by the Government. The fees for specific transactions vary from transaction to transaction depending on various factors like mode of disinvestment, total realizable value, quantum of work required to complete the transaction, degree of difficulty and chances of success of the transaction etc. Consultants appointed for disinvestment in certain cases are also given flat / fixed / lump sum fee / asset valuation fee / out of pocket expenditure depending on different criteria.

3.4 Legal Advisor

For each privatisation, it is considered necessary to involve legal advisors who look into the legal issues and advise the government with respect to documentation etc. on contractual terms. They are invited on the basis of their work experience and are selected through a process of limited competitive bidding by an Inter-department Committee, from a panel suggested / recommended by the Advisors, and are paid a lump sum amount as fees. They help the Government in drafting and finalising various agreements.

Legal advisors examine the following documents and advise the Government on Material contracts and agreements, loan and lease agreements to ensure that there are no unduly onerous conditions, title deeds to ensure that there are no defects of title or onerous conditions and the adequacy of insurance cover and compliance with any legal or other requirement.

3.5 Accounting Advisors

The Accounting Advisors review the financial, accounting, reporting and planning systems. They help the government in analysing the balance sheet of the company, its assets and liabilities and contingent liabilities. The Accounting Advisors are required to re-cast the final Accounts of the PSU as per the Accounting standards acceptable to the bidding parties, if necessary.

The Accounting Advisors pay particular attention to the way the items such as extraordinary and exceptional items, Amortisation and depreciation, Capitalization of expenditure, Recognition of revenue and expenditure items, Basis of consolidation of subsidiaries, if any, deferred taxation, and Revaluation of assets have been treated:

The task includes:

• Strategic evaluation of operating capability finances and post privatization prospects of the state enterprise.
• Evaluation of capital structure
• A calculation of the impact of taxation on the privatised enterprise.

The accounting advisor is appointed through a process of limited competitive bidding and is paid lump sum fees.

3.6 Asset Valuer

The asset valuation is conducted by well-established government-approved valuers. Normally, the valuer is selected by an inter-departmental committee, consisting of representatives from the Ministry of Disinvestment / administrative Ministry and the CMD of the company, from out of a panel suggested / recommended by the Advisor.

While assessing the fair value of the property, the valuer takes into consideration the following:

1. The status of the title of the company over land and building.
2. Any restrictive covenants incorporated in the title documents imposing limitations on the use or transfer of the property or any other restrictions.
3. Any restrictions pertaining to the use or transferability of the property or other restrictions arising from any civic regulations or Master Plan or other reasons.
4. The values at which transactions have taken place in the recent past forproperties of comparable nature, in terms of use, size, location and other parameters.
5. Valuation parameters currently in use by Authorities for determination of stamp duty and other taxes.
6. Assessment of demand and supply of comparable properties at given locations.
7. The state of maintenance and depreciation of the property, and evaluation of expenditure, if any, required repairing and renovating the property to suit the intended use.
8. Terms and conditions of the proposed new lease agreements to be entered into with the lessors for the purpose of disinvestment. The valuation of the property is done by the asset valuation methodology taking into consideration the above factors.

Valuation is done for:

• Plant and Machinery
• Land and Building
• Mines, if any.
• Intangibles, if required.
• Other assets.

Environmental Auditors and Public Relations firms can also be appointed for some PSUs under divestment.

3.7 Bidding procedure to be followed for sale in PSUs

Ministry of Disinvestment, with a view to maintaining absolute transparency and ensuring a foolproof process removing all possibilities of tampering, has evolved a bidding procedure, which is explained below. The criteria that need to be satisfied are:

1. Reserve Price should not be fixed by the Government before the bidders submit their financial bids, so that there is no chance of the bidders knowing the Reserve Price fixed by Government.
2. The Government, while fixing the Reserve Price, should not have knowledge of the price bids submitted so that the fixing of the Reserve Price is not influenced by such knowledge.
3. The Advisors do not finalise Reserve Price, as a conflict of interest may arise with them trying to keep a low Reserve Price.
4. The bidders are provided full comfort that their bids, once submitted, can in no way be tampered with by any agency.
5. Asset valuation is to be carried out by two independent, reputed valuers.

It would be noticed that the bidding procedure, which has now been adopted by the Ministry of Disinvestment and which is explained below, satisfies all the foregoing criteria.

Activity I- Receiving the bids and Valuation Reports

Bids are received in two separate sealed envelopes from the bidders on specified date, time and venue.

1. One envelope contains only the price bids (first envelope)
2. The other envelope (second envelope) contains other documents: -

• Bank Guarantee by the bidder
• Board Authorisations
• Section 108A(Companies Act) application, if required
• FIPB / SIA application, if required
• Copy of the Share Holders Agreement / Share Purchase Agreement authenticated by the bidder, based on which the bid has been made
• Other documents, if necessary, on a case-to-case basis.

Secretary, Department of Disinvestment and Secretary of the Administrative Department receive the bids. The Global Advisors and Legal Advisors are present.

• The second envelope is opened and the Global Advisors and the Legal Advisors scrutinise these documents and certify that they are in order.
• Both the Secretaries then authenticate each financial bid envelope without opening it by signing on these envelopes. Thereafter the signature of each bidder is also obtained on these envelopes. Any bidder, who has come to attend this meeting but does not submit a financial bid, is also permitted to be present and his signature may also be obtained on these envelopes.
• The sealed envelopes containing the financial bids thus authenticated by the Secretaries and the bidders are then put in a third envelope, sealed and authentication of both the Secretaries and all the bidders obtained on the third envelope, thus ensuring that no tampering can take place.
• In the same meeting the Global Advisors submit in a sealed cover the business valuation report prepared by them and the asset valuers report. Secretary (Disinvestment) authenticates these envelopes by putting his signature on the sealed envelopes.
• These sealed envelopes containing the business valuation report and asset valuers report are then handed over to the Chairman of the Evaluation Committee.

Activity-II- Proceedings of the Evaluation Committee

1. The Evaluation Committee typically commences business immediately after Activity-I and the envelope containing the business valuation report and asset valuers report are opened by the Chairman of the Committee.
2. The Global Advisors make a detailed presentation before the Evaluation Committee on the business valuation and the asset valuation as also their recommendation of what should be the reserve price.
3. At this stage, the Global Advisors withdraw from the meeting and the Evaluation Committee thereafter deliberates on the issue, if necessary in more than one session sometimes spreading over more than one day, and recommends a reserve price.
4. The Global Advisors are not involved in the process of making the final recommendation of the reserve price by the Evaluation Committee. Their contribution is only to provide the business valuation/asset valuation report, making a presentation and furnishing any further details/clarification that the Evaluation Committee may seek. Thus, the Global Advisors are not a member of the Evaluation Committee but attend its meetings as special invitees.

Activity-III- Meeting of the Core Group of Secretaries on Disinvestment (CGD) to consider Reserve Price and Bids.

1. At the meeting of the CGD, the CGD first deliberates on the report of the Evaluation Committee and the Reserve Price recommended by the Evaluation Committee. In this process the Global Advisors also make a presentation before the CGD.

2. At this stage the Global Advisors withdraw and the CGD then recommends a Reserve Price, which could be different from that recommended by the Evaluation Committee. In case of a difference of opinion, detailed reasons are recorded in the minutes.
3. After the Reserve Price is decided upon by the CGD, the third envelope containing the sealed envelopes containing price bids (on which signatures of both the Secretaries and the bidders had been obtained during Activity-I) is scrutinised by both the Secretaries and the bidders (the Global Advisors and the bidders are invited to be present at this point of time) to ensure that they have not been tampered with.
4. The third envelope is then opened and the sealed envelopes containing price bids are scrutinised by both the Secretaries and the bidders to ensure that they have not been tampered with.
5. Then the sealed envelopes containing the price bids (on which signatures of both the Secretaries and the bidders had been obtained during Activity-I) are opened and signature of the Secretaries and the bidders obtained on the reverse of the price bids. The signatures of the bidders are obtained to give comfort to the bidders that no tampering could take place even after this stage in the bids submitted by them. Their signatures are obtained on the reverse to ensure that none of the bidders come to know what bid the others have submitted.
6. Thereafter, the bidders and Global Advisors withdraw from the meeting and the CGD makes its recommendations on whether or not to accept the highest bid in view of the Reserve Price.

Note : For all purposes of these Guidelines, the Evaluation Committee shall be the Core Group of Secretaries on Disinvestment (CGD). Hence Activities II and III shall be undertaken by the same Committee i.e. CGD.

Activity-IV Consideration and Approval of the bid by the Cabinet Committee on Disinvestment or the Cabinet.

Recommendations of the CGD are thereafter placed before the CCD/ Cabinet for final approval.

Note: - Time frame for Activity-I to Activity-V is about a week to ten days.

3.8 Valuation

The valuation of assets to be carried out by two independent, reputed valuers shall be done as per Government of India Guidelines.(refer to **Annexure-7**)

Annexure-4
(Referred to in paragraph 2.1.1)

Cabinet /Cabinet Committee on Disinvestment (CCD)
As per guidelines of DID:-
The Hon'ble Cabinet of Ministers shall normally decide all the important issues relating to Disinvestment. The Cabinet may alternatively or in addition form a Cabinet Committee on Disinvestment. CCD shall be chaired by the Chief Minister and of Minister of Power, Minister of Law & Justice, Minister of Industry, Minister of Finance, Vice Chairman of State Planning Commission, and the Minister concerned with the PSU under disinvestment. The Committee can also co-opt other Members as and when felt necessary.
The management informed (November 2011) that CCD was not constituted. CGD directly recommended to the State Cabinet for decision as prescribed in the Chapter-I of the guidelines.

