

Department of Heavy Industry
(HE & MT Section)

Subject: Third Meeting of the Screening Committee in connection with implementation of the Scheme on enhancement of competitiveness in the Indian Capital Goods Sector held on 19.01.2016- Minutes thereof.

The Third Meeting of the Screening Committee constituted under the scheme for Enhancement of Competitiveness in the Indian Capital Goods Sector was held under the chairmanship of Joint Secretary (HE&MT), Department of Heavy Industry on 19.01.2016. List of participants in the Meeting is annexed.

2. Five proposals, received under different components of the Scheme were considered by the committee. These proposals are for (1 &2) TAFP component of the Scheme regarding Four guideway CNC lathe and Turn Mill Centre SBCNC 30 TMY by HMT Machine Tools Limited (3) Centre of Excellence from PSG College of Engineering for developing three technologies with two industries each (4) Integrated Industrial Infrastructure Park for Machine Tool Park in Karnataka from Karnataka Government and (5) Common Engineering Facility Center from Heavy Engineering Corporation Limited. Apart from the proposals above, a proposal for engagement of Global Innovation & Technology Alliance (GITA) for implementation of TAFP component of the Scheme was considered in the meeting.

3. JS(HE&MT) appraised the participants of a brief over view of the Scheme along with progress made so far in its implementation, he mentioned the projects already underway such as development of shuttle less looms by CMTI, Bangalore and setting up of CEFC by TAGMA Centre of Excellence and Training in Pune. He also mentioned that proposals from IIT Madras for developing Machine Tools technologies and proposals of HMT Machine Tool Limited for setting up a training and skill development centre have also been approved. Thereafter, he invited the applicants for the presentation before the committee.

4.0 **HMT Machine Tools Limited** presented their two proposals **under TAFP Component** of the scheme.

4.1 **Four guideway CNC lathe** :- It was mentioned that HMT MTL has already developed the basic technology for **Four guideway CNC lathe** which now needs to be upgraded in consultation with Fraunhofer Society of Germany. The project cost is about Rs. 4.40 crore with GoI Grant of Rs.1.10 crore. HMT MTL will give CAD Design of the Head "Stock"- the main component of the Lathe to Fraunhofer Society who will validate the design by simulation for static, dynamic and thermoelectric load. Analysis and optimisation of the machine designs developed by HMT MTL will be done by Fraunhofer Society and based on this advice/suggestion, HMT MTL will make prototype of the machine. Testing of prototype by HMT MTL will be further validated and developed in consultation with Fraunhofer Society after carrying out simulation and analysis. Fraunhofer will be paid Rs.42.24 lakhs as professional charges and Final fees to Fraunhofer will be after successful completion of technology audit/ assessment.

4.2 HMT MTL mentioned that for Four guideway CNC lathe popular demand is in the range of 20-50 ton. HMT MTL aims to upgrade such CNC lathe form 10 to 20 Ton. At present annual demand in the country is about 8/10 machines. Once developed, HMT will be able to sell 3- 4 machines every year at the cost of Rs.6 crore against present import cost of Rs.8- 20 crore per machine. The machines will be able to substitute import worth Rs.100-120 Crore annually.

4.3 Screening Committee noted the provision in the Gazette Notification regarding TAFP Component wrt routing of fund through R&D organisation. It was mentioned by representatives from DST/DSIR that such a clause may be applicable where complete technology transfer is taking place. In this case, it is a joint development exercise where HMT and Fraunhofer both are contributing, where such a requirement may not be applicable. Besides, Fraunhofer & HMT both carry out R&D work and can be considered as R&D Organisation. Need for proper documentation and man power training with Fraunhofer was stressed upon by the members. Joint Secretary (DIPP) suggested that detailed documentation and visual recording of the projects may be kept with HMT MTL to preserve institutional memory. This documentation/ visuals can be audited by an expert to preserve the knowledge generated. Besides after development of machines, State Governments may be approached for upgrading specifications etc. in their rate contracts. The clause regarding opening of IPR after two years was re-iterated and HMT agreed to comply with the same. It was stated that approval of the HMT Board for the project had been obtained and that funds would be kept aside for the project.

