



E I D Parry (India) Limited

Standard Operating Procedures for Capital Expenditure Proposal

October 2017

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SOP FOR CAPITAL EXPENDITURE PROPOSALS (CEP)

This SOP has to be read with CAPEX & Investment Policy Manual–April 2008


Sl. No.	Details	Activities
1	Capital Expenditure Proposals – Process	<ul style="list-style-type: none"> a. All-important capex initiatives should be identified in the strategy/vision discussions b. Capex proposals should be submitted at the time of business plan preparation and those approved will form part of the master file for uploading in SAP Capex workflow. The Capex that are covered in the business plan would be considered as budgeted capex. c. Any Capex not covered in the business plan would be considered as "Un-budgeted Capex". However any un-budgeted capex which when approved against by culling out required amount from any other budgeted capex (swapping) would not fall within the definition of "Un-budgeted Capex". (refer Annexure C for swapping) d. Similarly any capex approved out of reserve maintained at corporate office will not be termed as "Un-budgeted Capex". e. Due to need or entitlement as per policy, mobile phones & cars are required to be purchased / replaced. Such purchase / replacement of mobile phones / cars will not be treated as "Un-budgeted Capex". f. Where a CEP of one plant is approved in place of planned CEP of another plant or division, such approved CEP will not be considered as "Unbudgeted Capex".
2	CEP proposals requiring support of the MCB (either Full MCB or EMCB)	<ul style="list-style-type: none"> a. The current practice of submitting proposal to Investment committee or EMCB through CSPD will continue. b. Approval accorded through email by CSPD to CFO/MD/Business



Sl. No.	Details	Activities
		Head shall be shared with auditors, on demand
3	CEP - Guidelines	<ul style="list-style-type: none"> a. The CEP should primarily consist of two sets of information - a detailed write up on the proposal in word format and the financials and workings supporting the financials in excel file, wherever required. b. Apart from the above, any other supporting such as market study reports etc. to be annexed c. All the above documents shall be uploaded in SAP workflow. No need to send hard copy to H.o for approval.
4	CEP - Guidelines for preparation of financials	<ul style="list-style-type: none"> a. The projections for new projects, expansions etc. should be made for 5 to 7 years on a going concern basis b. It is imperative to quantify the project costs as closer to the actual as possible. c. The project capital cost should clearly identify costs that are based on quotations received and costs which are based on internal estimates. d. Unless fully protected by fixed price, capital cost estimates should include cost escalation and inflation anticipated during project implementation. e. Where capital costs involve foreign exchange flows, appropriate forward cover rates should be considered as per the market estimates / as per Forex policy. f. Capital cost contingency should be provided only on the estimated costs and not on the total cost of the project. g. Financial evaluation of the proposal will be based on establishing the economic viability of the Investment on the following parameter and this is not applicable for statutory including environment, infrastructure & welfare proposals. i. Net Present Value & IRR

Sl. No.	Details	Activities
5	Revisions and their approval process	<p>ii. Discounted payback period</p> <p>a. For all projects which have been approved by EMCB/ MCB, a revised proposal to be submitted to the Investment Committee under any of the following circumstances:</p> <ul style="list-style-type: none"> i. If the cost of the project is expected to increase beyond 10% of the approved amount or Rs.5 crores, whichever is lower ii. Change in assumptions, which will result in the reduction of the IRR by 2% or more iii. Change in the scope of the project like reduction or expansion of sectional capacity iv. Time overrun which may or may not result in cost overrun or delay in the projected accrual of benefits of the project beyond 3 months as per the original proposal <p>b. The revised proposal should have the following information and should be in the format</p> <ul style="list-style-type: none"> i. Reason/justification for the change ii. Revised assumptions giving details of original assumptions and the revision thereof iii. Revised financials and cash flow projections iv. Variance with the original financials and their implications <p>The Investment Committee will review the revision and give their recommendation to EMCB for their approval. No fresh commitments or PO issued till the revised proposal is approved by the EMCB /MCB.</p>
6	Review and Monitoring of capex proposal	<p>a. The business should follow sub-CEP methodology for execution of projects which are approved by the EMCB / MCB.</p> <p>b. Hence for each sub CEP, separate</p>