Core Group of Secretaries on Disinvestment (CGD)
The Government constituted (23 January 2008) CGD as;

Chief Secretary, U P Government	Chairman
DID Commissioner	Member
Principal Secretary / Secretary Finance	Member
Principal Secretary / Secretary, Law Department	Member
Principal Secretary / Secretary, DID	Member
Principal Secretary / Secretary, Planning	Member
Principal Secretary , Public Enterprise Department	Member
Principal Secretary / Secretary, Administrative Department of disinvestment (Co-ordinator)	Member

The CGD will function as provided in the guidelines (para 4 of Annexure-3 of the report)

Consultative Evaluation committee (CEC)
The Government constituted (29 June 2007) CEC as;

DID Commissioner	Chairman
Principal Secretary / Finance Secretary	Member
Principal Secretary / Secretary, Planning	Member
Principal Secretary / Secretary, Law Department	Member
Principal Secretary / Secretary,Ganna Vikas evam Chini Udyog Department	Member
Principal Secretary / Secretary, DID	Member
Ganna Ayukta, U P Government	Member
Managing Director, U P Sahkari Chini Mill Sangh	Member
Managing Director, UPSSCL	Member
Managing Director,,PICUP	Member

The CEC will function as provided in the guidelines (activity II of Annexure-3 of the report)

Consultative Monitoring Committee (CMC)

The CEC in its meeting (31 July 2007) formed Consultative Monitoring Committee as per Disinvestment Guidelines of Government of Uttar Pradesh. The Committee constituted by :-

Principal Secretary, Ganna Vikas evam Chini Udyog Department	Chairman
Managing Director, PICUP	Member
Managing Director, U.P. Sahkari Chini Mills Sangh	Member
Managing Director, UPSSCL	Member.

The CMC will monitor the services of Advisor. CMC shall be expected to report periodically directly to the CEC the progress and output of Advisor in disinvestment process.

Annexure-5

(Referred to in paragraphs 2.2 and 2.3)

Statement showing Amendment in The Utter Pradesh Sugar Undertakings (Acquisition) Act, 1971 by The Uttar Pradesh Sugar Undertakings (Acquisition) (Amendment) Act, 2009
(As passed by the Uttar Pradesh Legislature)

After Section 3 of the Utter Pradesh Sugar Undertakings (Acquisition) Act, 1971, hereinafter referred to as the Principal Act the following Section shall be inserted, namely:-

3 A. Notwithstanding anything to the contrary contained in any other provision of this Act, the State Government may, if it considers necessary or expedient in public interest, divest sell off, transfer or otherwise part with all or any off its shares in the corporation at any time.

3 B. Notwithstanding anything to the contrary contained in any other provision of this Act, the Corporation or any of its subsidiaries may, in public interest, sell or transfer any of its assets and / or liabilities or part thereof which have vested in the Corporation in accordance with the provisions of this Act, or in any other manner.

3 C. Notwithstanding anything to the contrary contained in any other law for the time being in force it shall be lawful for the State Government, if it is satisfied that in the public interest it is necessary to do so, to change the land use or to issue directions for change of land use in relation to the land belonging to the scheduled undertakings of the Corporation or in relation to land belonging to any sugar mill acquired or established by the Corporation or its subsidiaries at any time.

3 D. The Government order No. 1215S.C./ 18-2-07-56/07 DC dated June 4, 2007 and all subsequent Government orders, notifications or policy statement issued and actions taken in relation to disinvestment, privatization, sale, transfer in any form or closure of the scheduled undertaking or sugar mill of the Corporation and its subsidiaries or in relation to the Corporation itself shall stand validated.

3 E. If any difficulty arises in giving effect to the provisions of this Act, the State Government may, by notified order make provisions not inconsistent with the provisions of this act as may appear to it to be necessary or expedient for removing such difficulty.

Annexure-6
Definition of Swiss Challenge Method
(Referred to in paragraph 2.2)

Swiss Challenge Method

In order to promote transparency in competitive bidding process and facilitate price discovery of assets, Swiss Challenge Method (SCM) allows third parties to make better offers for assets during a designated period with simple objective to discourage frivolous Bidders or to avoid bidding below the Expected Price. Then accordingly, the original Bidder gets the right to counter- match ("Right to first refusal") any superior offer given by a third party.

Swiss Challenge Method (SCM) will be adopted for identifying the true realizable value of the Sugar Units, in case the Financial Bid received is below the Expected price but above 50% of the Expected Price fixed for the Unit.

If single financial bid is received in respect of any unit, even if it is above the expected price, UPSSCL may adopt SCM for discovery of realistic Value.

Swiss Challenge Method (G.O. NO. 2700/77-3-09-LC.021/2007 dated 30 July 2009)

1. In case the highest financial bid received for purchase of Unit is below the Expected Price but above 50% of the reserve/ expected price, the GoUP may apply Swiss Challenge Method (SCM). The Highest Financial Bid would continue to remain valid till the conclusion of the SCM process. The GoUP under SCM, would issue a public notice inviting challenge in the nature of fresh bid with same terms of eligibility and other relevant condition as were applicable for the original bid. The highest financial bid received shall be disclosed and a period of 30-45 days would be given for due diligence and submission of fresh bids. The fresh bids under the SCM process cannot be less than the disclosed highest financial bid received. All original bidders excluding the original highest bidder shall be eligible to submit fresh bids under the SCM process.

2. As per SCM, the original highest bidder shall have the right of first refusal to match the highest financial bid received in the fresh bidding process under the SCM. In case the right of first refusal is not exercised by the original highest bidder, the highest bidder in fresh bidding process under SCM shall have the right to award of the contract/ assignment. The original highest bidder would have to exercise the right of first refusal within a period of 15 days from the date of receipt of notice from the GoUP. In case no fresh bid is received under the SCM process, the GoUP may consider the bid of the original highest bidder even though it was lower than the reserve/ expected price.

3. In case the highest bidder in fresh bidding under SCM refuses to honour his bid, after original highest bidder has not exercised his right of first refusal, the bid security of the highest bidder in fresh bidding under SCM shall be forfeited.

Annexure-7
(Referred to in Chapter 3)

(The extract of paragraph 3.9 of the Guidelines of Department of Infrastructure Development issued on June 2007)

Valuation

The valuation of assets to be carried out by two independent, reputed valuers shall be done as per Government of India Guidelines.

Valuation Methodology

Making a valuation requires an examination of several aspects of a company's activities, such as analysing its historical performance, analysing its competitive positioning in the industry, analysing inherent strengths/weaknesses of the business and the opportunities/threats presented by the environment, forecasting operating performance, estimating the cost of capital, estimating the continuing value, calculating and interpreting results, analysing the impact of prevailing regulatory frame work, the global industry outlook, impact of technology and several other environmental factors.

Based on the recommendations of the Disinvestment Commission and in keeping with the best market practices the following four methodologies are being used for valuation of PSUs: -

a) Discounted Cash Flow (DCF) Method.
b) Balance Sheet Method.
c) Transaction Multiple Method.
d) Asset Valuation Method.

While the first three are business valuation methodologies generally used for valuation of a going concern, the last methodology would be relevant only for valuation of assets in case of liquidation of a company.

1. Discounted Cash Flow (DCF) Method

The Discounted Cash Flow (DCF) methodology expresses the present value of a business as a function of its future cash earnings capacity. This methodology works on the premise that the value of a business is measured in terms of future cash flow streams, discounted to the present time at an appropriate discount rate.

This method is used to determine the present value of a business on a going concern assumption. It recognises that money has a time value by discounting future cash flows at an appropriate discount factor. The DCF methodology depends on the projection of the future cash flows and the selection of an appropriate discount factor.

When valuing a business on a DCF basis, the objective is to determine a net present value of the free cash flows ("FCF") arising from the business over a future period of time (say 5 years), which period is called the explicit forecast period. Free cash flows are defined to include all inflows and outflows associated with the project prior to debt service, such as taxes, amount invested in working capital and capital expenditure. Under the DCF methodology, value must be placed both on the explicit cash flows as stated above, and the ongoing cash flows a company will generate after the explicit forecast period. The latter value, also known as terminal value, is also to be estimated.

2 Balance Sheet Method

The Balance sheet or the Net Asset Value (NAV) methodology values a business on the basis of the value of its underlying assets. This is relevant where the value of the business is fairly represented by its underlying assets. The NAV method is normally used to determine the minimum price a seller would be willing to accept and, thus serves to establish the floor for the value of the business. This method is pertinent where:

- The value of intangibles is not significant;
- The business has been recently set up.

This method takes into account the net value of the assets of a business or the capital employed as represented in the financial statements. Hence, this method takes into account the amount that is historically spent and earned from the business. This method does not, however, consider the earnings potential of the assets and is, therefore, seldom used for valuing a going concern.

3. Market Multiple Method

This method takes into account the traded or transaction value of comparable companies in the industry and benchmarks it against certain parameters, like earnings, sales, etc. Two of such commonly used parameters are:

- Earnings before Interest, Taxes, Depreciation & Amortisations (EBITDA).
- Sales

Although the Market Multiples method captures most value elements of a business, it is based on the past/current transaction or traded values and does not reflect the possible changes in future of the trend of cash flows being generated by a business, neither takes into account the time value of money adequately.

