

GOVERNMENT RESOLUTION ON TUFs ON TECHNO-OPERATIONAL PARAMETERS

(01-11-2007 to 31-03-2012)

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MINISTRY OF TEXTILES

RESOLUTION

New Delhi, the November the 1st, 2007.

No.6/4/2007-CTI

Objective:

In spite of a strong and diversified fibre and production base, for various historical reasons, the Indian textiles industry has suffered from severe technological obsolescence and lack of economies of scale. The Technology Upgradation Fund Scheme (TUFs), which was introduced on 01.04.1999, has provided a "fresh lease of life to the textile industry." It has helped overcome technological obsolescence and create economies of scale. It has also helped in transition from quantitatively restricted textiles trade to market-driven global merchandise. It has infused huge investment climate in the textiles sector and in its operational life span of eight years since 01.04.1999 till 31st March 2007, has propelled investment of more than Rs.86, 000 crore.

2. The momentum thus achieved as a result of tremendous efforts on the part of both Government and industry needs to be further strengthened. Compared to the size and technology level of textiles units in the competing countries, India needs to increase the capacities and go in for modernization on continuous basis. The globalization of textiles trade mandates for financial assistance to domestic industry to abridge prime lending rate in the country to that of the LIBOR.

3. The Scheme off sets the global disadvantages faced by the Indian textiles industry in the field of power, transactional cost and additional cost borne by the industry due to poor infrastructure. The Scheme is equally crucial to attain higher level of infrastructure creation for modernization of textiles sector. 71% of the beneficiaries under TUFs are from small scale industry sector. It is necessary to continue the process of strengthening this sector through this Scheme. The manufacturing chain in the textiles industry starts right from ginning of cotton till the clothing stage. Thus, TUFs is crucial for all the inter-connecting sectors such as spinning, weaving, knitting, processing and garmenting.

4. However, the Scheme has witnessed un-uniform benefits to the various segments of the textiles sector. The spinning and composite segments of the textiles sector have driven maximum benefits whereas the segments like processing, garmenting, powerlooms etc. are still the weak links in the textiles value chain and have not realized the potential for modernization:

5. The Government recognizes the potential of garmenting, technical textiles and processing segments for high value addition and employment generation and accords high priority to decentralized powerlooms segment in Small and Medium Enterprises dominated textiles economy for employment generation and capacity building. The Working Group on Textiles and Jute Industry for XI Five Year Plan constituted by Planning Commission has set a growth rate of 16% for the sector, projecting an investment of Rs. 150,600 crore in the plan period.

6. Now in the preface and recognition of the above, the Government resolves to further continue the Technology Upgradation Fund Scheme for the textiles & jute industries for with effect from 01.11.2007 upto 31.03.2012 and to provide the financial and operational parameters of the Scheme in respect of loans sanctioned with effect from 01.11.2007 as follows:-

- i). The scheme will continue to provide a reimbursement of five percentage points on the interest charged by the lending agency on a project of technology upgradation in conformity with the Scheme. However, for the spinning machinery the reimbursement will be four percentage points.
- ii). The scheme will continue to provide cover for foreign exchange rate fluctuation not exceeding 5%. However, for the spinning machinery the coverage will be 4%.
- iii). The Scheme will now provide an additional option to the powerlooms units to avail of 20% Margin Money subsidy under TUF in lieu of 5% interest reimbursement on investment in TUF compatible specified machinery subject to a capital ceiling of Rs. 200 lakh and ceiling on margin money subsidy Rs.20 lakh. A minimum of 15% equity contribution from beneficiaries will be ensured.
- iv). The Scheme will now provide 15% Margin Money subsidy for SSI textile and jute sector in lieu of 5% interest reimbursement on investment in TUF compatible specified machinery subject to a capital ceiling of Rs. 200 lakh and ceiling on margin money subsidy Rs.15 lakh. A minimum of 15% equity contribution from beneficiaries will be ensured.
- v). The Scheme will continue to provide 5% interest reimbursement plus 10% capital subsidy for specified processing machinery.
- vi). The Scheme will now provide 5% interest reimbursement plus 10% capital subsidy for specified machinery required in manufacture of technical textiles and garmenting machineries. (However, the units which have taken the sanction prior to 31.03.2007 but not started the commercial production, to be certified by Chartered Engineer and Chartered Accountant, will be covered under the modified Scheme.)
- vii). The Scheme will now provide Interest subsidy/capital subsidy/Margin Money subsidy on the basic value of the machineries and exclude the tax component for the purpose of valuation in view of the decision for non-subsidizing the taxes.

- viii). The Scheme will provide 25% capital subsidy on purchase of the new machinery and equipments for the pre-loom & post-loom operations, handlooms/up-gradation of handlooms and testing & Quality Control equipments, for handloom production units.
- ix). As per para 3.2(2) of the existing Scheme, certain imported second hand machinery have been permitted. The entire range of imported second hand machinery will now be ineligible under the Scheme for any benefit except automatic shuttleless looms with the value cap of Rs. 8.00 lakh per machine and 10 years' vintage and with a residual life of minimum 10 years.
- x). Other investments such as energy saving devices, effluent treatment plant, in-house R&D, IT including ERP, TQM including adoption of ISO/BIS standards, CPP etc (including non-conventional sources) as mentioned in Para 3.3(2) of the existing Scheme will now be eligible for benefits of the scheme only upto 25% of the cost of machinery.
- xi). For a specific thrust to garmenting, machineries for CAD, CAM and design studios and likes will be included in the separate heading of the guidelines of the scheme with a financial cap to be determined by the Inter Ministerial Steering Committee (IMSC) under the Chairmanship of Secretary (Textiles).
- xii). Investments like land, factory building, pre-operative expenses and margin money for working capital will now be ineligible for benefit of reimbursement under the scheme except meant for apparel sector and handloom with existing 50% cap. In case apparel unit is engaged in other activity, the eligible investment under this head will only be related to plant & machinery eligible for manufacturing of apparel.
- xiii). The applicability of the modified provisions of the Scheme will be reckoned with the date from sanction of bank loan or commercial production, whichever is later. The date of indenting of machineries or procurement or import or delivery shall be immaterial to decide the applicability of the Scheme.
- xiv). On loans sanctioned during 01.04.1999 and 31.03.2007, the then existing parameters and guidelines will apply.

7. The detailed scope of the scheme, eligibility criteria and operational parameters will be as below:

I. SCOPE OF THE SCHEME

The Scheme will continue to cover the following segments:-

- a) Cotton ginning and pressing.

- b) Textile industry covering:-
- i) Silk reeling and twisting.
 - ii) Wool scouring, combing and carpet industry.
 - iii) Synthetic filament yarn texturing, crimping and twisting.
 - iv) Spinning.
 - v) Viscose Staple Fibre (VSF) and Viscose Filament Yarn (VFY).
 - vi) Weaving, knitting and fabric embroidery
 - vii) Technical textiles including non-wovens.
 - viii) Garment / design studio / made-up manufacturing
 - ix) Processing of fibres, yarns, fabrics, garments and made-ups.
- c) Jute industry.

II. ELIGIBILITY CRITERIA FOR ASSISTANCE

1. DEFINITION OF TECHNOLOGY UPGRADATION

Technology Upgradation would mean induction of state-of-the-art or near-state-of-the-art technology. But in the widely varying mosaic of technology obtaining in the Indian textile industry, at least a significant step up from the present technology level to a substantially higher one for such trailing segments would be essential. Accordingly, technology levels are benchmarked in terms of specified machinery for each sector of the textile industry. Machinery with technology levels lower than that specified will not be permitted for funding under the TUF Scheme.

2. ELIGIBLE MACHINERY

Installation of the following types of machinery in a new unit or in an existing unit by way of replacement of existing machinery and / or expansion will be eligible for coverage under TUF scheme:

- | | | |
|-----|---|---------------------|
| 2.1 | Cotton Ginning and Pressing - | Annex – A. |
| 2.2 | Spinning/Silk Reeling & Twisting/
Synthetic filament yarn Texturing,
Crimping & Twisting- | Annex - B-1. |
| 2.3 | Wool scouring, combing and carpet industry | Annex – B-2. |
| 2.4 | Manufacturing of viscose filament
yarn and viscose staple fibre - | Annex – C. |
| 2.5 | Weaving / Knitting | Annex-D1 |

2.6	Technical Textiles and non-wovens	Annex-D2
2.7	Garment / Made-up manufacturing	Annex – E.
2.8	Processing of fibre / Yarn / Fabrics / Garments / made-ups	Annex–F(1-4)
2.9	Jute industry	Annex – G.
2.10	Energy saving & process control equipments for various sectors	Annex-H
2.11	Machinery eligible under 20% margin money subsidy (MMS-TUFS) for powerloom sector	Annex-I
2.12	Machinery eligible under 10% capital subsidy for processing sector	Annex-J
2.13	Machinery eligible under 10% capital subsidy for technical textiles	Annex-K
2.14	Machinery eligible under 10% capital subsidy for garment sector	Annex-L
2.15	Machinery eligible under 10% capital subsidy for CAD, CAM and design studio	Annex-M

3. GENERAL ELIGIBILITY CONDITIONS

3.1 TYPE OF UNITS :

- (1) Existing unit with or without expansion and new units.
- (2) Existing units can modernise and / or expand with the appropriate eligible technology.
- (3) New units must set up their entire facilities only with the appropriate eligible technology.
- (4) A unit can undertake one or more activities listed at **I-SCOPE OF THE SCHEME** hereinbefore under the Scheme.
- (5) Textile / Jute units with 100% foreign equity.