4.4 The Screening Committee in principle recommended the proposal to be considered by the Apex Committee.

4.5. **HMT MTL for Turn Mill Centre SBCNC 30 TMY:-** The Company presented a proposal for increasing torque capacity from 300Nm to 520 Nm and positional accuracies of +/-3 arc sec for the C-Axis on SBCNC 30 TMY m/c. By virtue of this, HMT MTL will be able to meet requirements of strategic sectors such as Aviation and Defence. Fraunhofer Society will design the easy access drive for engaging the drive to spindle without backlash as per design parameters specified by HMT MTL. This will enable manufacturing of very high accuracy components. HMT MTL will make the prototype and test the same. The Fraunhofer will validate the design. IPR for the machines being developed jointly by HMT MTL and Fraunhofer Society will be with both HMT MTL and Fraunhofer Society. Project cost is about Rs.1.528 crore which includes payment to Fraunhofer Society of about Rs.43.61 lakhs. HMT MTL has requested for a GoI grant of Rs. 38.20 lakh.

4.6 While making the same observations as mentioned in Para 4.3, **the Screening Committee in principle recommended the proposal to be considered by the Apex Committee.**

5. **Proposal of CEFC from HEC:-** Representative of HEC presented his proposal for **nine advanced training courses on four technologies** i.e. welding, Non Destructive Technologies, Electro Slag Technologies and Gear manufacturing developed/ to be developed with Russian expertise. Such proposed high end technology training centers were stated to be not available in the country.

5.1 HEC has already signed a MoU with a Russian Government controlled entity CNIITMASH in the area of metallurgy, welding, non-desdructive testing etc. and has made

basic arrangements for land, building, machineries and Plant required for imparting such training. The Training will be available to the Senior Engineers from both public and private sectors. Initial training will be imparted by Russian Experts with a view to train Senior Engineers as 'Mentors' for training subsequent batches. The Training will be imparted on subjects like Electro Slag Re- melting (ESR) technology and Steel making process, Manufacture of Gears, Non Destructive Testing, Welding Technology etc. It was also informed that such training will help to substitute import worth Rs.600 crores. Project cost is Rs.50 crores with payment of Rs.30 crores to the Russian institute and contribution of Rs. 20 Crores by HEC. HEC also submitted the plan for making the CEFC self sustainable after one year. A sum of Rs. 40 (Forty) crore had been solicited from DHI through the Scheme.

5.2 Screening Committee noted that the financial implication for GoI in respect of the Project cannot exceed Rs. 30 crore which is further subject to available budget provision under CEFC component of the Scheme [after taking into account financial commitment to CEFC of TECT at Pune (Rs. 26.17 crore) and HMT Machine Tools Training Centre (Rs.0.77 crore) and overall budget of Rs.48.96 crore]. Screening Committee further noted that the component wise restrictions should be considered only indicative and not binding otherwise it would make the scheme inflexible as proposals are considered on a first come first serve basis and as long as it meets the objective of the Scheme. The Review Committee / The Apex Committee should be empowered to permit deviation where necessary. HEC also needs to form an SPV as per Scheme Guideline for CEFC to be eligible to receive Grant in Aid under the Scheme. On the issue of third party verification by an expert, it was clarified that HEC is a PSU with expertise which no other organisation has in the country. HEC was asked to work in close coordination with IIT-Kharagpur for ensuring adequate capacity building. Need for proper documentation was stressed upon by the members and sustainability of the project for future to be assured. Commitment of HEC board, for commitment of money towards the project, needs to be ensured.

5.3 The Screening Committee 'in principle' recommended the proposal for approval of Apex Committee with a cap of DHI contribution of Rs. 30 crore in view of its desirability for the strategic sectors.