4 Asset Valuation Methodology

The asset valuation methodology essentially estimates the cost of replacing the tangible assets of the business. The replacement cost takes into account the market value of various assets or the expenditure required to create the infrastructure exactly similar to that of a company being valued. Since the replacement methodology assumes the value of business as if we were setting a new business, this methodology may not be relevant in a going concern. Instead it will be more realistic if asset valuation is done on the basis of the new book value of the assets. The asset valuation is a good indicator of the entry barrier that exists in a business. Alternatively, this methodology can also assume the amount which can be realized by liquidating the business by selling off all the tangible assets of a company and paying off the liabilities.

Annexure-8

Statement showing valuation of sugar mills made by K R Bedmutha and S R Batliboi

(Referred to in paragraph 3.2)

(₹ in crore)

Valuation of sugar mills by K R Bedmutha				Valuation of sugar mills by S R Batliboi					Total Enterprise Value (Average of two valuers)	Net Current Assets as on 31.03.2010	Less Adjust-ments	Enterp-rise Value
Name of mill	Method of Valuation and Weightage		Enterprise Value*	Method of Valuation and Weightage				Recommended Enterprise Value**				
	DCF	Asset Valuation		DCF	Balance Sheet	Market Multiple	Asset Valuation					
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10=(4+9)/2**	**11**	**12**	**13= (10+11-12)**
Amroha	5.56	50.38	41.42	18.39	15.80	41.70	39.92	30.97	36.20	7.80	***9.24***	34.76
Bijnore	108.84	163.21	152.34	101.99	58.93	7.14	143.98	104.89	128.62	63.71	***10.25***	182.08
Bulandsahar	26.13	196.73	162.61	29.96	37.18	40.23	185.07	109.99	136.30	16.23	***8.53***	144.00
Chandpur	67.20	57.58	59.5	69.80	41.55	1.51	32.40	38.62	49.06	37.32	***10.22***	76.16
Jarwal Road	-15.74	22.83	22.83	-11.14	22.97	31.74	28.45	27.46	25.15	24.00	***10.04***	39.11
Khadda	-2.46	25.42	25.42	4.07	20.87	14.26	26.79	19.81	22.62	17.88	***9.74***	30.76
Rohankalan	-16.84	58.06	58.06	-9.92	23.72	19.87	43.64	32.91	45.49	19.86	***12.05***	53.30
Saharanpur	-0.62	355.05	355.05	10.51	35.37	31.55	285.78	155.22	255.14	9.82	***12.47***	252.49
Sakoti Tanda	30.24	57.27	51.86	35.13	27.55	17.92	54.56	41.61	46.74	12.58	***6.69***	52.63
Siswa Bazar	8.97	63.00	52.19	8.49	36.69	27.03	62.96	43.22	47.71	22.74	***10.90***	59.55
Total	**246.94•**	**1049.53**	**981.28**	**278.34♥**	**320.63**	**232.95**	**903.55**	**604.70**	**793.03**	**231.94**	**100.13**	**924.84**

* KRB has adopted 20 and 80 *per cent* to DCF valuation and asset valuation if DCF valuation is positive. In case the DCF valuation is negative, 100 *per cent* of asset valuation.

** SRB has adopted 50, 20 , 20 and 10 *per cent* of Asset valuation, DCF, Balance Sheet and Market Multiple Valuation respectively, if DCF valuation is positive. In case of DCF valuation is negative, 30 and 20 *per cent* of Balance sheet method and Market Multiple valuation have been adopted.

• This includes valuation in respect of six sugar mills only as Jarwal Road, Khadda , Rohan Kalan and Saharanpur mills had negative DCF value

♥ This includes valuation in respect of eight sugar mills only as Jarwal Road and Rohan Kalan mills had negative DCF value.

Annexure-9

Statement showing valuation of 10 sugar mills and base of expected price as recommended by Advisor on 20 August 2009 (11.00 AM)
(Referred to in paragraph 3. 2)

(₹ in crore)

Name of mill	Land Valuation					DCF			Land (two-third) and DCF (One-third)	Building	Plant and Machinery valued as scrap	Total	Net Current Assets as on 31 March 2009	Total	Total Adjustment as on 31 March 2009	Expected Price
	KRB	SRB	Average	D* F	Value	KRB♠	SRB♥	Average								
1	2 a	2 b	3= 2 (a+b)/2	4	5a	6 a	6 b	7= 6 (a+b) /2	8	9	10	11=(8+9+10)	12	13=(11+12)	*14*	15=(13-14)
Amroha	19.76	15.52	17.64	14	15.11	5.56	18.39	11.97	14.06	17.10	3.77	**34.92**	13.04	**47.96**	***9.24***	**38.72**
Bijnore	138.29	127.69	132.99	3	128.60	108.84	101.99	105.41	120.87	9.57	4.05	**134.48**	60.01	**194.49**	***10.25***	**184.24**
Bulandsahar	164.38	147.22	155.80	30	108.49	26.13	29.96	28.05	81.67	12.46	4.01	**98.14**	26.44	**124.58**	***8.53***	**116.05**
Chandpur	31.54	9.31	20.43		20.43	67.20	69.80	68.50	36.45	12.83	3.55	**52.83**	39.13	**91.96**	***10.22***	**81.74**
Jarwal Road	2.15	5.39	3.77		3.77	-15.74	-11.14	0.00	2.51	9.17	3.39	**15.06**	22.26	**37.32**	***10.04***	**27.28**
Khadda	5.54	11.57	8.56		8.56	-2.46	4.07	0.81	5.97	8.55	2.21	**16.73**	22.94	**39.67**	***9.74***	**29.93**
Rohankalan	23.09	26.68	24.88		24.88	-16.84	-9.92	0.00	16.59	19.60	1.75	**37.93**	22.27	**60.20**	***12.05***	**48.15**
Saharanpur	309.22	258.06	283.64	13	247.87	-0.62	10.51	4.95	166.89	22.70	4.22	**193.81**	31.94	**225.75**	***12.47***	**213.28**
Sakotitanda	26.33	34.57	30.45		30.45	30.24	35.13	32.68	31.19	18.54	2.36	**52.09**	28.39	**80.48**	***6.69***	**73.79**
Siswa Bazar	40.98	42.09	41.53		41.53	8.97	8.49	8.73	30.55	9.37	3.57	**43.49**	38.67	**82.16**	***10.90***	**71.26**
Total	**761.28**	**678.10**	**719.69**		**629.69**	**246.94****	**278.34****	**261.10**	**506.75**	**139.89**	**32.88**	**679.48♣**	**305.09**	**984.57♣**	**100.13**	**884.44♣**

*Discounting Factor in *per-centage.*

** It does not include negative value of DCF.

♠ This includes valuation in respect of six sugar mills only as Jarwal Road, Khadda , Rohan Kalan and Saharanpur mills had negative DCF value.

♥ This includes valuation in respect of eight sugar mills only as Jarwal Road and Rohan Kalan mills had negative DCF value.

♣ The actual total of column no.11,13 and 15 comes to ₹ 679.52 crore , ₹ 984.61 crore and ₹ 884.48 crore respectively. The difference was due to rounding off of the figures. Further it is stated that figures mentioned in respect of each mill in column no 11,13 and 15 was taken by the Advisor in its recommendations. We took the figures adopted by the Advisor in its recommendation.

Annexure-10

Statement showing valuation of 10 sugar mills and base of expected price as recommended by CGDas on 20 August 2009 (6.30 PM)
(Referred to in paragraph 3.2)

(₹ in crore)

Name of mill	Land Valuation				Discoun-ted land Value	Average building Value	Sum of value of land & Building	75 *per cent* value of land & Building	DCF valuation			Weighted average DCF-(two-third) Land and building-(One-third)	Plant and Machi nary valued as scrap	Total Fixed Assets	Net Current Assets 30 June 2009	less other adjust-Ment	Final expected Price
	KRB	SRB	Average	DF#					KRB♠	SRB♥	Average DCF•						
1	2	3	4= (2+3)/ 2	5	6	7	8= (6+7)	9= 75 % of 8	10	11	12= (10+11) /2	13	14	15= (13+14)	16	17	18= (15+16-17)
Amroha	19.76	15.52	17.64	14	15.11	17.10	32.21	24.15	5.56	18.39	11.97	16.03	3.77	19.80	7.99	9.24	**18.55**
Bijnore	138.29	127.69	132.99	3	128.60	9.57	138.17	103.62	108.84	101.99	105.41	104.82	4.05	108.87	43.28	10.25	**141.89**
Bulandsahar	164.38	147.22	155.80	30	108.49	12.46	120.95	90.71	26.13	29.96	28.05	48.93	4.01	52.94	20.90	8.53	**65.32**
Chandpur	31.54	9.31	20.43		20.43	12.83	33.26	24.94	67.20	69.80	68.50	53.98	3.55	57.53	31.13	10.21	**78.45**
Jarwal Road	2.15	5.39	3.77		3.77	9.17	12.94	9.70	-15.74	-11.14	0.00	9.70	3.39	13.08	8.73	10.04	**11.78**
Khadda	5.54	11.57	8.56		8.56	8.55	17.11	12.83	-2.46	4.07	0.00*	12.83	2.21	15.04	19.95	9.74	**25.25**
Rohankalan	23.09	26.68	24.88		24.88	19.60	44.48	33.36	-16.84	-9.92	0.00	33.36	1.75	35.11	18.98	12.05	**42.04**
Saharanpur	309.22	258.06	283.64	13	247.87	22.70	270.57	202.92	-0.62	10.51	4.95	70.94	4.22	75.15	23.04	12.47	**85.73**
Sakotitanda	26.33	34.57	30.45		30.45	18.54	48.99	36.74	30.24	35.13	32.68	34.04	2.36	36.40	18.07	6.69	**47.77**
Siswa Bazar	40.98	42.09	41.53		41.53	9.37	50.90	38.13	8.97	8.49	8.73	18.53	3.57	22.10	34.65	10.90	**45.85**
Total	**761.28**	**678.10**	**719.69**		**629.69**	**139.89**	**769.58**	**577.10♣**	**246.94****	**278.34****	**260.29**	**403.16**	**32.88**	**436.02**	**226.72**	**100.12**	**562.63**

\# Discounting factor in *per-centage*
* Khadda –DCF valuation (average of both valuer) was 0.81 but advisor considered it as zero.
** It does not include negative value of DCF.