3.2 TYPE OF TEXTILE MACHINERY ELIGIBLE:

- (1) Under the TUF Scheme, generally only new machinery will be permitted.
- (2) However, the following imported second hand machinery are also eligible under TUFs:
 - a) Air jet, Projectile, Rapier and Waterjet shuttleless looms fitted with or without electronic jacquard / electronic dobby and with or without high speed direct beam warper with creel and/or sectional warping machine with auto stop and tension control of upto 10 years' vintage and with a residual life of minimum 10 years and with the value cap of

Rs. 8.00 lakh per machine. Electronic dobby or jacquard on stand alone basis of upto 10 years' vintage and with a residual life of minimum 10 years and with the value cap of Rs.1 lakh or Rs.2 lakh per machine respectively.

- (3) A certificate from a chartered Engineer of the exporting country certifying the vintage and residual life of the imported second hand machinery must be furnished to the lending agency at the appropriate time as determined by the lending agency. Such a certificate is compulsory for any import of eligible second hand machinery under this scheme irrespective of the value of such import.
- (4) Balancing equipment or equipment required for de-bottlenecking the production process will also be eligible for funding under TUFS.
- (5) Waste reduction equipment or devices will be eligible for funding under the TUFS.
- (6) Eligibility of any other textile machinery equal to or higher than the benchmarked technology not listed in the annexures or developed in the course of the operation of TUFS will be, suo motu or on reference, specifically determined by the Technical Advisory-cum-Monitoring Committee (TAMC) to be constituted by the Government.
- (7) The size of the technologically upgraded facilities of an existing unit or size of the new unit must be of a minimum economic size (MES). MES for eligible segments of the industry should be any unit which is financially viable as per viability analysis of the financial institutions or banks. The MES for the cotton ring spinning will be decided by the IMSC.
- (8) Machinery eligible for one segment is eligible for other segments / activity also unless its eligibility is specifically restricted for a particular segment.

3.3 OTHER INVESTMENTS ELIGIBLE:

- 1) The following investments for apparel sector and handloom sector will also be eligible to the extent necessary for the plant and equipment to be installed for Technology Upgradation and the total of such investments will not normally exceed 50% of the total investment in such plant and machinery:
 - (a) Land and factory building including renovation of factory building and electrical installations;
 - (b) Preliminary and pre-operative expenses;

- (c) Margin money required for working capital, specifically required for the technology upgradation;
- 2) Investments in the installation of the following facilities including necessary equipment will be eligible only upto 25% of the cost of machinery:-
 - (a) Energy saving devices;
 - (b) Effluent treatment plant (ETP) (except if it is a part of processing plant);
 - (c) Water treatment plant for captive industrial use;
 - (d) In-house R. & D. including design studio;
 - (e) Information technology including Enterprise Resource Planning (ERP);
 - (f) Total quality management (TQM) including adoption of appropriate ISO / BIS standards. (Lab versions of machinery approved for commercial production purposes under TUFs are eligible).
 - (g) Captive power plant (including non-conventional sources) of the units availing of TUFs loan.
 - (h) Husk Fired Boiler accompanying textile modernisation / expansion are eligible.
 - 3) Investment in the acquisition of technical know how including expenses on training and payment of fees to the foreign technicians.
 - 4) Lending in excess of the limits prescribed above in respect of the items included in subparas (1) and (2) of this para (i.e. para 3.3) shall attract the normal lending rates.

3.4 INVESTMENT IN COMMON INFRASTRUCTURE OR FACILITIES BY AN INDUSTRY ASSOCIATION, TRUST OR CO-OPERATIVE SOCIETY IN AN INDUSTRIAL CLUSTER OR ESTATE

Investment in common infrastructure facilities owned by the association, trust or co-operative society of the units participating in the TUF Scheme, to the extent necessary for this purpose, including the following only upto 25% of the cost of TUFs eligible machinery of the participating in the TUFs modernization with a maximum of financial cap to be determined by the Inter Ministerial Steering Committee (IMSC) under the Chairmanship of Secretary (Textiles) from time to time: :

- (1) Common utilities, viz., water supply, power substation etc.
- (2) Common captive power generation(including non-conventional sources).

- (3) Common effluent treatment plant.

Any additional investments would attract the normal lending rates.

3.5 VOLUNTARY RETIREMENT SCHEME (VRS) :

Voluntary retirement scheme (VRS) for restructuring of man power of an existing unit as a part of the technology upgradation project will be eligible for funding as a part of the project. However, interest reimbursement will not be admissible on that part of the investment.

3.6 CUT-OFF DATE UNDER TUFSS:

- (a) The cut-off date under the Scheme for availing the benefits will be the date of sanction.
- (b) Whenever a new machine or equipment which is equal or superior than the bench marked equipments or machines, already included in the existing list of items of the GR, is made eligible under TUFSS, the TUFSS benefits for such equipments may be extended for the loans disbursed after 01.11.2007. In case inclusion of any machinery/equipment is due to relaxation of norms laid down in the GR of TUFSS, the effective date of eligibility of interest reimbursement would be applicable only from the date of the TAMC / IMSC meeting.

3.7 COVERAGE OF PHASE-WISE EXPANSION:

Phase-wise expansion under TUFSS is permitted provided TUFSS loan is availed under single loan proposal for single project under phase-wise expansion of capacity.

3.8 COVERAGE OF INVESTMENT MADE IN TUFSS COMPATIBLE PROJECTS AFTER 01.11.2007 FUNDED BY OTHER SOURCES (OTHER THAN BANK LOAN) UNDER TUFSS:

The investment made in TUFSS compatible projects after 01.11.2007 funded by other sources (other than bank loan) are covered under TUFSS. The general guidelines for coverage of such units are as under:

“As long as the technology upgradation project is executed within the TUFSS period (i.e. the initial funding from other sources is after 01.11.2007) and meets the benchmarked technology and other eligibility norms and provided the units have approached the bank / FI for financial assistance prior to making their own investment in the project, initial funding from another source should not deprive the unit of the benefit of TUFSS, if it is covered by an appropriate term loan in due course. However, the benefit of TUFSS interest incentive will be coterminous with the loan disbursement.”

3.9 BENEFIT OF OTHER SCHEMES:

Textile / Jute units are permitted to avail of benefits of other schemes, in addition to TUFS, unless specifically provided otherwise. In case of doubt, the matter may be referred to the Textile Commissioner for clarification.

4. SECTOR - SPECIFIC ELIGIBILITY CONDITIONS :

4.1 COTTON GINNING AND PRESSING :

- a) Ordinarily, only composite (cotton ginning with pressing) units will be eligible for coverage under the Scheme. However, independent ginning or pressing units will be eligible to modernise under the scheme provided they forward - integrate or backward - integrate with the pressing and ginning facility respectively, of eligible technology level.
- b) Only double roller gins or saw gins will be eligible.
- c) Baling Press Standards should be in conformity with the amended BIS specifications.
- d) A unit with existing 2-stage manual bale pressing machine will not be compelled to replace it, while going for other modernisations, as per TUFS. However, a unit replacing the bale pressing machine or installing bale pressing machine for the first time will be required to install only single stage automatic bale pressing machine.
- e) The cotton ginning & pressing units will have the option to avail of benefits either under TUFS or under TMC but not both.

4.2 SPINNING/SILK REELING & TWISTING/WOOL SCOURING & COMBING / SYNTHETIC FILAMENT YARN TEXTURISING, CRIMPING & TWISTING

a) Cotton ring spinning system:

- (i) In the cotton ring spinning system, new units, capacity expansion and modernisation of the units with eligible MES will be permitted. The MES will be decided by the IMSC under the Chairmanship of Secretary (Textiles).
- (ii) In case of modernisation of existing obsolete spindleage through technology upgradation, replaced old and obsolete spindles should ordinarily be scrapped and made completely unserviceable unless their operations are established to be viable.

[Note : Ring frames older than 15 years and back up machinery / equipment older than 20 years should invariably be scrapped.]

- (iii) (a) The cotton ring spinning units are permitted to install back-up facilities for de-bottlenecking, viz., cone winding machine, cards, draw frame, speed frame, blow room etc. without increase in the spindleage, provided the unit is at or above the MES level, viable and such investments brings up the unit to the desired benchmark technology level as a whole.
- (b) Auto doffer system for ring frame as a retrofit is covered under the scheme which may be retrofitted / installed as a new or existing frame irrespective of any make / manufacturer.
- (iv) Installation of compact spinning machine for setting up of new capacity or for modernisation / replacement of existing ring frames is permitted with out any stipulation of MES. In situ upgradation of existing ring frames by changing the existing drafting system to compact spinning drafting system is also covered under TUFS.
- (v) Post spinning / twisting of yarn processing plant on stand alone basis to produce two fold twisted yarn or singeing yarn without putting up yarn spinning unit are covered.

b) Open end/Dref/Parafil/Selfil/Airjet spinning system :

These spinning systems being, by and large, specialised yarn making systems, modernisation, capacity expansion or new units will be permitted.

c) Worsted spinning system :

- (i) Technology upgradation of existing capacity and expansion/new units with appropriate eligible technology will be permitted.
- (ii) Independent wool scouring and combing units will also be eligible for funding under the TUFS.

d) Woollen/shoddy spinning system :

- (i) Woollen system of spinning includes semi-worsted system of spinning.
- (ii) Technology upgradation in existing units and capacity expansion/new units in these sectors with appropriate eligible technology will be permitted.

e) **Silk reeling & twisting :**

- (i) Technology upgradation in the existing capacity and expansion/new units with appropriate eligible technology will be permitted.
- (ii) The replaced obsolete reeling/twisting machinery should normally be dismantled unless their operations are established to be viable.

f) **Synthetic filament yarn texturising, crimping and twisting :**

Replacement of existing obsolete machinery, capacity expansion or installation of new units with appropriate eligible technology will be permitted.

g) **Carpet industry:**

Technology upgradation of existing capacity and expansion / new units with appropriate eligible technology will be permitted.

4.3 **VISCOSE FILAMENT YARN AND VISCOSE STAPLE FIBRE:**

- (i) Replacement of existing obsolete machinery, capacity expansion or installation of new units with appropriate eligible technology will be permitted.
- (ii) The replaced obsolete machinery should ordinarily be dismantled unless their operations are established to be viable.

