

**MINUTES OF PURCHASE COMMITTEE MEETING
OF POLLACHI COIR CLUSTER (SFURTI)
HELD AT CFC, POLLACHI COIR CLUSTER**

DATE OF PURCHASE COMMITTEE : 10.05.18, 11.30 AM

Participants:

- Mrs.K.V.Sumana, Regional Officer, Coir Board [NAFO]
- Mr.T.Sekar, Project Manager, ITCOT [Technical Agency]
- Mr.A.Sivasalapathy, Pollachi Coir Cluster [Implementing Agency]
- Mr.K.Nagarajan, Managing Director, Pollachi Coir Cluster [SPV]
- Mr.T.Vignesh, Cluster Development Executive, Pollachi Coir Cluster

Proceedings:

The Technical Agency has informed that for Pollachi Coir Cluster, the tender process for all the CFC machineries have been completed and purchase orders have been issued. The approved DPR cost and the actual cost incurred are given below:

S.No	Machinery Item	DPR Cost	Final Cost (Negotiated)	Cost Difference	Fund position DPR vs. Actual
Purchases Finalized					
1	Coir Yarn Spinning	21,10,000.00	15,94,687.00	5,15,313.00	Excess
2	PVC Tufted Coir Mats	2,60,00,000.00	2,46,71,250.00	13,28,750.00	Excess
3	Coir Mattings/Geo-textiles	47,00,000.00	74,70,580.00	(27,70,580.00)	Deficit
4	Growbag manufacturing	24,15,000.00	23,36,250.00	78,750.00	Excess
5	650 gm. Pith briquette making	13,65,000.00	10,81,500.00	2,83,500.00	Excess
6	CocoPith discs making	10,60,000.00	9,18,750.00	1,41,250.00	Excess
	Total	3,76,50,000.00	3,80,73,017.00	(4,23,017.00)	Deficit

In addition to the above, the following components have been earmarked in the DPR:

S.No.	Machinery Item	DPR cost
1	Electricals and Accessories	40,00,000.00
2	Pith handling equipment	22,00,000.00
	Cost as per DPR	62,00,000.00

In the present scenario, the TA has informed that the SPV has requested for change in the components of the DPR, i.e. Purchase of additional 2 Nos. of Fully automatic powerlooms for the manufacture of Coir Mattings and Geo-textiles in lieu of the Pith based products manufacturing (Growbag, 650 gms. pith brick & Coco peat disc) facilities proposed for the CFC of Pollachi Coir Cluster in the approved DPR. The IA has submitted the SPV resolution for the reallocation of DPR Component to the Committee.

NAFO inquired the need for the change in DPR components. The SPV and IA has informed that the PVC Tufted Coir Mat is the most value added product proposed in the cluster, intended for end consumer market. Now, at this present stage, based on the inputs from industry experts and experienced entrepreneurs in the SPV, it is felt by all the SPV members that the manufacturing of Pith based products in the same CFC campus would result in the generation of considerable amount of dust and minute pith particles which would adversely affect the quality of the PVC Tufting mats. Even partitioning of the building would not arrest the spreading of minute pith particles all over the campus. It is found viable that in order to pursue both activities, a separate CFC for pith based products have to be established in a different place, which incurs additional expenditure on land and building on the part of the SPV, which is considered neither feasible nor appropriate at the present stage of project implementation.

Hence, the SPV and IA informed, a detailed analysis of the CFC product portfolio as per the DPR and their market prospects has been undertaken by the SPV members and it has been proposed, as a viable option, to replace the manufacturing facilities of Pith based products with that of 2 Nos. of additional Fully automatic powerlooms for the manufacture of Coir Mattings/Geo-textiles. The above proposal was considered based the space provisions in the CFC building, raw material availability, market potential, project viability and sustainability point of view.