♠ This includes valuation in respect of six sugar mills only as Jarwal Road, Khadda , Rohan Kalan and Saharanpur mills had negative DCF value.

♥ This includes valuation in respect of eight sugar mills only as Jarwal Road and Rohan Kalan mills had negative DCF value.

• This includes valuation in respect of seven sugar mills only as Jarwal Road Khadda and Rohan Kalan mills had negative DCF value as considered by Advisor.

♣ The actual total of column no.9,13 ,15 and 18 comes to ₹ 577.10 crore , ₹ 403.16. crore , ₹ 436.02 crore and ₹ 562.63 crore respectively. The difference was due to rounding off the figures. Further it is stated that figures mentioned in column no 9, 13,15 and 18 was taken by the Advisor in its recommendations. We took the figures adopted by the Advisor in its recommendation.

Annexure-11

Statement showing valuation of 1 sugar mills and base of expected price as recommended by CGD as on 8 May 2010

(Referred to in paragraphs 3.2, 3.3, 3.3.2 and 3.7.2)

(₹ in crore)

Name of mill	Land Valuation				Discoun-ted land Value	Average building Value	Sum of value of land & Building	75 *per cent* value of land & Building	DCF valuation			Weighted average DCF-(two-third) Land and building-(One-third)	Plant and Machi nary valued as scrap	Total Fixed Assets	Net Current Assets 31 March 2010	Less other adjust-ment as on 31 March 2010	Final expected Price
	KRB	SRB	Average	DF#					KRB♠	SRB♥	Average DCF•						
1	2	3	4= (2+3)/ 2	5	6	7	8= (6+7)	9= 75 % of 8	10	11	12= (10+11) /2	13	14	15= (13+14)	16	17	18= (15+16-17)
Amroha	19.76	15.52	17.64	14	15.11	17.10	32.21	24.15	5.56	18.39	11.97	16.03	3.77	19.80	7.80	10.90	16.70
Bijnore	138.29	127.69	132.99	3	128.60	9.57	138.17	103.62	108.84	101.99	105.41	104.82	4.05	108.87	63.71	10.72	161.85
Bulandsahar	164.38	147.22	155.80	30	108.49	12.46	120.95	90.71	26.13	29.96	28.05	48.93	4.01	52.94	16.23	10.36	58.80
Chandpur	31.54	9.31	20.43		20.43	12.83	33.26	24.94	67.20	69.80	68.50	53.98	3.55	57.53	37.32	11.50	83.35
Jarwal Road	2.15	5.39	3.77		3.77	9.17	12.94	9.70	-15.74	-11.14	0.00	9.70	3.39	13.08	24.00	11.41	25.67
Khadda	5.54	11.57	8.56		8.56	8.55	17.11	12.83	-2.46	4.07	0.00*	12.83	2.21	15.04	17.88	12.85	20.07
Rohankalan	23.09	26.68	24.88		24.88	19.60	44.48	33.36	-16.84	-9.92	0.00	33.36	1.75	35.11	19.86	13.97	41.00
Saharanpur	309.22	258.06	283.64	13	247.87	22.70	270.57	202.92	-0.62	10.51	4.95	70.94	4.22	75.15	9.82	14.07	70.90
Sakotitanda	26.33	34.57	30.45		30.45	18.54	48.99	36.74	30.24	35.13	32.68	34.04	2.36	36.40	12.58	7.88	41.10
Siswa Bazar	40.98	42.09	41.53		41.53	9.37	50.90	38.13	8.97	8.49	8.73	18.53	3.57	22.10	22.74	12.29	32.55
Total	**761.28**	**678.10**	**719.69**		**629.69**	**139.89**	**769.58**	**577.10♣**	**246.94****	**278.34****	**260.29**	**403.16**	**32.88**	**436.02**	**231.94**	**115.95**	**551.99**

Discounting factor in *per-centage*

* Khadda –DCF valuation (average of both valuer) was 0.81 but advisor considered it as zero.

** It does not include negative value of DCF.

♠ This includes valuation in respect of six sugar mills only as Jarwal Road, Khadda , Rohan Kalan and Saharanpur mills had negative DCF value.

♥ This includes valuation in respect of eight sugar mills only as Jarwal Road and Rohan Kalan mills had negative DCF value.

• This includes valuation in respect of seven sugar mills only as Jarwal Road Khadda and Rohan Kalan mills had negative DCF value as considered by Advisor.

♣ The actual total of column no.9,13 ,15 and 18 comes to ₹ 577.10 crore , ₹ 403.16. crore , ₹ 436.02 crore and ₹ 551.99 crore respectively. The difference was due to rounding off the figures. Further it is stated that figures mentioned in column no 9, 13,15 and 18 was taken by the Advisor in its recommendations. We took the figures adopted by the Advisor in its recommendation.

Annexure-12

Statement showing impact of change in the ratio from land (two-third) and DCF (one-third) to Land and building (one third) to DCF (two-third)

(Referred to in paragraph 3.3.3)

(₹ in crore)

Name of mill	Valuation as per Annexure -9							Valuation as per Annexure -11						
	Land Value Average	D F*	Discounted Land Value	DCF Average	Weight Land – (two-thirds of column 4) and DCF – (One-third of column 5)	Building	Total of Weight of land and DCF plus building	Discoun-ted land value	Building	Total value of land and Building	75 *per cent* of total value of land & building	DCF Average	Weighted average DCF-(two-third of column no 13) Land and building-(One-third of column no 12)	Difference Due to change in criteria in land, building and DCF
1	2	3	4	5	6	7	8=(6+7)	9	10	11=(9+10)	12	13	14	15=(8-14)
Amroha	17.64	14	15.11	11.97	14.06	17.10	31.16	15.11	17.10	32.21	24.15	11.97	16.03	
Bijnore	132.99	3	128.60	105.41	120.87	9.57	130.44	128.60	9.57	138.17	103.62	105.41	104.82	
Bulandsahar	155.80	30	108.49	28.05	81.67	12.46	94.13	108.49	12.46	120.95	90.71	28.05	48.93	
Chandpur	20.43		20.43	68.50	36.45	12.83	49.28	20.43	12.83	33.26	24.94	68.50	53.98	
Jarwal Road	3.77		3.77	0.00	2.51	9.17	11.68	3.77	9.17	12.94	9.70	0.00	9.70	
Khadda	8.56		8.56	0.81	5.97	8.55	14.52	8.56	8.55	17.11	12.83	0.00#	12.83	
Rohankalan	24.88		24.88	0.00	16.59	19.60	36.19	24.88	19.60	44.48	33.36	0.00	33.36	
Saharanpur	283.64	13	247.87	4.95	166.89	22.70	189.59	247.87	22.70	270.57	202.92	4.95	70.94	
Sakotitanda	30.45		30.45	32.68	31.19	18.54	49.73	30.45	18.54	48.99	36.74	32.68	34.04	
Siswa Bazar	41.53		41.53	8.73	30.55	9.37	39.92	41.53	9.37	50.90	38.13	8.73	18.53	
Total	**719.69**		**629.69**	**261.1**	**506.75**	**139.89**	**646.64**	**629.69**	**139.89**	**769.58**	**577.10**♣	**260.29**	**403.16**	**243.48**

In case of khadda mill, DCF valuation (average of both valuer) was 0.81 but advisor considered it as zero.
* Discounting factor in *per centage*

♣ The actual total of column no 12 comes to ₹ 577.10 crore . The difference was due to rounding off the figures. Further it is stated that figures mentioned in column no 12 was taken by the Advisor in its recommendations. We took the figures adopted by the Advisor in its recommendation.

