

**MINUTES OF THE 189TH MEETING OF THE EXECUTIVE
COMMITTEE, MMRDA**

**DATE : 20TH OCTOBER, 2000 (FRIDAY)
TIME : 5.00 P.M.
PLACE : CHIEF SECRETARY'S
COMMITTEE ROOM, 5TH FLOOR,
MANTRALAYA**

MEMBERS PRESENT :

Shri Arun Bongirwar : Chairman
Chief Secretary to Government

Shri D.M. Sukthankar : Member

Shri Ajit Warty : Member
Metropolitan Commissioner

INVITEES :

Shri Ramanand Tiwari
Principal Secretary (II) to Government
Urban Development Department

Shri Vinay Bansal
Principal Secretary to Government
Industries Department

Shri K.N. Patel
Legal Adviser, MMRDA

Shri V.K. Phatak
Principal Chief,
Town & Country Planning Division, MMRDA

Shri S.P. Pendharkar
Chief, Planning Division, MMRDA

Shri S.B. Pardeshi
Chief Accounts Officer & Financial Adviser and
Secretary, Executive Committee, MMRDA (additional charge)

SPECIAL INVITEE:

Shri Sunil Porwal
Managing Director,
Maharashtra State Co-op. Cotton Growers' Marketing Federation
Ltd.

Item : Placement of term deposit of Rs.300 Crores with the Maharashtra State Co-op. Cotton Growers' Marketing Federation Ltd.

The request of the Maharashtra State Co-op. Cotton Growers' Marketing Federation Ltd. (for brevity, Cotton Federation) for additional deposit of Rs.300 crores was presented to the Executive Committee. Following points were highlighted in justification thereof by the Managing Director, Cotton Federation :-

- The State Cabinet has decided to continue the procurement of cotton under Cotton Monopoly Procurement Scheme for the season 2000-2001.
- The Cotton Federation has been paying Rs.45 crores every month since April 2000 towards repayment of earlier deposit of Rs.500 crores. Total repayment of Rs.270 crores has been made so far by the Cotton Federation and it has established its credibility as a trustworthy borrower.
- Government has decided in principle to recoup the deficit under the Cotton Monopoly Procurement Scheme, though no budget provision for the purpose has been made in the current financial year.
- Cotton prices during the forthcoming season are expected to be better and would yield a surplus on procurement made at the support price determined by the Govt. of India.

2. Following observations were made regarding the viability of the proposed deposit based on the Agenda note and the enclosed statements :-

- It is seen that by the end of season 1999-2000, the cumulative deficit was Rs.2058.81 crores and every year it is progressively increasing.
- Further, for the cotton season 2000-2001 (commencing from October 2000), it is estimated that there will be a further deficit of Rs.835 crores.
- The fund flow statement shows the negative cash flow throughout the year. The maximum negative balance of Rs.2188.90 crores is shown in the month of February, 2000 and a negative cash flow of Rs.1395.96 crores by the end of September, 2001.

The principal question raised on the background of these observations was; how can the proposed deposit be considered as financially prudent.

3. In response to this question, the Chief Secretary to the Government of Maharashtra & Chairman, Executive Committee explained the position as follows :-

- It has been decided that initially the payment to Cotton Growers will be according to the support price decided by the Govt. of India. The additional payments, if any, will be made in suitable instalments from April 2001 onwards. Though, during the current financial year, no budgetary provision has been made for this purpose, it has been decided that adequate budgetary provision will be made during the financial year 2001-2002 to enable such additional payments being made. No additional payments over and above the amount paid on the basis of the support price will be made unless the required budgetary provision is made in the next year's (2000-2001) budget.

- The funds required from MMRDA are by way of margin money, because 80% of the procurement price is provided by the Maharashtra State Co-op. Bank. As the RBI does not permit the Maharashtra State Co-op. Bank to fund more than 80% of the procurement requirement, the remaining 20% has to be bridged by the MMRDA or other sources, so as to enable the Cotton Federation to obtain cash credit limit from the Maharashtra State Co-Op. Bank.
- Cotton prices during the ensuing season are expected to be higher, which would help reduce the level of annual deficit. It should not be difficult for the Cotton Federation to pay the deposit repayment monthly instalment of Rs.50 crores upto April, 2001 from the sale proceeds. For further repayment, if necessary, budgetary provision will be considered in the next year's budget.

It was also clarified by the Managing Director that cotton worth Rs.900 crores available in stock will be sold in the next six months or so, which will reasonably enable MMRDA's repayment.

- Though the Cotton Federation has requested for an additional deposit of Rs.300 crores, the Managing Director, Cotton Federation has been directed not to draw the entire amount of the said additional deposit but to keep his requirement at the minimum level, ranging between Rs.100 crores and Rs.150 crores only, as far as possible.