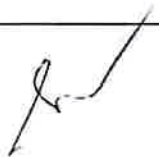
Sl. No.	Details	Activities
		<p>internal order has to be created in SAP workflow.</p> <p>c. Individual purchase orders are to be issued under the sub-capex proposal and costs tracked sub-capex proposal-wise</p>
7	MIS	<p>The following MIS needs to be generated and submitted:</p> <p>a. Implementation Status Report quarterly along with Quarterly Performance Review Folder</p> <p>b. Capex Expenses Tracker containing project-wise total cost of the project, expenses incurred till date, expenses committed till date and summary of total capex of the business vis-a-vis expense incurred and committed till date on monthly basis.</p>
8	Post completion review process	<p>a. Every plant which executed a project shall present update on actual performance of the capex at the end of 3 months after the completion of commissioning of the project.</p> <p>b. Such presentation shall be made for every capex where approved amount exceeds Rs.2.00 crore.</p> <p>c. The presentation shall cover the following:</p> <p>d. Mapping of timelines, comparison of costs & technical parameters.</p> <p>e. The final review report should incorporate the learnings from the project execution. The top 3 things that went well and top 3 that did not happen well should be stated along with reasons for the same to ensure these learnings are considered in all the future projects.</p> <p>f. The review reports should be sent to the following: MD, CFO, and Head of Operations & Finance Head of the SBU.</p> <p>g. For MCB approved projects, the progress report and the progress completion report to be submitted to the Head CSPD and the</p>




Sl. No.	Details	Activities
		Investment Committee. h. Project Audit to be done by management audit h. At 50 % completion stage –Mid Review to be done to ensure all statutory formalities have been followed and financials including the cost / time element. ii. Post project review of financials, Statutory and Technical to be done on completion of 6 months.
9	Capital Expenditure	The Capital Expenditure can be for a. Projects b. Purchase of Assets c. Land & Buildings d. Plant & Machinery e. ERP Systems/Major IT investments f. R & D Purposes g. Regulatory requirements h. Investment in Intangibles.
10	Sugar Division CEP guidelines	a. CEP that need to be approved by MCB / EMCB / CEO is detailed in Annexure 1. b. Individual CAPEX Purchase order can be negotiated as per the approved purchase policy of the company in force. c. Individual CAPEX Purchase order whose value is more than Rs.25 lakhs for supply and Rs.15 lakhs for services should be negotiated by a Committee comprising of representatives from i. Corporate Commercial Department ii. Factories concerned. d. LOI shall have the approval of Corporate Commercial where the basic value exceeds Rs.25 lakhs e. LOIs / P O shall be released as per the applicable workflow of the procurement policy.
11	Important guidelines to be adopted in CEP	a. Replacement of components of an equipment is to be treated as Revenue Expenditure if estimated



Sl. No.	Details	Activities
		<p>useful life is one year or less.</p> <p>b. If any part of an equipment (tubes of boiler, catch all of evaporators, pans etc.) is replaced, the following procedures to be followed:</p> <ul style="list-style-type: none"> i. The life of the component should be first ascertained ii. If the life is more than 1 years, the same can be capitalised but however 100% depreciation should be charged before the life of the asset ends iii. Proper RFWD has to be raised in SAP workflow for the same component if there is any balance left over in the books as WDV. <p>c. While raising CEP, ensure that the lead time is stated for sourcing of equipment, delivery etc.</p> <p>d. The results, efficiency, savings should not be over stated while raising CEP and it should be ensured that the results stated in the CEP are achieved within the period stated in the CEP.</p> <p>e. The catalogues given by the suppliers containing efficiency parameters that could be achieved under certain conditions should be properly maintained and the final results to be monitored/reported</p> <p>f. CEPs to be used only for the purpose it is approved and not for any other purpose.</p> <p>g. The unutilised portion of a particular CEP should not be used for the additional works in other CEPs. But in the case of Projects CEPs for which approval is received in total, sub-CEPs to be raised for the respective equipments and the unutilised portion can be utilised for other equipments within the total approved limit for the projects. Swapping with in the sub CEPs is</p>