Annexure-13
Statement showing scrap value of plant and machinery as considered by Advisor
(Referred to in paragraph 3.4)

UPSSCL

Name of mill	District	Mill Capacity (in TCD)	Plant and Machinery as Scrap value (₹ in crore)	Average net realizable market value of Plant and Machinery as initially assigned by Valuers (₹ in crore)
Amroha	J.P.Nagar	3000	3.77	10.28
Bijnore	Bijnore	2500	4.05	10.86
Bulandsahar	Bulandsahar	2500	4.01	22.43
Chandpur	Bijnor	2500	3.55	11.65
Jarwal Road	Baharaich	2500	3.39	12.58
Khadda	Kushinagar	1600	2.21	8.84
Rohankalan	Muzaffarnagar	1300	1.75	6.22
Saharanpur	Saharanpur	2500	4.22	13.35
Sakotitanda	Meerut	1800	2.36	6.85
Siswa Bazar	Maharajganj	2500	3.57	11.90
Total		**22700**	**32.88**	**114.96**

UPRCGVNL

Name of mill	District	Year of Establishment Of factory	Year of acquisition	Factory closed since	Mill Capacity (in TCD)	Plant and Machinery as Scrap value (₹ in crore)		
						R B Shah	T M I	Average
1	2	3	4	5	6	7	8	9= (7+8)/ 2
Baitalpur	Deoria	1933	1989	14-05-2008	914	4.22	3.08	3.65
Barabanki	Barabanki	1945	1971	08-09-1998	1000	3.95	2.91	3.43
Bareilly	Bareilly	1932	1984	08-09-1998	1016	4.00	3.08	3.54
Bhatni	Deoria	1921	1971	14-05-2008	1016	4.24	3.08	3.66
Chhitauni	Kushinagar	1934	1984	12-11-1999	800	3.55	2.82	3.19
Deoria	Deoria	1937	1989	14-05-2008	965	4.07	3.08	3.57
Ghooghli	Marajganj	1926	1984	12-11-1999	982	4.55	2.91	3.73
Hardoi	Hardoi	1935	1984	1999	1829	7.40	3.42	5.41
Laxmiganj	Kushinagar	1928	1971/1979	14-05-2008	900	4.80	3.08	3.94
Ramkola	Kushinagar	1932	1971/1979	14-05-2008	792	3.76	3.08	3.42
Shahganj	Jaunpur	1932	1989	14-05-2008	1016	3.90	3.08	3.49
Total					**11230**	**48.44**	**33.62**	**41.03**

Annexure-14
Statement showing operating status of the sugar mills as shown in RFP updated as on 8 May 2010
(Referred to in paragraph 3.4)

Name of mill	**Parameter**	**Units SS***	**SS 2006**	**SS 2007**	**SS 2008**	**SS 2009**	**SS 2010**
Amroha	Installed capacity	TCD	3,000	3,000	3,000	3,000	3,000
	Capacity Utilization	%	61.92	76.32	72.60	44.35	27.84
	Number of Working Days	days	97	201	129	70	28
Bijnore	Installed capacity	TCD	2500	2500	2500	2500	2500
	Capacity Utilization	%	93.08	88.98	87.31	100.70	104.77
	Number of Working Days	days	147	207	170	130	127
Bulandsahar	Installed capacity	TCD	2500	2500	2500	2500	2500
	Capacity Utilization	%	80.10	83.66	86.43	66.21	53.36
	Number of Working Days	days	105	177	132	80	47
Chandpur	Installed capacity	TCD	2500	2500	2500	2500	2500
	Capacity Utilization	%	80.44	87.60	87.16	76.01	70.62
	Number of Working Days	days	121	207	162	112	141
Jarwal Road	Installed capacity	TCD	2500	2500	2500	2500	2500
	Capacity Utilization	%	81.45	69.02	76.59	49.57	70.68
	Number of Working Days	days	138	219	96	63	62
Khadda	Installed capacity	TCD	1600	1600	1600	1600	1600
	Capacity Utilization	%	97.19	86.07	90.36	83.23	91.13
	Number of Working Days	days	132	176	138	83	57
Rohankalan	Installed capacity	TCD	1300	1300	1300	1300	1300
	Capacity Utilization	%	94.56	104.43	103.59	94.23	70.96
	Number of Working Days	days	86	178	155	96	34
Saharanpur	Installed capacity	TCD	2500	2500	2500	2500	2500
	Capacity Utilization	%	76.58	95.70	91.39	59.87	37.39
	Number of Working Days	days	153	184	139	69	31
Sakoti Tanda	Installed capacity	TCD	1800	1800	1800	1800	1800
	Capacity Utilization	%	74.35	83.02	79.82	80.96	69.46
	Number of Working Days	days	132	178	155	105	70
Siswa Bazar	Installed capacity	TCD	2500	2500	2500	2500	2500
	Capacity Utilization	%	91.21	84.31	80.01	66.16	66.02
	Number of Working Days	days	121	164	133	74	49

***SS means Sugar Season**

Annexure-15

Statement showing financial status of the sugar mills as shown in RFP updated as on 8 May 2010

(Referred to in paragraph 3.4)

(₹ in crore)

Name of mill	Particulars	2006-07	2007-08	2008-09	2009-10 (Provisional)
Amroha	Total Income	71.58	88.55	58.98	23.58
	Total Expenditure	78.91	100.48	66.55	26.12
	PBDIT	(7.33)	(11.93)	(7.57)	(2.54)
	Depreciation	0.18	0.18	0.19	0.17
	Interest	1.08	2.34	1.21	0.17
	Net Profit/(Loss)	**(8.59)**	**(14.45)**	**(8.97)**	**(2.88)**
Bijnore	Total Income	105.18	104.11	125.06	170.07
	Total Expenditure	101.75	106.75	121.91	151.67
	PBDIT	3.43	(2.64)	3.15	18.40
	Depreciation	0.41	0.28	0.29	0.37
	Interest	0.85	2.15	2.81	1.27
	Net Profit/(Loss)	**2.17**	**(5.07)**	**0.05**	**16.76**
Bulandsahar	Total Income	71.86	79.09	95.15	49.45
	Total Expenditure	79.38	88.65	68.13	47.76
	PBDIT	(7.52)	(9.56)	27.02	1.69
	Depreciation	1.44	1.26	1.08	0.89
	Interest	2.44	3.32	1.74	0.41
	Net Profit/(Loss)	**(11.40)**	**(14.14)**	**24.20**	**0.39**
Chandpur	Total Income	97.93	98.00	101.58	107.85
	Total Expenditure	99.60	107.71	97.87	100.75
	PBDIT	(1.67)	(9.71)	3.71	7.10
	Depreciation	0.55	0.46	0.40	0.34
	Interest	1.32	2.79	2.61	0.56
	Net Profit/(Loss)	**(3.54)**	**(12.96)**	**0.70**	**6.20**
Jarwal Road	Total Income	90.00	65.61	69.42	47.34
	Total Expenditure	95.99	82.87	52.44	53.71
	PBDIT	(5.99)	(17.26)	16.98	(6.37)
	Depreciation	0.59	0.52	0.44	0.38
	Interest	2.44	2.57	1.26	0.60
	Net Profit/(Loss)	**(9.02)**	**(20.35)**	**15.28**	**(7.35)**
Khadda	Total Income	56.22	52.37	55.20	52.29
	Total Expenditure	63.02	63.46	55.60	49.20
	PBDIT	(6.80)	(11.09)	(0.40)	3.09
	Depreciation	0.33	0.29	0.25	0.24
	Interest	1.15	1.35	1.43	0.63
	Net Profit/(Loss)	**(8.28)**	**(12.73)**	**(2.08)**	**2.22**
Rohankalan	Total Income	36.35	50.10	45.39	30.07
	Total Expenditure	44.39	58.41	52.29	33.74
	PBDIT	(8.04)	(8.31)	(6.90)	(3.67)
	Depreciation	0.13	0.23	0.06	0.05
	Interest	0.48	1.11	0.85	0.35
	Net Profit/(Loss)	**(8.65)**	**(9.65)**	**(7.81)**	**(4.07)**
Saharanpur	Total Income	85.41	96.68	92.91	43.55
	Total Expenditure	93.82	109.63	72.03	45.59
	PBDIT	(8.41)	(12.95)	20.88	(2.04)
	Depreciation	0.62	0.54	0.48	0.42
	Interest	2.21	3.10	1.95	0.34
	Net Profit/(Loss)	**(11.24)**	**(16.59)**	**18.45**	**(2.80)**
Sakoti Tanda	Total Income	46.20	57.94	62.48	58.37
	Total Expenditure	52.40	62.99	64.74	58.11
	PBDIT	(6.20)	(5.05)	(2.26)	0.26
	Depreciation	0.24	0.20	0.17	0.18
	Interest	0.66	1.14	1.28	0.43
	Net Profit/(Loss)	**(7.10)**	**(6.39)**	**(3.71)**	**(0.35)**
Siswa Bazar	Total Income	82.15	74.69	106.05	67.57
	Total Expenditure	89.11	88.69	75.46	62.05
	PBDIT	(6.96)	(14.00)	30.59	5.52
	Depreciation	0.34	0.29	0.27	0.23
	Interest	2.91	3.69	2.14	0.54
	Net Profit/(Loss)	**(10.21)**	**(17.98)**	**28.18**	**4.75**

PBDIT means Profit before depreciation, interest and taxes.

Annexure-16

Statement showing valuation of Land by the Valuers which shows huge variation in market value and circle value

(Referred to in paragraphs 3.6, 3.7.2 and 3.7.3)

(₹ in crore)

Name of mill	Valuation of land on market rate by Valuers in first phase of disinvestment process (2007-08)			Valuation of land on market rate by Valuers - (2009-10)			Valuation of land on circle rate basis by the Valuers - (2009-10)		
	First valuer	Second valuer	Average	RB shah, valuer	TMI, valuer	Average	RB shah , valuer	TMI, valuer	Average
1	2	3	4=(2+3)/2	5	6	7=(5+6)/2	8	9	10=(8+9)/2
Baitalpur	10.17	24.91	17.54	23.83	28.50	26.17	104.08	76.85	90.46
Barabanki	20.97	34.63	27.80	21.25	24.68	22.97	43.10	43.10	43.10
Bareilly	56.61	95.79	76.20	26.50	28.37	27.43	26.27	95.54	60.90
Bhatni	23.18	5.98	14.58	5.27	7.49	6.38	66.59	19.42	43.01
Chittauni	3.37	2.14	2.76	1.53	1.24	1.38	2.26	2.29	2.28
Deoria	22.70	29.95	26.32	25.99	28.67	27.33	318.53	66.36	192.44
Ghughli	16.96	6.97	11.96	2.93	4.20	3.56	74.63	4.66	39.65
Hardoi	72.95	31.11	52.03	9.83	12.25	11.04	19.13	50.06	34.60
Laxmiganj	23.85	3.53	13.69	2.39	2.15	2.27	2.81	2.38	2.60
Ramkola	3.49	8.24	5.87	5.71	5.39	5.55	26.74	6.45	16.59
Shahganj	25.80	37.93	31.87	16.67	19.59	18.13	117.92	59.51	88.71
Total	**280.05**	**281.18**	**280.62**	**141.90**	**162.53**	**152.21**	**802.06**	**426.62**	**614.34**