4.4 **WEAVING, KNITTING AND NON-WOVEN / TECHNICAL TEXTILES/ FABRIC EMBROIDERY MANUFACTURING UNITS :**

a) I. **Essential for non-woollen weaving units :**

- i) An appropriate configuration of looms and machinery conforming to minimum economic size.
- ii) In case of technology upgradation in an existing unit, the replaced old and obsolete looms should ordinarily be scrapped and made unserviceable unless their operations are established to be viable.

II. **Decentralised (SSI) weaving sector:**

- 1. In-situ upgradation of existing ordinary looms / semi automatic looms to automatic looms with additional features like weft stop motion, warp stop motion, positive/semi-positive let off motion with or without dobby/jacquard, is permitted to decentralised powerloom sector.

2. Replacement of an ordinary loom by a new automatic loom with benchmarked technology features are permitted.
3. New units in the decentralized powerloom sector are permitted to install automatic looms with benchmarked technology features under TUFS.

III. Handloom weaving:

1. Handloom sector is eligible for taking the benefits of TUFS for all machinery already listed in the GR on TUFS as amended from time to time and permitted for other sectors including powerloom and mill sector. In handloom sector only weaving activity is different from powerloom and mill sector while other activities particularly processing are same.
2. Handlooms with specified benchmark features operated without the use of power have been covered.

b) Essential for woollen units :

- i) An appropriate configuration of looms and machinery conforming to minimum economic size.
- ii) In-house weaving preparatory at least matching with the weaving capacity (in the case of SSI units, weaving preparatory is not essential).
- iii) In case of technology upgradation in an existing unit, the replaced old and obsolete looms should ordinarily be scrapped and made unserviceable unless their operations are established to be viable.

c) Independent weaving preparatory units :

An independent SSI / non-SSI (woollen or non-woollen) weaving preparatory unit will install weaving preparatory machinery as listed in Annex - D1.

d) Knitting units :

Replacement of existing obsolete machinery, capacity expansion or installation of new units with appropriate technology is permitted under TUFS.

e) Technical textiles / Non-wovens manufacturing units :

- (a) Machines required to manufacture technical textiles and non-wovens, as listed in Annex - D2 are eligible for coverage under TUFS.

- (b) Since some of the machinery of technical textiles are common the technical textile units intending to avail of 10% capital subsidy will have to obtain a registration number from Office of the Textile Commissioner prior to becoming eligible for 10 percent capital subsidy.

4.5 **GARMENT / MADE-UP MANUFACTURING :**

- a) Woven and / or knitted garment and/or made-up manufacturing or combination thereof will be eligible.
- b) Garment / made-up manufacturing and other accessory equipments as required are to be installed out of the list in Annex – E.

4.6 **DESIGN STUDIO:**

- (a) Design studio set up by the textile, readymade garment and jute industry with eligible machinery / equipments, software and testing equipment is covered under TUFS.
- (b) Design studio set up on stand-alone basis exclusively for textile, readymade garment and jute units with eligible machinery / equipments, software and testing equipments are covered under TUFS subject to the condition that they obtain a registration number from Office of the Textile Commissioner.

4.7 **PROCESSING OF FIBRE / YARN / FABRICS / GARMENTS / MADE-UPS**

- a) Processing machinery including essential quality control equipments listed in Annex - F (1 to 4) for fibre / yarn / fabrics / garment / made-up processing and finishing will be eligible.
- b) Pollution control equipments listed in Annex - F (1 to 4) as essential must also be installed.
- c) Utility and other machinery listed in Annex - F (1 to 4) can be installed at the option of the entrepreneur as required.

4.7 **JUTE TEXTILES**

a) **Jute softening & carding, drawing, spinning and weaving :**

- (i) New machinery of eligible technology as listed in Annex-G will be permitted.
- (ii) Import of second hand machinery of eligible technology with a maximum of 10 years' expired life (vintage) and with minimum of 10 year residual life will also be eligible subject to the conditions stipulated under para 3.2 supra.

b) Spinning and weaving/knitting of jute blends :

- (i) Eligibility conditions for units spinning jute blends will be the same as for cotton spinning system detailed in para 4.2.
- (ii) Eligibility conditions for units weaving/knitting jute blended fabrics will be the same as for non-woollen weaving and knitting as detailed in para 4.4.

c) Jute-blended garment/made-up manufacturing :

Eligibility conditions for units manufacturing jute-blended garments and/or made-ups will be the same as for non-jute garment/made-up manufacturing detailed in para 4.5.

d) Processing of jute products :

- (i) Processing machinery as listed in Annex - G are eligible.
- (ii) Quality control and pollution control equipment eligible for TUFs funding will also be eligible as listed in Annex - G.

e) Processing of jute-blended products :

Eligibility conditions will be the same as for processing of non-jute textile products as detailed in para 4.6.

f) Material handling :

The machinery for material handling as listed in Annex - G are essential for modernising jute units.

5. TECHNICAL ADVISORY-CUM-MONITORING COMMITTEE (TAMC) - INTERPRETATION OF ELIGIBILITY :

- (1) The Government has constituted a Technical Advisory-cum-Monitoring Committee (TAMC) under the Chairmanship of Textile Commissioner with Jute Commissioner and technical experts from industry covering the different segments, as members. The composition and functions of TAMC are at **Annex-N**.
- (2) Amendment in the list of machinery in terms of addition / deletion will be done by the TAMC.
- (3) If any question of interpretation or clarification is raised by the lending agency / entrepreneurs as to the eligibility of any unit or machinery under the scheme, the views of the TAMC will be obtained.

- (4) The TAMC will also monitor and review the progress of the scheme and apprise the Ministry and IMSC periodically.

III. LOANS UNDER THE SCHEME

1. Under the Technology Upgradation Fund Scheme, loans will be provided subject to terms and conditions given below :

a) **Amount of loan** :

The assistance will be need-based. There will be no minimum or maximum limit for individual loans.

b) **Promoter's contribution** :

To be decided by the lending agency on the basis of its existing normal norms.

c) **Rate of Interest** :

(i) **Rupee loan** :

Effective rate of interest to the concerned borrower will be five percentage points lower than the prevailing commercial rates of interest charged by the lending agencies concerned; the Ministry of Textiles will reimburse the five percentage points under the scheme. In case of spinning machinery, the interest reimbursement will be limited to four percentage points.

(ii) **Foreign Currency Loan**:

As applicable for normal Foreign Currency loan. However, cover for exchange rate fluctuation not exceeding 5% per annum would be provided under the scheme. In case of spinning machinery, the exchange rate fluctuation will be limited to 4% per annum.

(iii) **Period of interest reimbursement** :

- (a) 1. Interest reimbursement of 5% for eligible segments other than spinning and 4% for spinning will be available for a period of 10 years including 2 years of implementation and moratorium. The implementation and moratorium period can be more than two years but interest reimbursement for implementation and moratorium period will be limited to two years only.

2. Interest reimbursement under TUFSS would continue to be available during any extended / rescheduled period of repayment of loan not exceeding a maximum period of 10 years including two years of implementation and moratorium period, if such re-scheduling is accepted by the concerned nodal agency / co-opted agency.
 3. Interest reimbursement may be stopped if the borrower becomes defaulter in the repayment of the loan for two quarters. However, if the repayment is resumed and default also made good within six quarters from the initial default, then the 5% interest reimbursement for eligible segments other than spinning and 4% interest reimbursement for spinning may be restored covering the amount and period of default.
 3. Period of re-payment is to be decided by between lending agencies and the textile units. However, banks are free to give loan for more than 10 years but subsidy will be given only for a period of 10 years including implementation and moratorium period of maximum upto 2 years.
- (b) If an account becomes a non-performing asset (NPA), the interest reimbursement would not be available. The interest reimbursement will be available from the date of coming out of the NPA category. In default- free rescheduled cases, reimbursement will be as per the original repayment schedule.
- e) **Other conditions, viz., period of loan, security, conversion option, Debt-Equity-Ratio etc.**
- Eligible units will be of minimum economic size. Other conditions will be such as determined by the lending agency as per its existing normal norms.
- f) **Financial norms of earning continuous profit.**
- Nodal agencies have relaxed the norms regarding earning of continuous profit during last three years for the units with a good track record, viable and positive networth even if they had incurred losses in one or more of these three years.

g) **Contingency provisions:**

The contingency provision (non-firmed up cost) to the extent of 5% maximum (on actual basis) may be covered under TUFS in respect of plant and machinery and other investments eligible under TUFS.

h) **Assistance under TUFS for loan sanctioned by the consortium banks when some banks of the consortium are not co-opted by the Nodal Agencies:**

In cases of consortium finance, the entire project is to be covered under TUFS even if some of the consortium FIs/banks are not co-opted by the Nodal Agencies. In such cases the interest reimbursement claim to the Nodal Agencies may be routed through the co-opted bank including the claim in respect of the loan disbursed by non co-opted banks. The co-opted bank would ensure that the project was meeting the technology and other norms prescribed under the Scheme.

i) **Transferring the TUFS loan from one bank / FI to another bank / FI as well as closing down one term loan account under TUFS and availing of fresh term loan:**

The outstanding principal amount under TUFS loan account from one bank / FI can be transferred to another bank / FI subject to the condition that portfolio (i.e. balance principal amount) remains unchanged and the overall repayment period does not exceed 10 years. However, this facility will be provided three times during the tenure of the loan.

j) **Conversion of rupee term loan into foreign currency loan and vice-versa:**

Conversion of rupee term loan (RTL) into foreign currency loan (FCL) and vice-versa on annual basis is permitted under TUFS. The base rate of exchange will be the rate prevailing on the date of conversion of rupee term loan into FCL. The tenure of the loan amount will remain the same subject to the 10 years repayment period and availability of foreign currency line of credit with the lending agency.