Sl. No.	Details	Activities
		<p>permitted.</p> <p>h. Once the CEP is approved, Purchase order to be raised within a reasonable period of time.</p> <p>i. It should be ensured that warranties for Performance is obtained for all equipments if agreed to and stated in PO.</p> <p>j. All LOI/PO should have Liquidated Damages [LD] clause for the delay in execution/supply. In the event of chosen supplier / service provider not agreeing for LD clause, the same shall be recorded in writing alongwith reasons and signed by all members of purchase committee which agreed for waiver of LD clause</p> <p>k. While placing orders for the equipments, the respective State / Central Laws wherever applicable have to be taken into account including furnishing of any declaration to ensure advantages of tax rates and compliance of procedures.</p> <p>l. Capitalization of the equipment in the books to be done within a reasonable time after completing all the procedures and formalities and should not cross definitely more than 30 days from the date of putting the asset into use. It should also be ensured that the Asset Commissioning Certificate is obtained from the concerned users.</p> <p>m. In case of waiver of LD, the details of calculations along with reasons for waiver to be submitted to Corporate Office and it has to be approved as under:</p> <p style="padding-left: 40px;">i. Upto Rs.10 lakhs - CFO</p> <p style="padding-left: 40px;">ii. Above Rs.10 lakhs to Rs.50 lakhs - CEO/MD</p> <p style="padding-left: 40px;">iii. Above Rs.50 lakhs - MD</p>
12	Carry Over of CEPs	If a particular job is started but not



Sl. No.	Details	Activities
		completed within the financial year in which the CEP was approved, it has to be carried forward to the next year, provided purchase orders were placed or Erection & commissioning had commenced.
13	CEP Approval authority	This will be as per annexure A. Approvals will be according to CEP workflow system.
14	Approving authority for asset write off	This will be as per annexure B. Approvals will be according to CEP workflow system.



Annexure A

S No.	Category	Approving authority	Remarks
1	BUDGETED		
a.	Upto Rs.3.00 Lakhs (Single proposal)	Unit Head + Business Finance at corporate	
b.	Above Rs.3.00 Lakhs and upto Rs.15 Lakhs (Single proposal)	Head of Operations (Sugar) or Head of Business (Bio / Nutra) + CFO	
c.	Above Rs.15.00 Lakhs	MD	
2	UNBUDGETED		
a.	Upto Rs.3.00 Lakhs (Single proposal)	Head of Operations (Sugar) or Head of Business (Bio / Nutra) + Business Finance at Corporate	Cumulatively approving authority can approve upto Rs.10.00 Lakhs p.a.
b.	Above Rs.3.00 Lakhs and upto Rs.10 Lakhs (Single proposal)	Head of Operations (Sugar) or Head of Business (Bio / Nutra) + CFO	Cumulatively approving authority can approve upto Rs.50.00 Lakhs p.a. at company level (not SBU level) based on FIFO
c.	Above Rs.10.00 Lakhs and upto Rs.2.00 crores (Single proposal)	MD	Cumulatively approving authority can approve upto Rs.10.00 crores p.a. for the company, (not SBU level)

Notes:

1. The total amount of unbudgeted proposals approved p.a. shall not exceed Rs.10.00 crores for EID irrespective of approving authority.
2. In respect of any other matter (like JV, acquisition, disposal, retirement, cost overrun, etc), there is no change and current DOA of EID & Group CAPEX / Investment manual will continue be in force.

Annexure B

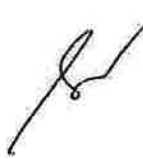
S No.	Amount of write off involved-For an individual asset based on WDV as on the last day of the previous month in which RFW is prepared	Approving authority
1	Below Rs.1,00,000/-	Business finance at Corporate + Head of operations
2	Above Rs.1,00,000/- but below Rs.5,00,000/-	CFO
3	Above Rs.5,00,000/-	Managing Director



Annexure C

Approving authority for swapping:

	Recommendation	Approving authority
For swapping of CEPs between businesses within the same plant (Example: Between sugar of Nellikuppam and cogen of Nellikuppam or between refinery of Nellikuppam and distillery of Nellikuppam)	Plant Head	Head of Manufacturing + Head Finance of the SBU
For swapping of CEPs between the plants	Head of Manufacturing + Head Finance of the SBU	CFO/ MD