Annexure-17

Statement showing fixation of Expected Price in Uttar Pradesh Rajya Chini Evam Ganna Vikas Nigam Limited

(Referred to in paragraphs 3.7, 3.8 and 3.8.1)

(₹ in crore)

Sl	Name of the Sugar Mill	Average valuation of Land	Average valuation of Building	Average valuation of Plant and Machinery	Average of other fixed assets	Net current assets	Total Assets Value	Less adjustment	Net value after adjustment	Discount- 5 per cent for TDC such as stamp duty, Registration charges etc.	Net value After discount	Additional Discount @ 10 per cent	Expected Price	Bid Price	Name of the Bidder
1	**2**	**3**	**4**	**5**	**6**	**7**	**8=(3+4+5 +6+7)**	**9**	**10= (8-9)**	**11**	**12= (10-11)**	**13**	**14= (12-13)**	**15**	**16**
1	Baitalpur	26.17	0.87	3.65	0.03	0.22	30.93	0.76	30.17	1.51	28.67	2.87	**25.80**	**13.16**	Neelgiri Foods Private Limited
2	Barabanki	22.97	1.36	3.43	0.12	0.11	28.05	0.81	27.24	1.36	25.88	2.59	**23.29**	**12.51**	Giriasho Company Private Limited
3	Bareilly	27.43	1.68	3.54	0.05	0.08	32.81	0.64	32.17	1.61	30.56	3.06	**27.50**	**14.11**	Namrata Marketing Private Limited
4	Bhatni	6.38	1.05	3.66	0.05	0.54	11.70	1.18	10.52	0.53	10.00	1.00	**9.00**	**4.75**	Trikal Foods & Agro Products Pvt. Ltd.
5	Chhitauni	1.38	1.27	3.19	0.05	0.10	6.01	0.55	5.46	0.27	5.18	0.52	**4.67**	**3.60**	Giriasho Company Private Limited
6	Deoria	27.33	1.02	3.57	0.05	0.29	32.29	0.88	31.41	1.57	29.84	2.98	**26.86**	**13.91**	Namrata Marketing Private Limited
7	Ghooghli	3.56	1.31	3.73	0.05	0.20	8.88	0.76	8.12	0.41	7.71	0.77	**6.94**	**3.71**	S R Buildcon Private Limited
8	Hardoi	11.04	3.33	5.41	0.05	0.13	19.98	1.12	18.86	0.94	17.91	1.79	**16.12**	**8.20**	Namrata Marketing Private Limited
9	Laxmiganj	2.27	1.71	3.94	0.05	0.34	8.33	0.76	7.57	0.38	7.19	0.72	**6.47**	**3.40**	Namrata Marketing Private Limited
10	Ramkola	5.55	1.12	3.42	0.04	0.09	10.24	0.93	9.31	0.47	8.84	0.88	**7.96**	**4.55**	Giriasho Company Private Limited
11	Shahganj	18.13	1.24	3.49	0.05	0.05	22.98	0.73	22.25	1.11	21.14	2.11	**19.02**	**9.75**	Wave Industries Private Limited
	Total	**152.21**	**15.96**	**41.03**	**0.59**	**2.15**	**212.20***	**9.12**	**203.08**	**10.16**	**192.92**	**19.29**	**173.63**	**91.65**	

* The actual total of column no. 8 comes to ₹ 212.20 crore however total of column (3+4+5+6+7=8) comes to ₹ 211.94 crore.

Annexure-18
Statement showing percentage of final Bid Price accepted against the revised Expected Price
(Referred to in paragraphs 4.1.1 and 5.1)

(₹ in crore)

Name of sugar mills	Expected Price	Revised Expected Price	Final Bid Price accepted	Percentage of final Bid Price accepted to revised Expected Price	Name of the Purchaser	Bidders status
1	2	3	4	5=(4/3)X100	6	7
Amroha	18.55	16.70	17.01	101.86	Wave Industries Private Limited	Original
Bijnore	141.89	161.85	101.25	62.56	Wave Industries Private Limited	SCM[1]
Bulandsahar	65.32	58.80	29.75	50.60	Wave Industries Private Limited	SCM
Chandpur	78.45	83.35	90.00	107.98	PBS Foods Private Limited	Original
Jarwal Road	11.78	25.67	26.95	104.99	Indian Potash Limited	Original
Khadda	25.25	20.07	22.05	109.87	Indian Potash Limited	SCM
Rohankalan	42.04	41.00	50.40	122.93	Indian Potash Limited	SCM
Saharanpur	85.73	70.90	35.85	50.56	Wave Industries Private Limited	SCM
Sakoti Tanda	47.77	41.10	43.15	104.99	Indian Potash Limited	SCM
Siswa Bazar	45.85	32.55	34.38	105.62	Indian Potash Limited	Original
Total	**562.63**	**551.99**	**450.79**	**81.67**		

[1] SCM – Swiss Challenge Method - (Annexure-6)

Annexure-19
Statement showing *percentage* of final Bid Price accepted against the Expected Price
(Referred to in paragraph 4.1.2)

(₹ in crore)

Name of sugar mills	District	Total Asset Value as per Valuers	Total Asset Value as per valuers (including NCA)	Expected Price fixed by CGD	Final Bid Price accepted	Percentage of final Bid Price accepted to Expected Price	Name of the Purchaser	Bidders status
1	2	3	4	5	6	7= (6 / 5) x 100	8	9
Baitalpur	Deoria	30.72	30.93	**25.80**	**13.16**	51.01	Nilgiri Food Products Private Limited	SCM
Barabanki	Barabanki	27.93	28.05	**23.29**	**12.51**	53.71	Giriasho Company Private Limited	SCM
Bareilly	Barreilly	32.73	32.81	**27.50**	**14.11**	51.31	Namrata Marketing Private Limited	SCM
Bhatni	Deoria	11.16	11.70	**9.00**	**4.75**	52.78	Trikal Foods and Agro Products Private Limited	SCM
Chhitauni	Kushinagar	5.90	6.01	**4.67**	**3.60**	77.09	Giriasho Company Private Limited	SCM
Deoria	Deoria	32.00	32.29	**26.86**	**13.91**	51.79	Namrata Marketing Private Limited	SCM
Ghooghli	Maharajganj	8.68	8.88	**6.94**	**3.71**	53.46	S R Buildcon Private Limited	SCM
Hardoi	Hardoi	19.85	19.98	**16.12**	**8.20**	50.87	Namrata Marketing Private Limited	SCM
Laxmiganj	Kushinagar	7.99	8.33	**6.47**	**3.40**	52.55	Namrata Marketing Private Limited	SCM
Ramkola	Kushinagar	10.15	10.24	**7.96**	**4.55**	57.16	Giriasho Company Private Limited	SCM
Shahganj	Jaunpur	22.93	22.98	**19.02**	**9.75**	51.26	Wave Industries Private Limited	SCM
Total		**210.04**	**212.20**	**173.63**	**91.65**	**52.78**		

Annexure-20

Statement showing percentage of Bid Price against the Expected Price in case of Original Bidding and SCM (Referred to in paragraphs 5.3 and 5.7)

(Amount: ₹ in crore)

Sugar mill	Expected Price	Bid security	Original Bidder	Original Bid Price quoted	*Per centage* of Original Bid Price to Expected Price	Challenger Bidder	Challenger Bid Price quoted and Bid Price (Approved)	Difference between Original Bid Price and Challenger Bid Price	*Per centage* of Challenger Bid Price to Expected Price	Remarks
1	2	3	4	5	6=(5/2)x100	7	8	9=(8-5)	10=(8/2)X100	11
Baitalpur	25.80	2.58	Nilgiri Food Products Private Limited	12.96	50.23	IB Trading Private Limited	13.16	0.20	51.01	Nilgiri matched the challenger bid
Barabanki	23.29	2.33	Nilgiri Food Products Private Limited	12.00	51.52	Giriasho company Private Limited	12.51	0.51	53.71	Nilgiri withdrew its bid resulted forfeiture of bid security ₹ 2.33 crore
Bareilly	27.50	2.75	Wave Industries Private Limited	13.78	50.11	Namrata Marketing Private Limited	14.11	0.33	51.31	Wave Industries withdrew its bid resulted forfeiture of bid security ₹ 2.75
Bhatni	9.00	1.00	Trikal Foods and Agro Products Private Limited	4.55	50.56	Shri Radhey intermediaries	4.75	0.20	52.78	Trikal matched the challenger bid
Chittauni	4.67	1.00	Trikal Foods and Agro Products Private Limited	3.00	64.24	Giriasho Company Private Limited	3.60	0.60	77.09	Trikal withdrew its bid resulted forfeiture of bid security ₹ 1.00 crore
Deoria	26.86	2.69	Nilgiri Food Products Private Limited	13.50	50.26	Namrata Marketing Private Limited	13.91	0.41	51.79	Nilgiri withdrew its bid resulted forfeiture of bid security ₹ 2.69 crore
Ghughli	6.94	1.00	Trikal Foods and Agro Products Private Limited	3.51	50.58	SR Buildcon Private Limited	3.71	0.20	53.46	Trikal withdrew its bid resulted forefeiture of bid security ₹ 1.00 crore
Hardoi	16.12	1.50	Nilgiri Food Products Private Limited	8.08	50.12	Namrata Marketing Private Limited	8.20	0.12	50.87	Nilgiri withdrew its bid resulted forfeiture of bid security ₹ 1.50 crore
Laxmiganj	6.47	1.00	Wave Industries Private Limited	3.25	50.23	Namrata Marketing Private Limited	3.40	0.15	52.55	Waves industries withdrew its bid resulted forfeiture of bid security ₹ 1.00 crore
Ramkola	7.96	1.00	Wave Industries Private Limited	4.05	50.88	Giriasho Company Private Limited	4.55	0.50	57.16	Waves industries withdrew its bid resulted forfeiture of bid security ₹ 1.00 crore
Shahganj	19.02	1.90	Wave Industries Private Limited	9.54	50.16	IB Commercial Private Limited	9.75	0.21	51.26	Waves Industries matched the challenger bid
Total	**173.63**	**18.75**		**88.22**			**91.65**	**3.43**		