6. Proposal of COE from PSG College of Technology (PSG) for development of 3 welding technologies with six industry partners, 2 for each technology:-

6.1 PSG College of Technology (PSG) presented their proposal for development of 3 welding technologies under CoE component of the Scheme. The technologies are Welding Automation – development and adoption, Welding Power Source – development of wave form technology and Welding Consumables- development of advance materials. PSG informed that it already has an agreement with Welding Research Institute, Tiruchirapalli to share its facility for evaluation of the proposed technology developed by PSG. They have incorporated all the suggestions made by expert and revised the project cost from 34.40 crores to 26.70 crores & DHI's contribution sought is 21.10 crores. Besides, PSG has submitted a list of user industries for whom this technology will be beneficial.

6.2 PSG assured that there is no duplication or overlapping of technologies, that are to be developed vis a vis those under consideration in WRI. EA enquired about the business model of the proposed project and future demand of the technology to be developed in PSG. It was clarified that the cost of imported component also comes down on the availability of the

domestic product. PSG was asked to ensure that COE is provided a separate and adequate space. PSG clarified that the COE would be created in a separate building.

6.3 The Screening Committee in principle recommended the proposal to be considered by the Apex Committee.

7. Proposal from Government of Karnataka regarding Machine Tool Park under IIFC Component of the scheme:-.

7.1 The last proposal under the Scheme considered by the Screening Committee was that from the **Government of Karnataka regarding Machine Tool Park**. Machine Tool Park has been envisaged under the Capital Goods Scheme and a maximum of Rs. 125 cores has been allotted for one park. The proposal for Karnataka Machine Tool Park has been under discussion since a long time wherein various rounds of meetings between DHI, State Government and IMTMA have taken place.

7.2 Eligible Common Infrastructure Facilities include road, boundary walls etc. within the proposed Integrated Industrial Space, water harvesting and preservation system (green engineering), green technology for sound, water and pollution management, green engineering by setting equipments for harnessing solar, water / sea and air energy, Common Effluent Treatment Plant, Solid Waste Management Facilities/Sewage Treatment plants/Sewage system and similar facilities as approved by apex Committee except those which are independently bankable or covered for Government support elsewhere.

7.3 MD of KSIIDC presented his proposal mentioning that the world class infrastructure is proposed to be developed at the proposed Machine Tool Park which comes under NIMZ near Tumkur about 70 Km away from Bangalore. KSIIDC has already got of the land and environmental clearance for the Project. The total project outlay is Rs.421 crore including land of Rs. 191.68 crore and infrastructure Rs. 229.32 crore. GoI grant sought is Rs.125 crore which is less than 80% limit of the Project cost (excluding land and building). As per the notification under the scheme, Central Assistance is envisaged is to be given for plant and machinery, human resources but not to for vehicles, greenery, roads, land and building but since road and boundary walls within the park are considered eligible for Common Infrastructure Facilities, the same can be included for the purpose of grant.

7.4 It was assured that units of SMEs will be adequately represented in the Machine Tool Park. Both the DHI and Industry Association (IMTMA) will be represented in the Governing Body of the SPV. As regards affordability of SMEs it was mentioned that 117 plots are proposed to be allotted to industry in the Machine Tool Park at a pre DHI grant of Rs. 1.25 crores per acre. After the grant per acre cost is expected to come down by about Rs.38 lakhs.

7.5 As regards Demand assessment, MD KSIIDC & Representative of IMTMA expressed confidence that the land demand would be huge and industry would take up the plots within six months at a sub crore price. KSIIDC was asked to specify the mile-stones for release of funds which has to be matched by 20% contribution from State Government/Industries responsible. KSIIDC stated that they would discuss this proposal for Karnataka Government and revert back. The Committee enquired about the time frame for completion of the project and the range of price variation of the plot.

7.6 Committee stressed that SPV should be a not for profit organisation. Special incentives to small units and starts-up were emphasized by the Committee members. Pricing should also be SMEs, who formed the bulk of machine tool sector, are able to utilise the facilities.

7.7 On the issue of concept of mother machinery unit to play the role of anchor promoter and inviting all the critical vendors to set up units in the park needs to be developed, it was clarified by KSIIDC that they already have two major big players ready.