k) **Foreign currency loan for rupee liability:**

It is permitted to avail of foreign currency loan (FCL) under TUFS for rupee liability also.

l) **Coverage of forward premium:**

The cost of forward cover premium for Foreign Currency Loan under TUFS limited to 5% per annum for eligible segments other than spinning and 4% per annum for spinning on the base rate of exchange as an option, which may be exercised only once in the each financial year of the project is covered.

m) **Coverage of Non Convertible Debentures (NCDs):**

The non-convertible debentures (NCDs) subscribed by NAs and co-opted PLIs if they fall within TUFS norms are covered under the scheme. The Transfer of NCDs subscribed by NAs / co-opted PLIs and covered under the TUFS to another nodal agency/co-opted PLI once in the life time of the NCDs has been permitted. The nodal agencies must however ensure that NCDs are transferred to NAs or co-opted PLIs and NCDs transferred to other investors in the market should not be given interest reimbursement.

n) **Coverage of lease finance:**

Interest portion of the lease finance taken by the manufacturers from NAs/co-opted PLIs for eligible machinery and equipments has been covered under TUFS. The coverage of lease finance will be subject to normal leasing norms but lease period will be limited to 10 years.

o) **Coverage of Hire Purchase Scheme of National Small Industries Corporation (NSIC) Ltd.**

Interest portion of the Hire Purchase Scheme of NSIC are covered under TUFS subject to the units meeting the technology and other eligibility parameters laid down under the scheme.

p) **Approval of nodal agency for the loan sanctioned by co-opted PLI with their own prudential norms without effecting the technology norms under TUFS:**

The projects under TUFS which are sanctioned by co-opted PLIs as per their own prudential norms and in compliance with the technology norms of TUFS should be approved by Nodal Agencies.

- q) **Coverage of weak but potentially viable textile and jute units under TUFS:**
- Relaxation in norms for cash profit, promoters' margin, debt equity ratio and revaluation of assets could be considered by Financial Institutions and Banks while preparing restructuring proposals for textile and jute units.
- r) **Co-guarantee provided by yarn supplier / master weaver:**
- Grant of TUFS loan to small scale powerloom units on the strength of co-guarantee provided by the yarn supplier / master weavers with sound financial position and ability to meet banking norms are to be decided by FIs / banks. However, if in such cases term loans/finance was provided by the FIs / banks, benefits under TUFS would be available as per approved guidelines.
- s) The banks/FIs which have advanced loans to textile units eligible for 5% / 4% as the case may be interest reimbursement will accept the repayment of loan if made with in the prescribed date without the 5% / 4% as the case may be interest reimbursement which it will get from the nodal agency. On the amount reimbursed, the Banks/FIs may, however, charge interest at PLR from the unit till it is received from the nodal agency.
- t) **Deferred Payment Guarantee (DPG) scheme - Operational Guidelines:**
- The DPG in respect of rupee loan only is covered under TUFS. The operational guidelines are at **Annex-O**.
- u) **Margin Money Subsidy @ 20% under TUFS (MMS@20%-TUFS) for Powerloom sector –Operational Guidelines:**
- MMS-TUFS@20% for powerloom sector will be operationalised by Office of the Textile Commissioner as in the past and detailed operational guidelines are at **Annex - P**.
- v) **Margin Money Subsidy @ 15% under TUFS (MMS@15%-TUFS) for SSI Jute & Textile sector –Operational Guidelines:**
- MMS-TUFS@15% for SSI Jute & Textile sector will be now operationalised by Office of the Textile Commissioner and detailed operational guidelines are at **Annex - Q**.

- w) **Additional incentive in the form of 10% capital subsidy for the processing machinery, garmenting machinery, design studio and technical textile machinery under TUFS:**

The detailed operational guidelines are at **Annex - R**.

- x) **25% capital subsidy for the handloom sector under TUFS:**

1. Government of India has decided to provide an option to Handloom Sector to avail of either 25% capital subsidy or the existing 5% interest reimbursement under TUFS.
2. The detailed operational guidelines including list of specified handloom machinery will be issued by the Office of the Development Commissioner (Handlooms), New Delhi.

IV. MANAGEMENT

One of the main requirements for sanction of assistance under the TUF Scheme will be the availability of competent management to the unit concerned to carry out the modernisation programme and also to manage the operations of the unit efficiently. Towards this end, Lending agencies may stipulate conditions relating to broad-basing of the Board, appointment of senior technical/financial executives, professionalisation of the management and constitution of such committees as may be considered necessary.

V. WORKING CAPITAL REQUIREMENTS

Since the success of the modernisation programme would, to a large extent, depend upon the availability of adequate working capital to achieve the full benefit of the modernisation programme, the units have to make adequate arrangements with their bankers for meeting working capital requirements.

VI. NODAL AGENCIES (NA)

1. The nodal agencies under the scheme for different segments are as follows:

Segments	Nodal Agencies
Textile Industry (excluding SSI Sector)	- IDBIL
SSI Textile Sectors	- SIDBI

2. The nodal agencies have co-opted other All India Financial Institutions (AIFIs)/ state financial corporations (SFCs) / state industrial development corporations (SIDCs) and commercial /

cooperative banks in the scheme for sanction and disbursement of loan so as to have a better reach. However, there will be no erosion in the rate of the interest reimbursement available to the borrower on account of such linkages. A list of co-opted lending agencies is at **Annex – S**.

3. Applications for assistance under the Fund Scheme may be submitted in the prescribed form available from the concerned nodal agencies or co-opted AIFIs/SFCs/SIDCs/ commercial/co-operative banks, as the case may be.
4. A special cell will be set up by the financing institutions for expeditiously processing loan applications.
5. The nodal agencies will furnish periodically information in respect of sanction and disbursement of the loans and other related information to the Textile Commissioner. Such information in respect of the co-opted AIFIs/ SFCs / SIDCs/ commercial/co-operative banks will be co-ordinated and furnished by the nodal agency concerned to the Textile Commissioner.
6. Government has approved the placement of funds with the Nodal Agencies towards reimbursement of 5% interest to the borrowers other than that of spinning sector and 4% interest for spinning sector under the scheme on a quarterly basis in advance but not earlier than 15 days of the due date. In respect of foreign currency loan, exchange rate erosion not exceeding 5% p.a. or 4% p.a. as the case may be will be covered. This will ensure the full reimbursement of 5% interest or 4% interest as the case may be to the borrower without any dilution/erosion due to delay.
7. In respect of the co-opted financing institutions, nodal agencies will be responsible for verifying the interest reimbursement claims of the co-opted AIFIs/SFCs, SIDCs and commercial/co-operative banks and actual disbursement thereof.

VII. NODAL BANKS

- (i) Additional 13 nodal banks have co-opted under TUFs for the cases financed by them. The identified 13 banks have consented to become nodal banks under TUFs. The names of the 13 banks are as under :

1) State Bank of India	2) Bank of India
3) EXIM Bank	4) Central Bank of India
5) Punjab National Bank	6) Andhra Bank
7) Union Bank of India	8) Indian Overseas Bank
9) Bank of Baroda	10) ICICI Bank
11) Canara Bank	12) National Co-operative Development Corporation (NCDC)

	Corporation (NCDC)
13) Indian Bank	

- (ii) The nodal banks will determine the eligibility and release the TUFs benefit in respect of all the cases financed by them under TUFs including non-SSI, SSI and 10% capital subsidy for specified processing machinery / garmenting machinery / design studio / technical textile machinery. The State Bank of India will also function as nodal bank for its seven associate banks.
- (iii) The Nodal Banks shall examine eligibility of cases from TUFs-angle before a project becomes eligible to the benefit of interest reimbursement under TUFs.
- (iv) In case of consortium financing, the consortium leader shall assess eligibility of the project under TUFs for itself and also for other members of the consortium, provided the consortium leader is a nodal bank. In case consortium leader is not a nodal bank, the nodal bank with major share of term loan shall assess the eligibility of the project and also determine eligibility of 10% capital subsidy for specified processing /garmenting / design studio / technical textile machinery.
- (v) In case of financing by multiple banks, the bank with major share of term loan shall assess eligibility of the project under TUFs for itself and also for other banks, provided the said bank is a nodal bank. In case bank with a major share of term loan is not a nodal bank, the nodal bank with major share of term loan shall assess the eligibility of the project and also determine eligibility of 10% capital subsidy for specified processing /garmenting / design studio / technical textile machinery.
- (vi) In case of consortium financing / financing by multiple banks, the individual banks shall administer interest reimbursement to their assisted units, provided the banks are nodal banks. However, IDBIL / SIDBI shall administer interest reimbursement to those banks of the consortium / multiple banking arrangement which are not nodal banks, for which purpose IDBIL / SIDBI shall be endorsed / forwarded a copy of eligibility certificate by the nodal bank, issued to such banks.
- (vii) Nodal Banks shall submit annual forecast of funds required, about 6 months in advance of budget, to Ministry of Textiles (MoT), Government of India (GoI), New Delhi, for necessary budgetary allocation, followed by submission of quarterly interest reimbursement claims to MoT, GoI, New Delhi, 1-1/2 to 1 month in advance of due date (viz., 1st July / 1st October / 1st

January / 1st April) based on principal outstanding amount in respect of their assisted cases, for actual release of funds by MoT, Gol, New Delhi.