Annexure-21
Statement showing Common Directorship and Special Purpose Vehicle formed
(Referred to in paragraph 5.4.5)

Name of the Directors/Share holders	Director Identification No.	Companies in which director/additional director held the post	Tenure
Lalit Kailash Kapoor	00065170	Uppal Chadha Hitech Developers Private Limited. (Wave Group)	Since 19 June 2009 to 30 April 2011
		Trikal Foods and Agro Products Private Limited.	Since 4 August 2004
Avej Ahmad	00165285	GSR Hotels Limited (Wave Group)	Since 1 October 2002
		Nilgiri Food Products Private Limited.	Since 1 July 2008
Shashi Sharma	01288270	All Four SPVs of Namrata Marketing Private Limited, made for the purpose of purchase of UPRCGVNL mills	Since 17 January 2011 to 9 February 2011
		Two out of three SPVs of Giriasho Company Private Limited, made for the purpose of purchase of UPRCGVNL mills	Since 17 January 2011 to 25 February 2011
		SPV of SR Buildcon Private Limited, made for the purpose of purchase of UPRCGVNL mills	Since 17 January 2011 to 18 January 2011
Sujata Khandelia	02281010	Two out of three SPVs of Giriasho Company Private Limited, made for the purpose of purchase of UPRCGVNL mills	Since 17 January 2011 to 25 February 2011
		SPV of Namrata Marketing Private Limited, made for the purpose of purchase of UPRCGVNL mills	Since 17 January 2011 to 9 February 2011
		SPV of SR Buildcon Private Limited, made for the purpose of purchase of UPRCGVNL mills	Since 17 January 2011 to 18 January 2011
Pawan Kumar Pawan	02192771	Two out of three SPVs of Giriasho Company Private Limited, made for the purpose of purchase of UPRCGVNL mills	Since 17 January 2011 to 25 February 2011
		Three SPVs of Namrata Marketing Private Limited, made for the purpose of purchase of UPRCGVNL mills	Since 17 January 2011 to 9 February 2011
Rajinder Singh	01447357	SPV of Giriasho Company Private Limited, made for the purpose of purchase of UPRCGVNL mills	Since 18 May 2011
		Namrata Marketing Private Limited.	Since 6 May 2011
		SPV of Wave Industries Private Limited, made for the purpose of purchase of UPRCGVNL mills	Since 26 March 2011
		SPV of Trikal Foods and Agro Products Private Limited, made for the purpose of purchase of UPRCGVNL mills	Since 25 March 2011
		SPV of Nilgiri Food Products Private Limited, made for the purpose of purchase of UPRCGVNL mills	Since 25 March 2011
Laique Ahmed Khan	01905067	Giriasho Company Private Limited.	Since 6 May 2011
		All Four SPVs of Namrata Marketing Private Limited, made for the purpose of purchase of UPRCGVNL mills	Since 9 February 2011
		SPV of Waves Industries Private Limited, made for the purpose of purchase of UPRCGVNL mills	Since 26 March 2011
		SPV of Trikal Foods and Agro Products Private Limited, made for the purpose of purchase of UPRCGVNL mills	Since 25 March 2011
		SPV of Nilgiri Food Products Private Limited, made for the purpose of purchase of UPRCGVNL mills	Since 25 March 2011

Special Purpose Vehicle Formed by the Buyers

Name of Sugar Mills	Name of buyers	Name of Special Purpose Vehicle formed
Baitalpur	Nilgiri Food Products Private Limited	Dynamic Sugars Private Limited
Bareilly	Namrata Marketing Private Limited	Adarsha Sugar Solutions Private Limited
Bhatni	Trikal Foods and Agro Products Private Limited	Honeywell Sugars Private Limited
Deoria	Namrata Marketing Private Limited	Eikon Sugar Mills Private Limited
Ghugli	S R Buildcon Private Limited	Zircon Sugar Solutions Private Limited
Shahganj	Wave Industries Private Limited	Mallow Infratech Private Limited
Barabanki	Giriasho Company Private Limited	Mastiff Sugar Solution Private Limited
Chhitauni	Giriasho Company Private Limited	Okra Sugars Private Limited
Ramkola	Giriasho Company Private Limited	Majesty Sugar Solutions Private Limited
Laxmiganj	Namrata Marketing Private Limited	Ablaze Sugar Mills Private Limited
Hardoi	Namrata Marketing Private Limited	Agile Sugar India Private Limited

Annexure- 22
Statement showing short realization of stamp duty on sale of sugar mills
(Referred to in paragraph 6.1)

Name of sub-registrar office	Name of sugar mill (District)	Date of registration	Valuation done by deptt. on which stamp duty paid (₹ in crore)	Stamp duty paid (₹ in crore)	Area of land[2] (hectare)	Average valuation of land done by advisor (₹ in crore)	Average valuation of building done by advisor (₹ in crore)	Average valuation of Plant and Machinery done by advisor (₹ in crore)	Total value of property (₹ in crore)	Rate of stamp duty (*per centage*)	Payable stamp duty (₹ in crore)	Short stamp duty paid (₹ in crore)
1	2	3	4	5	6	7	8	9	10=(7+8+9)	11	12=(11X10)/100	13=(12-5)
	A-Operating sugar mills											
SR Amroha	Amroha (J.P.Nagar)	05.10.2010	13.94	0.98	30.41	17.64	17.10	10.28	45.02	7	3.15	2.17
SR Bijnore	Bijnore (Bijnore)	15.10.2010	50.16	3.51	14.85	132.99	9.57	10.86	153.42	7	10.74	7.23
SR II Bulandsahar	Bulandsahar (Bulandsahar)	14.10.2010	21.76	1.52	31.98	155.80	12.46	22.43	190.69	7	13.35	11.83
SR Chandpur	Chandpur (Bijnor)	30.08.2010	82.73	4.74	32.10	20.43	12.83	11.65	44.91	5	2.25	-----[3]
SR Kaisarganj	Jarwal Road (Baharaich)	13.10.2010	18.60	0.93	21.55	3.77	9.17	12.58	25.52	5	1.28	0.35
SR Padrona	Khadda (Kushinagar)	06.01.2011	22.05	1.54	27.72	8.56	8.55	8.84	25.95	7	1.82	0.28
SR II Muzzafarnagar	Rohankalan (Muzaffarnagar)	30.08.2010	46.03	3.22	35.53	24.88	19.60	6.22	50.70	7	3.55	0.33
SR II sadar SR nakud	Saharanpur (Saharanpur)	24.09.2010	31.62	1.87[4]	27.87(Old mill) 33.98 (New mill)	283.64	22.70	13.35	319.69	7 (Old mill) 5 (New mill)	18.86	16.99
SR Sardhana	Sakotitanda (Meerut)	09.12.2010	37.23	1.86	9.90	30.45	18.54	6.85	55.84	5	2.79	0.93
SR nichlol	Siswa Bazar (Maharajganj)	30.08.2010	25.18	1.26	16.39	41.53	9.37	11.90	62.80	5	3.14	1.88
	Sub total-A		**349.30**	**21.43**		**719.69**	**139.89**	**114.96**	**974.54**		**60.93**	**41.99•**
	B-Closed sugar mills											
SR Sadar	Baitalpur (Deoria)	28.03.2011	13.16	0.92	45.25	90.46	0.87	3.65	94.98	7	6.65	5.73
SR Nawabganj	Barabanki (Barabanki)	25.03.2011	12.51	0.88	39.18	43.10	1.36	3.43	47.89	7	3.35	2.47
SR Sadar	Bareilly (Bareilly)	25.03.2011	14.11	0.99	13.13	60.90	1.68	3.54	66.12	7	4.63	3.64
SR Salempur	Bhatni (Deoria)	28.03.2011	4.55	0.33	13.87	43.01	1.05	3.66	47.72	7	3.34	3.01
SR sadar	Chittauni (Kushinagar)	30.03.2011	3.60	0.18	15.25	2.28	1.27	3.19	6.74	5	0.34	0.16
SR Sadar	Deoria (Deoria)	28.03.2011	13.91	0.97	26.54	192.44	1.02	3.57	197.03	7	13.79	12.82
SR Sadar	Ghughli (Maharajganj)	29.03.2011	3.71	0.19	18.66	39.65	1.31	3.73	44.69	5	2.23	2.04
SR shahabad	Hardoi (Hardoi)	26.03.2011	8.20	0.57	38.26	34.60	3.33	5.41	43.34	7	3.03	2.46
SR hata	Laxmiganj (Kushinagar)	30.03.2011	3.40	0.17	15.90	2.60	1.71	3.94	8.25	5	0.41	0.24
SR hata	Ramkola (Kushinagar)	29.03.2011	4.55	0.23	9.22	16.59	1.12	3.42	21.13	5	1.06	0.83
SR shahganj	Shahganj (Jaunpur)	30.03.2011	9.75	0.49	18.14	88.71	1.24	3.49	93.44	5	4.67	4.18
	Sub total-B		**91.45**	**5.92**		**614.34**	**15.96**	**41.03**	**671.33**		**43.50**	**37.58**
	Grand Total (A+B)		**440.75**	**27.35**		**1334.03**	**155.85**	**155.99**	**1645.87**		**104.43**	**79.57**

[2] Area of land as per sale deed.