Annexure 1

CAPEX & Investment Policy Manual

10.0 Delegation of Authority (Approval Limits)

Sl. No.	Criteria	Limit	Approving Authority	Capex Manual Ref
(I)	Capital Expenditure			
a)	Projects			
1)	New Line of Products / Businesses	Irrespective of value	Full MCB	2.2,4.1
2)	Overseas investments ¹	Irrespective of value	Full MCB	2.3, 4.1
3)	Existing Product Lines			
i)	Green Field/Brown Field Projects	If outlay ³ exceeds Rs. 250 crores	Full MCB	2.2, 4.1
		If outlay ³ is less than Rs. 250 crores	EMCB	2.2, 4.1
ii)	Existing Location	If outlay ³ is greater than any of the below: - 15% of company's NFA ² or - 30% of the SBU's NFA ² or - Rs 10 crores	EMCB	2.2, 4.1
		If outlay ³ is less than any of the following: - 15% of the NFA ² or - 30% of the SBU's NFA or - Rs. 10 crores	CEO	
4)	Any other Project / Proposal requiring the support of EMCB or Group resources (in the form of share capital, loans, and guarantees or by way of promoter funding or non-disposal / "no-encumbrance" undertakings)	Irrespective of value	EMCB	2.2,4.1

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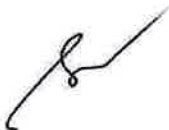
Sl. No.	Criteria	Limit	Approving Authority	Capex Manual Ref
b)	Purchase of assets			
	Land & Building	If outlay ³ is greater than any of the below:	EMCB	2.2, 4.2.1
	Plant & Machinery	- 15% of company's NFA ² or		2.2, 4.2.2
	ERP/IT	- 30% of the SBU's NFA ² or		2.2, 4.2.3
	R & D	- Rs. 10 crores		2.2, 4.2.4
	Regulatory/Welfare Requirements (like ETP etc)			2.2, 4.2.5
c)	Investments in Intangibles	If outlay ³ is greater than any of the below: - 15% of company's NFA ² or - 30% of the SBU's NFA ² or - Rs. 10 crores - If annual outflow towards royalty etc exceeds Rs. 10 crores	EMCB	2.2, 4.3
d)	Revision/Re-approval	- Where the estimated cost of the project is expected to exceed by 10% of approved amount or Rs. 5 crores, whichever is lower - Change in assumptions bring about a change in IRR by 2% or reduction in IRR below the discount rate - Time overrun by 3 months - Change in scope of the project	EMCB	2.4

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Sl. No.	Criteria	Limit	Approving Authority	Capex Manual Ref
(II)	Joint Ventures / Merger & Acquisitions / Financial Assets/Demerger etc			
a)	<i>Joint Venture / M&A</i>	Irrespective of value	Full MCB	2.2, 5.1
b)	<i>Investments in Financial Assets (Investment in mutual funds / banks of surplus funds on account of treasury operations for short term are excluded from this purview)</i>	Exceeding Rs. 100 Lakhs or 20% of investee company's Subscribed and Paid-up Equity capital. In case of convertible instruments the 20% level is to be calculated based on the paid up equity capital on conversion	EMCB	2.2, 5.1
c)	<i>Demerger / Scheme of arrangement / Corporate Restructuring</i>	Irrespective of value	Full MCB	2.2, 5.2
1)	Any proposal for demergers, Schemes of Arrangement or Corporate restructuring			
2)	Agreements / arrangements that might trigger or result in a dilution in the Group's ownership percentage or management control			
3)	Divestment or cessation of operation of any business or substantial part of business or plant, mineral rights etc			
d)	<i>Listing/Delisting of securities</i>	All Cases	EMCB	5.3

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Sl. No.	Criteria	Limit	Approving Authority	Capex Manual Ref
(III)	Sale/Divestments of Assets			
a)	Land & Building			
1)	Land & Building	Where consideration exceeds Rs. 5 crores	EMCB	2.2, 6.1.1
2)		Where consideration is less than Rs. 5 crores	Mentor/Lead Director	
b)	Plant and Machinery			
1)	P & M and other assets	Where consideration exceeds Rs. 5 crores	EMCB	2.2, 6.1.2
2)		Where consideration is between Rs. 2 crores and Rs. 5 crores	Mentor/Lead Director	
3)		Where the consideration is less than Rs. 2 crores	CEO	
c)	Intangible Assets	Irrespective of value	EMCB	2.2, 6.2
d)	Divestments of Financial Assets			2.2, 6.3
1)	To Non-Group Entities	Irrespective of value	EMCB	
2)	To Group Entities	Where consideration exceeds Rs. 5 crores	EMCB	
		Where the consideration is less than Rs. 5 crores	Mentor/Lead Director	



