

Urgent

No. FFE-B-F (7) 1/2017
Government of Himachal Pradesh
Department of Forests.

From

Principal Secretary (Forests) to the
Government of Himachal Pradesh.

To

✓ The Pr. Chief Conservator of Forests (HoFF)
Himachal Pradesh, Shimla-1.

Dated-Shimla-2, the 23-2-2017

Subject: - Revision of existing policy guidelines dated 06-02-2007
relating to supply of Deodar stumps for Cedar Wood Oil
extraction.

Sir,

I am directed to refer to your letter No. Ft.35-16/7-2003(Ind)
Vol-II dated 26-10-2016 on the subject cited above and to say that matter
regarding revision of existing guidelines framed vide this department letter No.
FFE-B-F (7)3/2005 dated 06-02-2007 involved in manufacture of Cedar wood oil
by the private entrepreneurs was under consideration of the Government. Now,
after careful consideration of the matter, it has been decided by the Govt. to revise
the existing guidelines. The revised guidelines framed are as under:-

A. Existing Cedar Wood Oil Extraction Units

There are seven units currently existing in the State which are involved in
extraction of Cedar Wood Oil. The detail of these units along with the areas
from where they are permitted to extract Deodar stumps is given in the table
below:

Name of the Firm	Name of the Forest Divisions having Deodar forests allotted to the Unit for extraction of Deodar Stumps	Date of Establishment & Location
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Aum - Aroma/M/s Vinod Sangar	Mandi Circle: J/Nagar, Nachan & Mandi Divisions	31-10-1996 (Industrial Area, Ratti, Mandi)
Valley Extraction /M/s Krishan Raj	Mandi Circle: Mandi, Karsog Divisions	23-05-1997 (Baggi, Mandi)
M/s Hill Top	Mandi Circle: Mandi, Karsog Divisions	19-06-2007 (Sanarali, Mandi)
M/s Namiex Chemical	Chamba Circle: Chamba, Dalhousie & Churah Divisions	27-01-1995 (Lodhwan, Tehsil Nurpur, Kangra)
M/s Hari Industries	Mandi Circle: S/Nagar & Karsog Divisions	03-04-1980 (Baggi, Mandi)
M/s Mediroma Nirgalits	Kullu Circle: Kullu, Parvati & Seraj Division	24-11-1999 (40 Industrial Area, Shamshi, Kullu)
M/s Aro Oils Internationa l	Shimla Circle: Rohru Forest Division	01-02-1995 (Tikkar, Teshil Rohru, Shimla)

The supply of stumps will continue to the existing units as it is generating employment in the State and helping in re-plantations. The following conditions are stipulated to regulate the supply of Deodar stumps to the existing units and these conditions shall form part & parcel for renewing the agreement deeds with them.

- i) The existing allotment of Forest Divisions having Deodar forests to the respective units for extraction of Deodar stumps shall continue. The renewal agreement will be signed by the department for 10 years on culmination of existing agreement. The availability of Deodar stumps cannot be guaranteed. Only the stumps which



are available or shall become available in future will be provided and the industries may plan production accordingly.

- ii) The department will extract the stumps and supply it to the existing units. The cost of extraction and cost of subsequent plantation of minimum three trees in lieu of one Deodar stump extracted shall be borne by the respective unit. The schedule for the extraction of stumps from particular compartments within the allotted areas shall be determined by the department.
- iii) If the demand of Deodar stumps from the areas allotted to a particular unit decreases or the unit becomes defunct, in that case applications for new unit shall be considered by the Government depending on the availability of the sufficient number of stumps.
- iv) The royalty rates (this is also the existing system) of the stumps will be fixed every three years and will be payable by each unit. The following mechanism will be adopted to fix the royalty:-
 - a) The Market rates of Cedar Wood oil will form the basis for fixation of royalty rates of deodar stumps. Since, there is no foolproof mechanism to ascertain the market rates of Cedar Wood oil, the cost of Cedar Wood oil shown in the trading account/balance sheets of the firms with whom agreement have been signed will be considered to determine the market rates of Cedar Wood oil. The weighted average of sale rate of cedar wood oil shown in last three years balance sheets of all units will be taken as the average market rate of Cedar Wood oil.
 - b) The firms will be required to submit their audited balance sheets/trading account for the year latest by May end of the following year. The royalty rates will be fixed in June. However, fresh rates arrived in June will be applicable w.e.f 1st April of that year and will be valid for three years.
 - c) The weighted average oil yield will be taken at 4.82%.
 - d) The sale realization from quantity of cedar wood stumps would be worked as under:

Sale realization per quintal of deodar stumps = *Weighted average sale rate per Kg of Cedar Wood oil X weighted average yield per quintal of stumps (4.82%)*.

- e) The royalty of Deodar stumps will be fixed at 20% of the sale realization per quintal of deodar stumps calculated as per *step d)* above.

(B) Establishing New Cedar Wood Oil Extraction Units

- i) Applications for establishing new unit shall be considered only for the areas where the sufficient numbers of deodar stumps are available for economic viability.
- ii) No new application will be entertained for the areas which have already been attached to the existing units for extraction of stumps.
- iii) The department will determine the extent of area to be attached with the new units for extraction of stumps. The extent of area may vary from administrative boundary of one Forest Division to a maximum of three Forest Divisions depending on the availability of stumps.
- iv) Whenever, an application is received by the Department for establishing a new unit in a particular area, the feasibility of the same shall be assessed mainly on the basis of inventory of Deodar stumps and fulfillment of the aforesaid conditions.
- v) Objections will be invited through publication on official web portal, if the department is satisfied that a new unit can be established. The application(s) received in this regard will also be published on the official web portal to invite objections if any and also other applications in case someone is interested. In case there are two or more applications for the same area, the process of tender will be followed for supply of Deodar stumps based on extra royalty over and above what is determined as per guidelines. The successful bidder who quotes the highest bid will be awarded the new unit. The new unit will be established in H.P. only. The successful proponent will have to employ eligible *Himachalis* in their unit as per the Government policy.

- 26/9
- vi) If there is only one proponent applying for establishing a new unit in a particular area fixed for that unit and the proponent fulfills the conditions, the new unit can be awarded with prior approval of the Government.
 - vii) Conditions mentioned at (i) to (iv) on page no. 2 & 3 will also apply to new unit(s).

(C) General Conditions

Apart from above, the following general conditions are also formulated to regulate the Cedar Wood oil extraction.

- i) The departmental officers will inspect these units on regular basis to ensure that Deodar stumps are not misused or sold and are from genuine source.
 - ii) The availability of stumps in different forest areas shall be published by the department on the official web portal for information of stakeholders and to bring transparency.
 - iii) The department will aim to improve the overall health of the respective Deodar forests by extraction of deodar stumps and replanting with the funds given by the respective units. Adequate safeguards will be taken to ensure that no harm is caused to the forests in the process of extraction.
- You are, therefore requested to take further necessary action accordingly.

Yours faithfully,

(Signature)
(Sat Pal Dhiman) 23-2-2017

Joint Secretary (Forests) to the
Government of Himachal Pradesh
Ph. No. 01772-2621874

Endst. No. As above-Dated: Shimla-2, the

2017

Copy forwarded to the Special Secretary (GAD) to the Govt. of H.P.
w.r.t. Cabinet meeting item No. 98 dated 17-02-2017 for information.

(Sat Pal Dhiman)
Joint Secretary (Forests) to the
Government of Himachal Pradesh
Ph. No. 01772-2621874

2 MAR 2017

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Copy is forwarded to:-

1. Do. CEF (CWL) Shimla.
2. All CEFs/ CFS in H.P.
for information & n/a/cen.

(Signature) 17/3/2017
Addl. Do. CEF. (Forest Mgt.)
+ 90 Do. CEF. H.P. Shimla.

2 MAR 2017

Encls. no. Pl. 35-16 / 2013 (Ind. vol. 11) dated / —

Copy is forwarded to CCF (IT) for information and necessary action. He is requested to upload these instructions in the department's web portal.

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CCF (Policy & Law)
To H. C. & P.