[3] Stamp duty paid on adjusted bid amount ₹ 82.73 crore which was the sale consideration over and above the total value of the property.

[4] Valuation of stamp duty by deptt.= (A) ₹ 31.62 X 45 per cent weightage to old mill X stamp duty @ 7 per cent + (B) ₹ 31.62 X 55 per cent weightage to new mill X stamp duty @ 5 per cent. We adopted same method to derive the amount of short stamp duty (i.e. (A) ₹ 319.69 X 45 per cent weightage to old mill X stamp duty @ 7 per cent + (B) ₹ 319.69 X 55 per cent weightage to new mill X stamp duty @ 5 per cent.

• Excluding excess stamp duty (₹ 2.49 crore) paid in respect of Chandpur sugar mill

Annexure- 23
Statement showing short realization of stamp duty as compared to DM circle rates
(Referred to in paragraphs 3.7.4 and 6.1)

Name of sub-registrar office	Name of sugar mill (District)	Date of registration	Area of land (Hectare)	Rate of land ₹ crore per hectare	valuation of land as per DM circle rate (₹ in crore)	Average value of land as per advisor (Annexure-11) (₹ in crore)	Difference (₹ in crore)	Rate of stamp duty (*per cent*)	Short paid stamp duty (₹ in crore)
1	2	3	4	5	6	7	8=6-7	9	10=(8X9)/100
	A-Operating sugar mills								
SR Amroha	Amroha (J.P.Nagar)	05.10.2010	30.41	5.50	167.25	17.64	149.61	7	10.47
SR II Bulandsahar	Bulandsahar (Bulandsahar)	14.10.2010	31.98	5.00	159.90	155.80	4.10	7	0.29
SR Kaisarganj	Jarwal Road (Baharaich)	13.10.2010	21.55	0.30	6.46	3.77	2.69	5	0.13
SR II Muzzafarnagar	Rohankalan (Muzaffarnagar)	30.08.2010	35.53	0.75	26.65	24.88	1.77	7	0.12
SR Sardhana	Sakotitanda (Meerut)	09.12.2010	9.90	4.50	44.55	30.45	14.10	5	0.71
	Sub Total-A				**404.81**	**232.54**	**172.27**		**11.72**
	B- closed sugar mills					**Annexure-19**			
SR Sadar	Baitalpur (Deoria)	28.03.2011	45.25	2.10	95.03	90.46	4.57	7	0.32
SR Nawabganj	Barabanki (Barabanki)	25.03.2011	39.18	2.70	105.79	43.10	62.69	7	4.39
SR Salempur	Bhatni (Deoria)	28.03.2011	13.87	4.10	56.87	43.01	13.86	7	0.97
SR sadar	Chittauni (Kushinagar)	30.03.2011	15.25	1.80	27.45	2.28	25.17	5	1.26
SR hata	Laxmiganj (Kushinagar)	30.03.2011	15.90	2.58	41.02	2.60	38.42	5	1.92
SR hata	Ramkola (Kushinagar)	29.03.2011	9.22	3.15	29.04	16.59	12.45	5	0.62
	Sub total-B				**355.20**	**198.04**	**157.17**		**9.48**
	Grand Total (A+B)				**760.01**	**430.58**	**329.43**		**21.20**

Note:- Calculation of short realization of stamp duty

In case of UPSSCL: ₹ 41.99 crore (Annexure-24- sub total-A)
₹11.72 crore (Annexure-25- sub total-A)

Total ₹ 53.71 crore

In case of UPRCGNL: ₹ 37.58 crore (Annexure-24- sub total-B)
₹ 9.48crore (Annexure-25- sub total-B)

Total ₹ 47.06 crore

GLOSSARY

A glossary of terms used in this report with its definition is given below for clarity of the contents.

"Act" means Uttar Pradesh Sugar Undertakings (Acquisition) Act, 1971

"Accounting Advisor" means Independent auditor appointed by UPSSCL to determine the Adjustment to the Bid Amount in accordance with Clause of RFP Document.

"Adjusted Bid Amount" means the Bid Amount arrived at after adjustments in accordance with Clause of RFP Document.

"Applicant(s)/ Bidder(s)" means Company, Consortium of Companies, Individual, Society or Trust which expresses its interest in purchasing one or more mills of UPSSCL/UPRCGVNL via slump sale of assets.

"Bid Amount" means the amount offered in the financial proposal of a Shortlisted Applicant / Bidder for purchasing the mills via slump sale.

"**BIFR"** means Board for Industrial and Financial Reconstruction

"CCD" means Cabinet Committee on Disinvestment formed by Cabinet of Ministers of Government of Uttar Pradesh (GoUP)

"CEC" means Consultative Evaluation Committee

"CGD" means Core Group of Secretaries on Disinvestment setup by GoUP vide its order no.41/77-3-08 L.C.-21/2007 dated 23 January 2008.

"Consortium" means an association of companies that have entered into or may enter into Memorandum of Understanding/ Joint Bidding Agreement to collectively participate in the selection process and to collectively undertake and execute the Transaction, if selected.

"Cumulative Networth Criteria" shall mean The Networth eligibility for purchase of 'n' number of units shall be 'n' times of Minimum Qualifying Networth.

"CMC" means Consultative Monitoring Committee

"Current Assts" shall mean all current assets including Loans & Advances (excluding Cash and Bank Balances, which will not be transferred to Purchaser) mentioned in the Balance Sheet. However Certain Bank/Post Office Deposits (cash equivalents), which are encumbered would be transferred as per RFP documents applicable in respect of sale of 11 operating mills of UPSSCL only.

"DID" means Department of Infrastructure Development of GoUP

"DIN" means Directors Identification Number. It is an unique identification number allotted by Ministry of Corporate Affairs to an individual who is an existing Director in a company or intends to be appointed as Director of the company pursuant to section 266A and 266B of the Companies Act,1956 (as amended vide act no 23 of 2006)

“EOI cum RFQ” means ‘Expression of Interest cum Request for Qualification’ documents as may be amended and modified from time to time, together with all Annexure, addendums and amendments which may be made from time to time by UPSSCL/ GoUP.

“Expected Price” shall mean the value fixed for the Bid Amount as recommended by the CGD.

“**Financial bid”** means the Application submitted along with RFP.

“IL&FS” means IL&FS Infrastructure Development Corporation Limited

“IFCI” means IFCI Limited (The Advisor)

“PICUP” means The Pradeshiya Industrial and Investment Corporation of UP Ltd

PPP means Public Private Partnership

“RFP” means the ‘Request for Proposal Document’ combination of the supporting documents of the RFP as may be amended and modified from time to time together with all Annexures, addendums and amendments. This shall be furnished to the Pre-qualified Applicants in EOI cum RFQ stage.

“ROC” means Registrar of Companies functioning under the Ministry of Corporate Affairs, Government of India and monitoring the compliance of the provisions of the Companies Act,1956 amended and modified from time to time together with orders issued and rules framed for.

“Sale Deed” means the Transfer Deed relating to the mill via slump sale;

“Sale of Unit (s)” means the sale of one or more Units owned by UPSSCL/UPRCGVNL;

“SCM” means Swiss Challenge Method described in detail in **Annexure 6.**

“Shortlisted Applicant(s)” means the Applicant(s) qualified at the EOI cum RFQ stage based on the EOI cum RFQ Application

“Signing Date” means the date on which the Slump Sale Agreement is executed between UPRCGVNL and Successful Bidder after Initial Payment as per provision of RFP to be issued;

“Slump Sale of Assets” means sale of a unit with all its assets and liabilities excluding the liabilities to be retained by UPSSCL/UPRCGVNL

“Slump Sale Agreements” or “SSA” means the agreement to sell Units of UPSSCL/UPRCGVNL via slump sale;

“SPV” means Special Purpose Vehicle

“Transactions Documents” means all the documents which are to be executed to effect the slump sale, inclusive but not limited to the Slump Sale Agreement, Sale Deed, Deed of Assignment/Transfer and Undertakings;

“Transaction Development Costs or TDC” means Transaction Development Cost and includes all the fees paid and payable by UPSSCL/UPRCGVNL to Advisors/Legal Advisors, Accounting Advisor and Valuers and other related expenses in the process shall be reimbursed by the selected Bidder/Purchaser to UPSSCL/UPRCGVNL on Signing Date. The TDC payable will be estimated by the UPSSCL/UPRCGVNL and intimated accordingly.

“Technical Proposal” means the Application submitted pursuant to EOI cum RFQ;

“**UPRCGVNL**” means ‘Uttar Pradesh Rajya Chini Avam Ganna Vikas Nigam Limited’having its Registered Office at Vipin Khand, Gomti Nagar Lucknow-226010, Uttar Pradesh

“**UPSSCL**” means U.P. State Sugar Corporation Limited having its Registered Office at Vipin Khand, Gomti Nagar Lucknow-226010, Uttar Pradesh;