- (viii) Nodal Banks shall submit utilisation certificate to MoT, Gol, New Delhi in prescribed formats on monthly / quarterly basis before submission of next quarterly claim in the prescribed format. The co-opted PLIs will submit the utilization certificate to Nodal Agencies and to Office of the Textile Commissioner before submission of next quarterly claim in the prescribed format.
- (ix) As funds will be placed by MoT, Gol, New Delhi, with Nodal Banks in advance, they shall open a dedicated account for keeping the funds so released by MoT, Gol, New Delhi.
- (x) Nodal Banks shall maintain requisite database of company / project-wise eligibility established / pending references for TUFs-eligibility / interest reimbursement effected, etc. for information to Office of the Textile Commissioner, Mumbai / MoT, Gol, New Delhi, and parliament questions, if any.
- (xi) The Nodal Banks will implement an 'on-line system' for expeditious clearance of the TUFs cases and releasing of TUFs subsidy to the beneficiary.
- (xii) IDBIL / SIDBI would render advisory services to Nodal Banks during the formative stage and will organise work shops for the benefit of the nodal banks 'on demand' basis.
- (xiii) In case of any doubts regarding eligibility of a case or any other related issue nodal banks may contact IDBIL / SIDBI or office of the Textile Commissioner for guidance / assistance.
- (xiv) The nodal banks will decide the TUFs eligibility of a case within 4-6 weeks of sanction of the loan, subject to the condition that interest reimbursement is released to the TUFs beneficiary within one / two days of payment of interest.

VIII. RELEASE OF FUNDS TO THE NODAL AGENCIES / NODAL BANKS / CO-OPTED PLIs

- (i) The release of funds under TUFs has been linked to the submission of data in the Format (I to IV) prescribed by the Office of the Textile Commissioner. The funds will not be released until the unit-wise data in the prescribed format is submitted to the Office of the Textile Commissioner.
- (ii) All the Nodal Agencies / Nodal Banks / co-opted PLIs receiving funds under TUFs shall maintain a separate Bank Account for the purpose.
- (iii) Balance amount available with the Banks may be indicated and the interest accrued thereon may be credited to the Bank Account opened for the purpose.

- (iv) Interest accrued by the banks under the Scheme may be deposited every quarter by the Banks to the Pay and Account Office, Ministry of Textiles. The Demand Draft for such an amount may be drawn in favour of the Pay and Accounts Officer, Ministry of Textiles, New Delhi.
- (v) Next release of funds will be made only after the receipt of the Utilisation Certificates from the concerned Banks.
- (vi) Funds to the nodal banks will be paid only through the Electronic Clearing Service(ECS)/Real Time Gross Settlement(RTGS). For this each nodal bank will provide details such as name of the bank, branch, account no., MICR code of the bank etc. to the Ministry of Textiles.
- (vii) The above guidelines for release of funds are also applicable to the co-opted PLIs of the SIDBI and IDBIL.

IX. MONITORING/APPRaisal MECHANISM

The Inter-ministerial Steering Committee under the Chairmanship of Secretary (Textiles) will lay down norms for a monitoring and appraisal mechanism for effective implementation of the scheme and may set up an appropriate machinery therefore. The Steering Committee would also periodically review the functioning of the scheme.

(JAMINI K. SHARMA)

JOINT SECRETARY TO THE GOVERNMENT OF INDIA

ANNEX – P**OPERATIONAL GUIDELINES FOR IMPLEMENTING 20% MARGIN MONEY SUBSIDY UNDER
TUFSS (MMS@20%-TUFSS) FOR POWERLOOM SECTOR**

1. An option has been provided to the powerloom units to avail of 20% Margin Money Subsidy under TUFSS (MMS@20%-TUFSS) in lieu of 5% interest reimbursement / 15% Margin Money Subsidy. The operational guidelines of the MMS@20%-TUFSS are as follows:

2. Duration of the scheme

2.1 The operation of MMS@20%-TUFSS will be co-terminus with modified TUFSS, i.e., from 1st November, 2007 to 31st March, 2012. However, the cut-off date will be reckoned with the date from sanction of bank loan or commercial production whichever is later. The date of indenting of machinery or procurement or import or delivery shall be immaterial.

3. Eligible units

3.1. The scheme is applicable to powerlooms in Micro & SSI sector only i.e., the units having investment in plant & machinery up to SSI limit as per Micro, Small & Medium enterprises development Act 2006. However, filing of Entrepreneurs Memorandum with concerned District Industries Centre is a **pre-requisite** for availing of assistance under the scheme.

3.2 The investment in TUFSS compatible specified machinery is subject to a capital ceiling of Rs.200 lakh and ceiling on margin money subsidy of Rs.20 lakh.

4. Quantum of subsidy

4.1 20% margin money subsidy will be available on investment in TUF compatible specified machinery subject to a ceiling of Rs. 20 lakh on subsidy amount to each unit.

Proviso :- (i) However where two or more undertakings are set up by the same person as a proprietor each of such industrial undertakings shall be considered to be controlled by the other undertaking or undertakings

OR

(ii) Where two or more undertakings are set up as partnership firms under the Indian Partnership Act, 1932 (1 of 1932) and one or more partners are common partner or partners in such firms, each of such industrial undertakings shall be considered to be controlled by the other undertaking or undertakings.

OR

(iii) Where industrial undertaking are set up by companies under the Companies Act, 1956 (1 of 1956) and where one or more Directors are common/same person who have already availed subsidy in their individual capacity for a proprietary/partnership firm, such undertakings shall be considered to be controlled by the other undertaking or undertakings.

4.2. Powerloom units availing of 20% subsidy would not be eligible under the NEF scheme.

5. Eligible machinery

- 5.1. The eligible machinery under the scheme include indigenously manufactured automatic looms, shuttle less looms with or without specified loom accessories and specified weaving preparatory machinery.
- 5.2. The new imported looms as well as 2nd hand imported shuttle-less looms upto 10 years vintage with residual life of 10 years as per TUFs norms will also be eligible under the scheme.
- 5.3. New Humidification Plant/ Air Compressor/ De-mineral Plant or Reverse Osmosis Plant, beam gaiting and knotting machine are also eligible subject to a maximum of 10% of the total cost of the eligible machinery for a project. However, subsidy for a project under the scheme will be restricted to Rs.20 lakh.

6. Bench marking of price under the scheme:

- 6.1. The Textile Commissioner in terms of the guidelines issued by the Govt. has fixed the ceiling on benchmarked price for the eligible second hand imported **machinery upto 10 years vintage only** under the scheme for the purposes of subsidy. The same is enclosed at **Appendix-I**.
- 6.2. In place of price benchmarking of the indigenous machinery, the machinery manufacturer shall be benchmarked. The indigenous machinery manufacturers whose machinery has been benchmarked under MMS @ 20% - TUFs as on date will be considered as benchmarked manufacturer under the scheme subject to the condition that such manufacturers obtain ISO-9001 and also they fulfill the criteria which will be fixed for benchmarking of manufacturers from time to time. (List of eligible machinery manufacturers as on date is at **Appendix-II**).

7. Lending Agency

- 7.1. NBFCs registered with RBIs as category A and B, all banks including cooperative banks / SFCs /SIDCs and SIDBI are eligible for funding under the scheme.

8. Financial norms

- 8.1. Promoters contribution of 15% is to be ensured by the lending agency.
- 8.2. Financial norms like security debt-equity ratio, previous years profit position, networth etc. will be as per existing norms of lending agency. However, they should not be stricter than TUF norms.
- 8.3. Powerloom unit availing of 20% subsidy should at least function for a minimum lock-in period of three years under the same ownership from the date of disbursement of subsidy to ensure that repayment period including moratorium period for the term loan should be minimum of three years.

9. Release of subsidy

Following mechanism will be adopted for the release of subsidy to Machinery Manufacturers/ Entrepreneurs/ Banks.

9.1. Machinery Manufacturers

- 9.1.1. The powerloom unit will approach the lending agency for a term loan with their project proposal. The lending agency would advise the office of the Textile Commissioner of the sanction of the loan in the prescribed format as at **Appendix - III**.
- 9.1.2. The powerloom entrepreneur would release his initial advance of minimum 15% contribution directly to the machinery manufacturer for the cost of the machine. The lending agency would release the loan to the machinery manufacturer when machinery are ready for dispatch. In case, with the loan amount, 80% of the cost of the machinery is

not met, the powerloom weaver would make good the remaining amount to the machinery manufacturer from his own resources.

- 9.1.3. The machinery manufacturer/powerloom entrepreneur would install and commission the loom on receiving 80% of the cost of the machinery. After satisfactory commissioning of the loom, the machinery manufacturer would inform the office of the Textile Commissioner.
- 9.1.4. In case of imported machinery, the powerloom weaver would inform the office of the Textile Commissioner after commissioning of the looms.
- 9.1.5. Textile Commissioner would constitute inspection teams on regional basis to inspect and certify the commissioning of the machinery. It would be ensured that Certification Committee issues a certificate within 15 days from date of intimation by the machinery manufacturer.
- 9.1.6. The 20% subsidy would be released by the office of the Textile Commissioner to the machinery manufacturers/ units Bank Account after receipt and examination of certification from the inspection team.
- 9.1.7. In respect of TUFS compatible imported looms and machinery, the powerloom weavers will need to open a LC in Bank to make the purchase. In such cases, the 20% subsidy would be released directly to the powerloom weaver's bank account after receiving installation and commissioning report of the imported looms and machinery.
- 9.1.7. Interest subsidy/capital subsidy/Margin Money subsidy on the basic value of the machineries and exclude the tax component/custom duty for the purpose of valuation.
- 9.1.8. In case powerloom entrepreneur avails of bridge finance from the lending agency for the 20% margin money subsidy to be given, the 20% subsidy would be released by the Textile Commissioner directly to the lending agency.
- 9.1.9. In case machinery is being installed / commissioned in phases, the subsidy shall also be released in phases.

9.2. Banks

- 9.2.1. The Powerloom units may avail of 20% Margin Money Subsidy (MMS) on 'front **ended**' basis along with bank finance. The operational guidelines for releasing of 20% subsidy are as follows:
- 9.2.2. The powerloom unit will approach the lending agency for term loan and bridge finance for 20% MMS with their project proposal. After sanctioning of the loan the lending agency shall advise the O/o the Textile Commissioner the sanction of the loan in the prescribed format at **Appendix - IV**.
- 9.2.3. Under the scheme, the lock in period for term loan would at-least be of 3 years.
- 9.2.4. The powerloom entrepreneur would release his initial contribution of minimum of 15% directly to the machinery manufacturer.
- 9.2.5. The lending agency would release the term loan as well as bridge finance to the machinery manufacturers when machinery is ready for dispatch.
- 9.2.6. The machinery manufacturer would continue with casting / engraving of the nine-digit identification code for each machinery.
- 9.2.7. The machinery manufacturer/ powerloom entrepreneur would install and commission the machinery and inform the lending agency about commissioning of the machinery.