S.No.	Machinery Item	DPR Cost	Final Cost	Cost Difference	DPR vs. Actual status
1	Coir Yarn Spinning	21,10,000.00	15,94,687.00	5,15,313.00	Excess
2	PVC Tufted Coir Mats	2,60,00,000.00	2,46,71,250.00	13,28,750.00	Excess
3	Coir Mattings /Geo-textiles	47,00,000.00	74,70,580.00	(27,70,580.00)	Deficit
4	Additional Coir Mattings/Geo-textiles	48,40,000.00	74,70,580.00	(26,30,580.00)	Deficit
	Total	3,76,50,000.00	4,12,07,097.00	(35,57,097.00)	Deficit

In addition to the above, the following components have been earmarked in the DPR:

S.No.	Machinery Item	DPR cost	Estimated saving on reallocation
1	Electricals and Accessories	40,00,000.00	25,00,000.00
2	Pith handling equipment	22,00,000.00	7,00,000.00
	Total	62,00,000.00	32,00,000.00

Hence the final cost position is given below:

Nett Additional cost incurred on reallocation of DPR Components : Rs.35,57 Lakhs
 Less Saving from Electricals & Handling equipments : Rs.32.00 Lakhs
 Additional fund requirement on DPR reallocation (approximate) : Rs. 3.57 Lakhs

The TA has informed that Rs. 3.57 lakhs would be additional fund requirement, if the DPR Component is reallocated as above. It is also mentioned by the TA that the above workings are based on the assumption that the cost of additional Fully automatic powerlooms proposed is the same as that of already purchased looms for the cluster.

NAFO has inquired about the possibility of order cancellation with the successful tenderers of pith based products and the possibility of procuring the additional looms for the previous cost of purchased looms or going for fresh tender for the additional looms.

The SPV has informed that the order for pith based machineries have been given for only one supplier based on tender proceeds and the order cancellation with the successful tenderer of pith based product machinery would be carried out on their own risk, by explaining their present position, on approval of the DPR reallocation. The SPV also informed that since the supplier of the previously ordered looms are the only technically

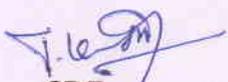
qualified machinery manufacturer, there is no point in going for tender process, which may result in escalation of the cost by the tenderer. Instead, since the previous order is in live, the machinery supplier would agree to supply the additional looms for the ongoing contract value i.e. Rs.74.70 lakhs for two looms.

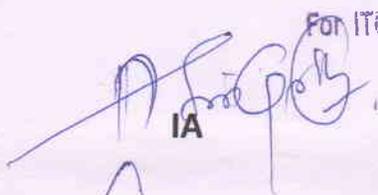
RECOMMENDATION:

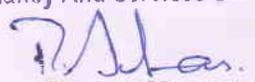
The Committee, after detailed discussion, recommends to the Nodal Agency for DPR component reallocation of cancellation of Pith based machineries (Growbag, 650 gms. pith brick & Coco peat disc) and inclusion of 2 Nos. of Fully Automatic Powerloom for the manufacture of Coir mattings/Geo-textiles in addition to the previously ordered looms, with the following stipulations:

- The cancellation of Pith based machineries shall be on SPV's own risk and only after obtaining the written clearance from the supplier of Pith based machineries, the purchase proceeds with the loom supplier shall be undertaken.
- Negotiation shall be undertaken with the supplier of previously purchased looms by the purchase committee, on getting the approval from the Nodal agency.
- The purchase price of the 2 Nos. of additional looms proposed shall not exceed the cost of previously purchased looms. Otherwise, fresh tender process should be initiated for the purchase of the 2 Nos. of additional looms proposed.
- The purchase procedure shall adhere to the purchase norms established such as Security deposit, payment terms, delivery period, performance guarantee etc.
- Additional cost, exceeding DPR approved allocation, owing to the proposed reallocation of DPR components shall fully be met by the SPV.

The meeting concluded with the vote of thanks for the IA representative.


CDE

For ITCOT Consultancy And Services Ltd.

IA


Project Manager


NAFO

SPV MEMBERS : 1)



2)



3)