7.8 **The Screening Committee, while recommending the proposal 'in principle'**, requested MD, KSIIDC to revert to DHI on the above issues after consulting the Karnataka Government, before the Apex Committee Meeting scheduled on 28.1.2016 subject to this the Screening Committee recommended the proposal.

8. **Engaging Global Innovation and Technology Alliance (GITA) for works related to TAFP Component of the scheme:-**Other than the above proposals, the issue of engagement of GITA was also discussed in the meeting for **outsourcing the work related to TAFP**.

8.1 Representatives from GITA mentioned that they are an organisation with 49% stake of Technology Development Board (DST) and 51% of CII formed with the special objectives which, inter-alia, include managing international science and technology programmes, providing an effective institutional mechanism for providing end to end enabling services and support for the emergence of an innovation ecosystem with demand pull for technology and innovation driven enterprises, building capacities in industry and technology start-ups. They are administering a number of programmes run by DST, Department of Electronics and Information Technology, DIPP, Ministry of Defence and Ministry of Micro Small & Medium Enterprises. In the last four years of their existence, at least three projects facilitated by them have undertaken commercial production.

8.2 In earlier discussions in DHI, it was pointed out that GITA has been asked to focus on Internet of Things, industrial energy efficiency and additive manufacturing in the field of CG Sector. The services to be provided by them include programme preparation, promotion, proposal evaluation, awarding and contracting, monitoring and release of fund. They would facilitate one to one dialogue, handhold and provide the matchmaking services to the MSMEs. They have proposed to develop a panel of subject experts for evaluating each proposal. They expressed their confidence in generating 6-10 proposals in three years. They mentioned that they will assess the need of the industry for technology and they will also have information on IPR generated by different laboratories (including CSIR laboratories), Universities form India and abroad. They will form a 'knowledge grid' and will act as 'matchmaker' between the industry and the technology provider. They will market the TAFP component of the Scheme, invite proposals through RFPs, assess the proposals and carry out due diligence for the TAFP proposal.

8.3 For providing the above services, GITA has requested for grant of Rs. 96 lakhs as their management fees and Rs.136 lakhs as promotional expenses. Under the scheme 7.26 crores are available under the head of administrative expense (limited to 1.25% of the total grant). The fund amount available under TAFP component is Rs. 50 crores, and thus far only two proposals from HMT, a PSU under DHI has been received seeking a fund amount of Rs 1.5 crores.

8.4 NRDC mentioned that they can also do this type of job. It was requested by the representative of DST that selection could be done through a tendering process. Chairman clarified that Department is coming up with much bigger scheme under CG Policy and this method is being explored specifically because DHI has not been able to generate demand/proposals under this component and Department wants to make use of GITA's expertise of working with DST & DIPP in terms of improving the outreach, spread and match making under the programme & NRDC can give their proposal if they are confident in doing this work. Further, they are being considered for only three areas (para 8.2 refers) and if NRDC or any other organisation wants to explore other areas then DHI would evaluate such proposal.

8.5. The Committee discussed the proposal in detail. Members had few suggestions on bringing clarity on release of payment at different stages and evolving a mechanism for releasing GoI grant to GITA by linking it to a definite number of milestones; release of grant to the applicant be directly given by DHI based on completed documents provided by GITA to DHI & as envisaged under the scheme first grant be an advance and final be in the form of an reimbursement. GITA was asked to create an online market platform as well where the seekers and providers of technology dialogue could take place. GITA was asked to perform due diligence in respect of Applicants before the in principle approval of the Apex Committee, to start with and the process can be reviewed if the number of applications increase substantially.

8.6 Committee in principle agreed with the proposal of Engaging Global Innovation and Technology Alliance (GITA) for works related to TAFP Component of the scheme.

9. Thus committee in principal recommended all the proposals, as mentioned at Para 2 above, for consideration and approval of the Apex Committee.

The Meeting ended with thanks to the Chair.

Department of Heavy Industry
(HE&MT Section)

Subject:- Participation in Third Meeting of Screening Committee on Capital Goods Scheme meeting held on 19/01/2016.

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