- 9.2.8. Lending agencies visits the unit either before or after disbursement of the loan. During this visit, the lending agency would ensure the casting/engraving of the nine-digit identification code on the indigenous machinery as per the guidelines.
- 9.2.9. After this visit, the lending agency will inform the O/o the Textile Commissioner that the party has installed the machinery and they have released the payment including the bridge finance on account of the 20% margin money subsidy in the **prescribed format**. The lending agency, along with this declaration will also send the **copies of all related documents**, which should invariably have all the specification of the machinery and also the **9-digit identification code** to the office of the Textile Commissioner.
- 9.2.10. Based on the documents so received from the lending agency, the O/o the Textile Commissioner would **release the margin money subsidy to the lending agency**.
- 9.2.11. 20% margin money subsidy will be worked out on the basis of invoice price exclusive of all taxes, in respect of indigenous machinery. The lending agency should provide bridge finance to the extent of 20% of eligible investment.
- 9.2.12. In respect of brand new imported machinery, the 20% margin money subsidy will be worked out on the basis of CIF price, while in respect of second hand imported machinery, the 20% margin money subsidy will be worked out on the basis of benchmarked price as fixed by Textile Commissioner from time to time or CIF price whichever is lower.
- 9.2.13. In case the lending agencies give bridge finance more than the eligible 20% margin money subsidy, the excess amount will have to be recovered from the powerloom weaver or it can be converted into a normal term loan by the lending agency.
- 9.2.14. Textile Commissioner would constitute a team comprising of senior officers of the Head office to periodically inspect on random basis the machinery installed/commissioned as well as the original record of the bank pertaining to the loan to the beneficiary.

10. Safeguard against mis-utilisation

- 10.1. To prevent mis-utilisation of the scheme, casting of a unique mill no, machine code no, and engraving of the running serial number would be done on each machine. There would be a nine-digit identification code for each machinery. The nine-digit identification code will include the following:
- The first three digits (000) of the identification code will indicate unique three digit mill No. for each manufacturer which has been allotted by the Textile Commissioner. The unique three digit mill no. will be casted in the specified cast components by the machinery manufacturers.
 - The next two digits (00) of the identification code will indicate the type of the machinery. The two digit number for different type of machinery has been specified by the Textile Commissioner. The details of the two digit numbers are given in the **Appendix - V**. The two digit number is to be casted / engraved besides three digit unique mill number on each machinery.
 - The next four digits (0000) will indicate number of machinery of that manufacturer produced under the scheme. The four digit running serial No. for each type of machinery will be given by the respective machinery manufacturer and is to be engraved besides three digit unique mill number and two digit machine code specified by the Textile Commissioner for that machinery.

For example the nine digit identification code for Automatic Pirn Changing loom produced under the scheme by M/s ABC Works Ltd, would be **'024-03-0001'**. The first three digits '024' indicate the unique mill number of M/s ABC Works Ltd, the next two digit '01' indicate the type of machinery i.e., Automatic Pirn Changing loom, the next four digit '0001'

indicate the first Automatic Pirn Changing loom produced by M/s ABC Works Ltd, under the Scheme. Likewise the nine-digit identification code for 1st rapier loom produced under the scheme by M/s XYZ Works Ltd would be Rapier loom '001-04-0001'. The first three digits '001' indicate the unique mill number of M/s XYZ Works Ltd ; the next two digit '04' indicate the type of machinery i.e., rapier loom; the next four digit '0001' indicate the first rapier loom produced by M/s XYZ Works Ltd under the Scheme. The machine serial no. will be in continuity from the earlier number as given under CLCS.

- 10.2. The identified machinery manufactures would cast the 3 digit unique mill No. on the select cast components as specified by the Textile Commissioner. The item-wise specified components for casting are at **Appendix - VI**. The two digit machinery No. specified by the Textile Commissioner will be casted / engraved while the four digit running S.No. would be engraved on the machine on such cast component so that mill code, machine code and running serial no of machine are in alignment to make a row.
- 10.3. For specified machinery which have no cast components engraving of unique mill no. instead of casting of such no. is permitted by the Textile Commissioner.
- 10.4. For the existing stock of the machinery manufacturers, the stock declaration statement as on date of enlisting under scheme would be submitted by the machinery manufacturers to Office of the Textile Commissioner, Powerloom Development Cell. Based on the quantum of such stock, the Textile Commissioner would take a decision regarding coverage of such stock under scheme by permitting engraving of the unique mill nos. on such stock.
- 10.5. In respect of imported (new & 2nd Hand machinery), the serial nos of the machineries and Year of Make should be visible, by way of casted / engraved/ affixing the plate as the case may be, on the machines.

11. Monitoring of the progress of the scheme

- 11.1. The Textile Commissioner will monitor the progress of the scheme.

12. Grievance Committee

- 12.1. Grievance of the beneficiaries after purchase of machinery under the scheme would be considered by a grievance committee under the chairmanship of the Textile Commissioner and comprise of such members as Textile Commissioner deems fit.

Appendix - I

**BENCHMARKED PRICE FOR THE ELIGIBLE SECOND HAND MACHINERIES (LOOMS) UPTO
10 YEARS VINTAGE
(W.E.F 1/11/2007 TO 31/3/2012)**

S. No	Description of the second hand imported machinery	Specifications/ Model	Upper ceiling on Benchmarked price for subsidy purposes Rs.(Lakh)	
			EU Countries	Non EU Countries
1.	Projectile looms irrespective of shedding mechanism	P-7100, P-7150 P-7200, P-7250	Rs.8.00 lakh	–
2.	Airjet looms irrespective of shedding mechanism	Irrespective of speed/width	Rs.8.00 lakh	–
3.	Waterjet loom irrespective of shedding mechanism	Width 190 cm. And above	Rs.4.00 lakh	Rs.2.50 lakh
		Width less than 190 cm.	Rs.3.00 lakh	Rs.1.50 lakh
4.	Rapier loom	Width 190 cm. and WIR more than 750 mpm	Rs.8.00 lakh	Rs.4.50 lakh
		Width 190 cm and WIR more than 450 mpm but less than 750 mpm	Rs.6.00 lakh	Rs.3.50 lakh
		Width more than 190 cm.	Rs.8.00 lakh	Rs.4.50 lakh

Note: Subsidy will be admissible on actual CIF price (subject to above ceiling) exclusive of duty and taxes.

Appendix - II**LIST OF IDENTIFIED / BENCH MARKED MANUFACTURERS ALONG WITH
BENCHMARKED MACHINERY UNDER CLCS @ 20% - TUFs**

Sr. NO.	Unique Code No.	Name & Address of the manufacturer	Items of machine manufactured
1	001	M/s. Laxmi Textile Stores , 22/23, Punmaji Indl. Estate, Dhobi Ghat, Shahapur, Ahmedabad – 380 004 Ph – 562 2510 Fax – 079 562 2845 E mail- shanghvi@vsnl.com	<ul style="list-style-type: none"> • Automatic Pirn Change Loom • Shuttleless Rapier Loom • Dobby
2	002	M/s. Dynamic Auto Looms India Pvt. Ltd. , 26 Chetana Estate, Nagarwel Hanuman Road, Amrewadi, Ahmedabad – 380 026 Ph- 274 2468	<ul style="list-style-type: none"> • Dobby
3	003	M/s. Dynamic loom Mfg. Co. , Dynamic Estate, Near Swastik Char Rasta, Nagarwel, Hanuman Road, Amrewadi, Ahmedabad – 380 026 Ph – 079 2743194 / 274 3305 Fax – 079 2743149 E mail- dymamiclooms@yahoo.com Web site; www.dynamiclooms.com	<ul style="list-style-type: none"> • Shuttleless Rapier Loom
4	004	M/s. P.P. Products , Kashi Estate, C/o Panchal Nagar, Dudheshwar Road, Ahmedabad – 380 004 Ph- 5626305 / 5626156 Fax – 079 5626305	<ul style="list-style-type: none"> • Pirn Winding Machine
5	005	M/s. Surya Machinery Mfg. Co. Ltd. , 92/94, 2-1, GIDC, Phase-I, Near Bank of India, Vatva Ahmedabad - 382 445 Ph – 079- 583 0164 Tele Fax – 079 5830418	<ul style="list-style-type: none"> • Pirn Changing Automatic Loom • Dobby
6	006	M/s. Prashant Gamatex, P.Ltd 4/1-C, Phase – I, GIDC, Indl. Area Vatva, Ahmedabad – 382 445 Ph – 5830603 / 5833384 Fax – 079 589 04020 / 5830578 E mail – gamatex@prashantgroup.com	<ul style="list-style-type: none"> • Sectional Warping Machine