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Sl. No.	Criteria	Limit	Approving Authority	Capex Manual Ref
(IV)	Commitments			
a)	Facilities Sharing / Rental / Tolling Contracts / Long Term Commitments	Where the proposal is for sharing / rental / tolling contract or commitment of manufacturing capacity of the plants or distribution rights for cross sell products on a long-term basis, beyond 1 year, with or without financial commitment	EMCB	2.2, 7.1
b)	Leasing	If outlay ³ is greater than any of the following - 15% of the Company's NFA ² or - 30% of the SBU's NFA ² or - if the outlay is greater than Rs. 10 crores.	EMCB	2.2, 7.2
c)	Guarantees / Loans / Letters of Commitment etc (including restrictions on transferor dilution, dividend payout, corporate restructuring etc)			2.2, 7.3
1)	Guarantees / Letters of Commitment to non-Group Companies	Irrespective of value	Chairman of MCB along with Director Finance and Mentor / Lead Director	
2)	Loans to non-Group Companies (other than in normal course of business)	Exceeding Rs.100 lacs or 10% of networth, whichever is lower	EMCB	
3)	Guarantees / Letters of Commitment / Loans to Group Companies / Subsidiaries and Associates (Other than 100% subsidiaries)	Irrespective of value	Mentor/Lead Director in consultation with Director Finance and Chairman	

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Sl. No.	Criteria	Limit	Approving Authority	Capex Manual Ref
(V)	Fund Raising Activities			
a)	All capital issues whether equity or preference (including bonus, splits, warrants, options, partly or fully convertible debt instruments, ESOPs etc)	Irrespective of value	EMCB	2.2, 8.1
b)	Borrowings	<ul style="list-style-type: none"> - Where Debt Equity ratio is higher than budgeted DE ratio or - Where DSCR < 2 (including current borrowing) or - Where dividend paying capacity is significantly restricted 	EMCB	2.2, 8.2
(VI)	Special Revenue Expenditure(SRE) & Unbudgeted Capex/SRE			
a)	Budgeted SRE	If outlay ³ is greater than any of the following <ul style="list-style-type: none"> - 15% of the Company's NFA² or 30% of the SBU's NFA² or - if the outlay is greater than Rs. 10 crores 	EMCB	2.2, 9.1
b)	Unbudgeted Capex/SRE	Where the individual proposal value is higher than 5% of the Company's NFA ² or Rs. 2 crores, whichever is lower Where the individual proposal value is lower than 5% of the Company's NFA ² or Rs. 2 crores, whichever is lower. The overall approval limit for the CEO for such proposals in a year is Rs. 10 crores, beyond which EMCB approval is to be sought	EMCB CEO	2.2, 9.2

1. Overseas investments will follow a two-stage approval

2. NFA as per last audited balance sheet

3. Outlay includes cost of capital investment and additional net working capital

**E.I.D. - Parry (India) Limited**

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	Document : Standard operating Procedure	Doc No : CMMD/01/23-24
	Unit : HO	Rev. No : 1
	Department/Function : CMMD	Date : 1st Apr'2023
	Title : Capital Expenditure & Higher Value Purchases SOP for CMMD Finalization	

Objective: Standard operating Procedure (SOP) for finalizing CEP's / Over and above Unit limit is as below.

Existing System	Revised System
<p>Initial quote received by unit and send to CMMD for price negotiation.</p> <p>CMMD to negotiate price and commercial terms and confirm to unit.</p> <p>Unit is raising CEP on price negotiated by CMMD.</p> <p>There are delays in CEP approval, the negotiated prices are undergoing changes, resulting CEP Values are changing and projects are getting overrun.</p>	<ol style="list-style-type: none">1. Unit to raise CEP based on offer received from vendors with two or three quotes.2. On approval of CEP, unit to send proposal to CMMD for negotiation with complete technical specification and scope of supply.3. CMMD will negotiate the price and finalize and agree on commercial terms.4. Once the above process is completed as per No.3, CMMD confirms the unit to raise PO's.5. CEP approved amount to be restricted to negotiated price. The responsibility is to be taken care of by the Unit Head and Unit Finance Head.6. Any disagreement on point no.5 to be escalated to the Regional Manufacturing Head and SBU – Finance head.

GM-Commercial
Sr.AVP-Finance
Sr.VP-Commercial
Chief Financial Officer
Approved by
Managing Director