4. In view of the above clarifications, following terms and conditions relating the aforesaid additional deposit were considered and agreed :-

- (1) The option of obtaining guarantee of deposit repayment either from the Govt. or from a Scheduled Bank was considered and it was decided that the Govt. guarantee will be provided as was done earlier.
- (2) The Cotton Federation will pay for the procurement of cotton only at the support price decided by the Govt. of India, till March 2001. Additional payment, if any, over and above the support price, after April 2001 will be made only after Govt. has made necessary budgetary provision and an "Undertaking" accordingly will be given by the Cotton Federation.
- (3) The Cotton Federation will submit a Statement of Receipts & Payments (giving details of the quantity of cotton purchased, the quantity sold, the rate at which the quantity was purchased and the rate at which it was sold, as per accounting year) every month from November 2000 onwards, to MMRDA, demonstrating that the above conditions have been fulfilled.
- (4) The interest rate for the additional deposit of Rs.300 crores will be 12.50% per annum (payable half yearly) and the balance amount of earlier deposit not yet repaid will continue to carry the interest rate of 11.50% per annum (payable half yearly). The principal will be paid at the rate of Rs.50 crores per month in ten instalments, through the Maharashtra State Co-operative Bank Ltd. The interest will be calculated and paid on the basis of reducing balance.
- (5) The actual disbursement of the aforesaid additional deposit will be made by MMRDA as and when its deposits mature. In order to make early

payment to the Cotton Federation, if any deposit has to be encashed by MMRDA before its maturity, the cost / loss involved in such transactions will be borne by the Cotton Federation in addition to the interest payable as per (4) above.

- (6) The Cotton Federation will obtain a formal directive from the Urban Development Department to the MMRDA, under Sec.18 (2) of the MMRDA Act, 1974, for the placement of Term Deposit.

RESOLUTION NO. 808 :

“RESOLVED THAT in exercise of powers conferred under Clause (v) of sub-section (3) of Section 7 of the MMRDA Act, 1974 and all other powers enabling it in this behalf, the Executive Committee hereby approves to place an additional term deposit of Rs.300 crores (in addition to Rs.230 crores outstanding with the Cotton Federation) at the rate of interest of 12.50% per annum (payable half yearly) for the period of ten months subject to the following terms and conditions :-

- (a) The Cotton Federation will provide Government Guarantee for the repayment of deposit and interest thereon.
- (b) The Cotton Federation will pay for the cotton only at the support price decided by the Govt. of India till March 2001. Additional payment, if any, over and above the support price after April 2001 will be made only after Govt. has made necessary budgetary provision and an “Undertaking” accordingly should be given by the Cotton Federation.

(c) The Cotton Federation will submit a Statement of Receipts & payments (giving details of the quantity of cotton purchased, the quantity sold, the rate at which the quantity was purchased and the rate at which it was sold, as per accounting year) every month from November 2000 onwards, to MMRDA, demonstrating that the above conditions have been fulfilled.

(d) The additional deposit of Rs.300 crores will be at the interest rate of 12.50% per annum (payable half yearly). The balance amount of earlier deposit not yet repaid will continue to carry the interest rate of 11.50 % per annum (payable half-yearly).

The total deposit of Rs.500 crores (Rs.200 cr. old + Rs.300 cr. additional) shall be repaid by the Cotton Federation in monthly instalments of Rs.50 crores, through the Maharashtra State Co-operative Bank Ltd., from the sale proceeds deposited. The Cotton Federation shall give an 'Undertaking' from the Bank accordingly, as was done last time.

In case this condition is not observed, a three monthly average of Rs.50 crores as the monthly instalment of repayment shall be maintained, failing which a penal rate of interest @2% p.a. will be charged. The total amount of interest shall be calculated and paid in the month of September, 2001.

(e) The actual disbursement of the additional deposit of Rs.300 crores will be made by MMRDA as and when its deposits mature. In order to make early payment to the Cotton Federation, if any, deposit has to be encashed by MMRDA before its maturity, the cost / loss involved

in such transactions will be borne by the Cotton Federation in addition to the interest payable as per (d) above.

- (f) The repayment by way of monthly instalments shall start from 1st November, 2000.
- (g) The Cotton Federation shall obtain a formal directive from the Urban Development Department to the MMRDA, under Sec.18 (2) of the MMRDA Act, 1974, for the placement of Term Deposit.

“RESOLVED FURTHER THAT the earlier decision taken by the Executive Committee not to give additional deposit to the defaulting organisation is relaxed to the above extent in case of the Maharashtra State Co-op. Cotton Growers’ Marketing Federation Ltd.

“RESOLVED FURTHER THAT the Metropolitan Commissioner, MMRDA is authorised to implement and execute the above decisions.”

The Meeting then concluded with a vote of thanks to the Chair.