Sr. NO.	Unique Code No.	Name & Address of the manufacturer	Items of machine manufactured
7	007	M/s. Rabatex Industries C-1/356, GIDC Estate, Opp. Housing Colony, Odhav, Ahmedabad – 382415 Ph – 079 2871356 / 2976844 079 2872851 / E mail – rabatexad1@sancharnet.in	<ul style="list-style-type: none"> Sectional Warping Machine
8	009	M/s. Jupiter Engg. Company, Plot No. 510, Phase-IV, GIDC, Vatva, Ahmedabad-382445, Ph.-079-5835313	<ul style="list-style-type: none"> Warping Machine Sizing Machine
9	011	M/s. Himson Textile Egg. Ind. Ltd., 2/94, GIDC, Pandesara, Surat - 394221 Ph – 0261 8691741 / 42/ 43 / 44 E mail – nimesh@himsonceramics.com	<ul style="list-style-type: none"> Shuttleless Rapier Loom Jacquard
10	012	M/s. Lifebond Machines Pvt Ltd., Joy Silk Mills Compound, Station Road, Lal Darwaja, Surat 395 003 Ph – 0261 7418837 / 7404150 / Fax – 0261 7423410	<ul style="list-style-type: none"> Shuttleless Rapier Loom
11	015	M/s. Priyalaxmi Machinery Manufacturers, 161/A, Shanghvii Estate, Tavdipura, Ahmedabad – 380 004. Tel. : 5623166 / 5624664 Fax : 91-79-5622845	<ul style="list-style-type: none"> Pirn Changing Automatic loom
12	017	M/s. Honest Trading Co. Pvt. Ltd., Post Box No. 43, Madhav Nager, Bilimora – 396 321 Ph – 02634 83902 83302 Fax – 83681 E mail – honestbilimora@yahoo.com	<ul style="list-style-type: none"> Pirn Changing Automatic loom
13	018	M/s. Shreenathji Engg. Works Pvt. Ltd., Behind GIDC, Antalla, Bilimora – Ph- 02634 83098	<ul style="list-style-type: none"> Jacquard
14	020	M/s. Amrutlaxmi Machine Works Plot No. 237, GIDC., Indl Estate, Umargaon - 396171 Ph- 0260 - 563865 Fax – 22 648 4366 E mail – amrutlaxmi@vsnl.com	<ul style="list-style-type: none"> Warping Machine Sizing Machine
15	024	M/s. Lakshmi Automatic Loom Works Ltd., P. B. No. 6320, 686, Avnashi Road, Coimbatore - 641037 Tamil Nadu Ph- (Off) 0422 2215 484 / 2213489 Fax No – (Off) 0422 2213785 Email – lalwcbe@md2.vsnl.net.in	<ul style="list-style-type: none"> Pirn Changing Automatic Loom Rapier Loom

Sr. NO.	Unique Code No.	Name & Address of the manufacturer	Items of machine manufactured
16	030	M/s. Steel Fabricators , Billimora (Unit of M/s. Honest Trading Co. Pvt. Ltd., Billimora)	<ul style="list-style-type: none"> • Jacquard
17	050	M/s Alidhra Weave Tech Pvt. Ltd. , Plot No. A (5) 4, Sachin Udyognagar Sahkari Sangh, Dandi Road, Sachin, Dist Surat – 340 380	<ul style="list-style-type: none"> • Rapier Loom
18	054	M/s Harsh enterprises 225, Aashirrvad Industrial Estate, Opp. New Fruit Market, Naroda Road, Ahmedabad-380025 Ph. No. 2822881-2822882 Mob-9426012341	<ul style="list-style-type: none"> • Sectional Warping Machine
19	065	M/s Chetna Industrial Corporation , C-1, B/7, GIDC, Antalia, Bilimora-396321, Gujarat. Ph. 02634-284618, Mob. No. 9825156509	<ul style="list-style-type: none"> • Sectional Warping Machine
20	084	M/s. Friends Engineering Works , Chandni Bagh, Sonali Road, Panipat – 132103, Ph.0180-2661560 S.S. Malik – 98120-19139 R.K. Sharma – 98120-07534 (340 - 400 meters per minute)	<ul style="list-style-type: none"> • Shuttleless Rapier Looms
21	085	M/s. A. M. Industries , 9, Tejandra Ind. Estate, Nr. Ajit Mills Tolnaka, Opp. Bharat Bobbins, Rakhial, Ahmedabad – 380 023 Tel – (F) 274 5786, (R) 274 0786 Fax – 273 2786, Mob. 98250 38786 Ishak Khan M. Pathan Email- export@superdobby.com	<ul style="list-style-type: none"> • Dobby
22	095	M/s Weavetech Industries , Block No. 1, Survey No. 122, Village Dadra, UT of D & NH	<ul style="list-style-type: none"> • Rapier Loom • Waterjet Loom
23	111	M/s Lakshmi Precision Tools Limited , Arasur 641 407, Coimbatore Dist, Tamilnadu, Ph – 0422-2360470, Fax – 0422- 230469 E mail – lptmktg@satyam.net.in lptmktg@vsnl.in	<ul style="list-style-type: none"> • Automatic Pirn Winding Machine

Sr. NO.	Unique Code No.	Name & Address of the manufacturer	Items of machine manufactured
24	113	M/s Keshar Corporation , Plot No. 431, P-C, GIDC, Near Apna Bazar Gas Godown, Odhav, Ahmedabad - 382415 Ph. 31144954, Fax-91-079-22891407, Mob – 9426447887	<ul style="list-style-type: none"> • Sectional Warping Machine • Direct Warping Machine
25	114	M/s. Anup Industries Textile Engg. & Manufacturers, 23/130, Near Navrang Process, Khanjire Industrial Estate, Shahapur, Ichlakranji – 416115 Mob – 9823161380	<ul style="list-style-type: none"> • Sizing Machine
26	119	M/s. RB Electronic & Engg. Pvt. Ltd. 301, Kilfire House, P.B.No. 12016, C-17, Dalia Indl. Estate, Off. Andheri-Borivali Link Road, Opp. Laxmi Ind. Estate, Andheri (W), Mumbai 400053 Ph - 022-55021361/55021362 Fax –56921432 E mail – texsales@eecindia.com	<ul style="list-style-type: none"> • Sizing Machine • Direct Warping Machine
27	121	M/s. Korindo Weaving Machines , (A Div. of Himson International Pvt. Ltd), 701, Center Point Bldg., Near Nirmal Children Hospital, Ring Road, Surat – 395 002, Tel – 0261 3966033-44, Fax – 0261 2460358 Plot No.334, Road No. 3, GIDC, Sachin	<ul style="list-style-type: none"> • High Speed Water Jet Looms
28	122	M/s. Himson Engineering , 701, Center Point Bldg., Near Nirmal Children Hospital, Ring Road, Surat – 395 002, Tel – 0261 3966033-44, Fax – 0261 2460358 17-1/17-1A/17-2A, Ringanwada, Kanchigam Road, Nani Daman- 396210,	<ul style="list-style-type: none"> • High Speed Water Jet Looms

Sr. NO.	Unique Code No.	Name & Address of the manufacturer	Items of machine manufactured
29	123	M/s. Sahas Engineering Corporation , 1 / 2, Thala, CHikhli, Dist-Navsari – 396521	<ul style="list-style-type: none"> • Sectional Warping
30	124	M/s. Laxmi Shuttleless Looms Pvt. Ltd. , Shanghvi Estate, Opp. G.S.T. Kaligam, Ranip, Ahmedabad – 382470 Tel – 079-25622510, 25624393 Fax – 079- 25622845 E mail – shanghvi@vsnl.com	<ul style="list-style-type: none"> • Shuttleless Flexible • Rapier Loom
31	128	M/s. Tech Mech Engineers , Plot No.304, GIDC, Odhav, Ahmedabad – 382415 Tel. – 22870302, 22872807 Fax – 79-22891407 Email – techmechad1@sanchernet.in	<ul style="list-style-type: none"> • Sectional Warping Machine • Direct Warping Machine
32	129	M/s. Indotex Manufacturers , 332, GIDC, Near New Water Tank, Odhav, Ahmedabad – 382415 Tel. – 079-22872003, 22873003, Fax – 079-22873003	<ul style="list-style-type: none"> • Sizing Machine • Warping Machine
33	130	M/s Minarva Machinery Mfrs. Pvt. Ltd. 4, Hitendranagar Sahakari Audyogic Vasahat Ltd., Near Naroda Railway Crossing, Opp. Diamond Park, Ahmedabad- 382340 Ph No. 079-22821782 Fax No.079-22822438 Mob.9824027719 Email- info@minarvamachinery.com	<ul style="list-style-type: none"> • Direct Warping machine • Sizing Machine
34	131	M/s Newmec Warping Mfg. Co. Plot No. 71/1, Phase I, Near Telephone Exchange, GIDC, Vatva, Ahmedabad – 382445 Ph – 079-25831096 Fax – 079-25890888 Mob – 9898163100/9426552137	<ul style="list-style-type: none"> • Direct Warping Machine
35	132	M/s Sumatex Services Pvt. Ltd. , H-81, RIICO Extension, Pur Road, Bhilwara – 311 001 (Rajasthan) Ph – 01482-260693 Fax- 01482-260575 Email- sumatex@xancharnet.in	<ul style="list-style-type: none"> • Jacquard (Computerised pattern maker machine)

Sr. NO.	Unique Code No.	Name & Address of the manufacturer	Items of machine manufactured
36	133	M/s Dashmesh Jacquard & Powerloom 58-A, Sector-25, HUDA-Phase-I, Industrial Estate, Panipat-132104 Ph.0180-2660975 Email : info@dashmeshpowerloom.com	<ul style="list-style-type: none"> • Jacquard • Sectional Warping Machine

Appendix – IV

**FORMAT FOR SUBMITTING DATA UNDER MMS@20%-TUFS FOR
POWERLOOM SECTOR**

**Format to be submitted by the lending agencies for claiming subsidy from the
Office of the Textile Commissioner.**

Dated : _____

Name & Address of the Lending Agency:

1	Name & Address of borrower				
2	Whether SSI unit or not		(i) New Unit	(ii) Existing	
3	Name of the promoter(s)				
4	Type of firm (Proprietorship / Partnership / Limited Company / Cooperatives / Others)				
5	Project Cost (Rs.) (cost of machinery)				
(a)	Promoters Contribution (should be minimum of 15% for machinery)				
(b)	Term loan sanctioned and disbursed for machinery (L.C. No. in case of imported machinery)				
(c)	Bridge Finance disbursed				
(d)	Date of sanction of term loan				
6	Details of machinery covered under CLCS@20%-TUFS				
(a)	Indigenous machinery				
Sr. No.	Description of machinery	Name and address of machinery manufacturer and code number	No. of machines	Nine digit code number(s)	Invoice Price (Rs.)

(b)	Imported machinery								
Sr. No.	Description of machinery	No. of machines	Brand New or second hand	Machine Sr.No.	Date of Bill of Entry	Invoice Price	Speed of loom	Width of loom	CIF price

Documents to be enclosed:

Sr. No.	Description of document	Please tick if enclosed and write N.A. if not applicable
1	SSI certificate or any document (i.e., C.A. Certificate, banker certificate) to prove that unit is a SSI unit.	
2	In case of same location, a copy of separate electricity bill.	
3	Invoice with full details including accessories and also indicating 9 digit code number.	
4	Bill of entry in case of imported machinery.	
5	Chartered Engineer's certificate indicating the vintage and residual life of looms (As per the guidelines the vintage period of looms is 10 years with a residual life of 10 years)	
6	Copy of Letter of Credit in case of imported machinery.	
7	Declaration from the borrower that he has not exceeded the subsidy limit of Rs.20 lakh since inception of the scheme.	
8.	Copy of Loan sanction letter	

It is certified that the unit has commissioned machinery and the payment has been released for the same including the bridge finance on account of 20% margin money subsidy as per the guidelines issued by office of the Textile Commissioner vide circular no. 7 (2003-2004 series) dated 23rd Jan., 2004 and further amendments issued from time to time by the Government of India and the unit **has not availed of 5% interest subsidy / 15% CLCS under TUFS.**

Authorised signatory

Place :

Date :

Name :

Designation:

Seal

Appendix -V**Two Digit code for different type of machinery specified by the Textile Commissioner.**

S.No.	Type of Machinery	2 digit code
1.	Pirn Changing Automatic Loom	03
2.	Shuttle- less Rapier Looms	04
3.	Dobby	05
4.	Jacquard	06
5.	Pirn Winding	07
6.	Sectional Warping Machine	08
7.	Warping Machine	09
8.	Sizing Machine	10
9.	Waterjet looms	13

ITEM-WISE SPECIFIED CAST COMPONENTS

LOOMS	SECTIONAL WARPING
▪Machine Frame –R	▪Brake Flange for Warping Drum (RH)
▪Machine Frame –L	▪Brake Flange for Warping Drum (LH)
▪Breast Beam	▪Reed Table Body
	▪Beam Donning Doffing Set
	▪Gear Box for Traversing the Machine
	▪Gear Box for Warping Table & Beam
	▪Arm Traverse

Jacquard	Dobby
The side frames (Left & Right)	The side frames (Left & Right)

Warping Machine	Sizing Machine
Creel Part	Creel
▪Frame Holders	▪Creel Bracket
▪Yarn Tensioners	▪Creel Frame
▪Cone Frame	<i>Size Box</i>
<i>Head Stock</i>	▪Rubber Roller Housing
▪Drive Shaft Housing	▪Main frame
▪Girt Bars	<i>Dryer</i>
	▪Cylinder Bearing Housing
	▪Cylinder Dish End
	<i>Head Stock</i>
	▪Nip Roller Housing
	▪Main Frame

Pirn winding machine	
▪Gear Box	
▪Fabricated important part (At least in four places)	

Note: In case of the castings, the unique manufacturers code No. should be inserted during the casting of the components. The running serial No. should be engraved on the components besides the code No.

ANNEX- Q

OPERATIONAL GUIDELINES OF MARGIN MONEY SUBSIDY @ 15% UNDER TUFS FOR SMALL SCALE TEXTILE AND JUTE UNITS

2. An option has been provided to the small scale textile and jute units to avail of 15% Margin Money Subsidy under TUFS (MMS@15%-TUFS) in lieu of 5% interest reimbursement / 20% Margin Money Subsidy for powerloom sector. The operational guidelines of the MMS@15%-TUFS are as follows:

Duration of the scheme

3. The operation of MMS@15%-TUFS will be co-terminus with modified TUFS, i.e., from 1st November, 2007 to 31st March, 2012. However, the cut-off date will be reckoned with the date from sanction of bank loan or commercial production whichever is later. The date of indenting of machinery or procurement or import or delivery shall be immaterial.

Eligible units

4. The scheme is applicable to all SSI units of eligible segments mentioned in I. SCOPE OF THE SCHEME in GR of TUFS. The definition of small scale industry would be as per Micro, Small & Medium enterprises development Act 2006. However, SSI registration is not a pre-requisite for availing of assistance under MMS@15%-TUFS.
5. The investment in TUFS compatible specified machinery is subject to a capital ceiling of Rs.200 lakh and ceiling on margin money subsidy of Rs.15 lakh.

Quantum of subsidy

6. 15% margin money subsidy will be available on investment in TUF compatible machinery subject to a ceiling of Rs.15 lakh on subsidy amount.
7. SSI units availing of 15% subsidy will not be eligible for 10% capital subsidy in specified processing, garmenting, design studio and technical textile machinery.

Norms and eligible machinery

8. Technology and other norms of TUFS are equally applicable to MMS@15%-TUFS cases for determining the eligibility under the scheme.
9. The eligible machinery under MMS@15%-TUFS are at Annex – A to H of GR of TUFS.

Eligible value for subsidy

10. The margin money subsidy will be worked out on the basic value of the machinery and exclude the tax component for the purpose of valuation. In other words, for indigenous machinery the basic price and for imported machinery CIF price would be considered for working out subsidy.
11. In respect of imported second hand shuttleless loom the price fixed as per the MMS@20%-TUFS should be considered for working out the subsidy.

Lending Agency

12. All Nodal Banks, SIDBI and its all co-opted PLIs are eligible for funding under the scheme.

Financial norms

13. The promoter's contribution of 15% is to be ensured by the lending agency.

14. Financial norms like security debt-equity ratio, previous years profit position, networth etc. will be as per existing norms of lending agency. However, they should not be stricter than TUF norms.

Mechanism for release of subsidy

12. The scheme would be operated by Office of the Textile Commissioner as well as the lending agencies. The entrepreneur will have the option to choose either the route of Office of the Textile Commissioner or the lending agency. The subsidy in both the cases will be released by the Office of the Textile Commissioner.

(a) Option -1 : Through Office of the Textile Commissioner

13. The eligible SSI unit will approach the lending agency for a term loan with their project proposal. The lending agency would advise the Office of the Textile Commissioner after sanction of the loan in the prescribed format as at **Appendix-I**.

14. The SSI entrepreneur would release his promoter's contribution of 15% directly to the machinery manufacturer. The lending agency would release the loan to the machinery manufacturer when machinery are ready for dispatch. In case, with the loan amount, 85% of the cost of the machinery is not met, the SSI entrepreneur would make good the remaining amount to the machinery manufacturer from his own resources.

15. The machinery manufacturer would install and commission the machinery on receiving 85% of the cost of the machinery. After satisfactory commissioning of the machinery, the machinery manufacturer / SSI entrepreneur would inform the Office of the Textile Commissioner.

16. In case of imported machinery, the SSI entrepreneur would inform the Office of the Textile Commissioner after commissioning of the machinery.

17. Textile Commissioner would constitute inspection teams on regional basis to inspect and certify the commissioning of the machinery. It would be ensured that Certification Committee issues a certificate within 15 days from date of intimation by the machinery manufacturer.

18. The 15% subsidy would be released by the Office of the Textile Commissioner to the machinery manufacturers after issue of certification from the inspection team. The Office of the Textile Commissioner would ensure that 15% subsidy is released within one month of issue of the certificate by the Certification Committee.

19. In respect of TUFs compatible imported machinery, the SSI entrepreneur will need to open a LC in Bank to make the purchase. In such cases, the 15% subsidy would be released directly to the

SSI entrepreneur's bank account after receiving installation and commissioning report of the imported machinery.

20. In case SSI entrepreneur avails of bridge finance from the lending agency for the 15% margin money subsidy to be given, the 15% subsidy would be released by the Textile Commissioner directly to the lending agency.
21. In case machinery is being installed/commissioned in phases, the subsidy shall also be released in phases.

(b) Option – 2 : Through lending agency

22. The SSI entrepreneur will approach the lending agency for term loan and bridge finance for 15% margin money subsidy (if required) with their project proposal. After sanctioning of the loan the lending agency shall advise the O/o the Textile Commissioner the sanction of the loan in the prescribed format as at **Appendix-I**.
23. The SSI entrepreneur would release his promoter's contribution of 15% directly to the machinery manufacturer.
24. The lending agency would release the term loan as well as bridge finance to the machinery manufacturers when machinery is ready for dispatch.
25. The machinery manufacturer/SSI entrepreneur would install and commission the machinery and inform the lending agency about commissioning of the machinery.
26. Lending agencies visits the unit either before or after disbursement of the loan.
27. After this visit, the lending agency will inform the Office of the Textile Commissioner that the party has installed the machinery and they have released the payment including the bridge finance on account of the 15% margin money subsidy in the prescribed format (**Appendix-II**). The lending agency, along with this declaration will also send the copy of the invoice, which should invariably have all the specification of the machinery to the office of the Textile Commissioner.
28. Based on the documents so received from the lending agency, the Office of the Textile Commissioner would release the margin money subsidy to the lending agency.
29. In case machinery is being installed/commissioned in phases, the subsidy shall also be released in phases.
30. In case the lending agencies give bridge finance more than the eligible 15% margin money subsidy, the excess amount will have to be recovered from the SSI entrepreneur or it can be converted into a normal term loan by the lending agency.

Safeguard against mis-utilisation

31. To prevent mis-utilisation of margin money subsidy, it is expected that unit should atleast function for a minimum period of three years from the date of disbursement of subsidy. To monitor the functioning of the unit for three years the lending agency should keep the minimum repayment period including moratorium period as three years.

32. After sanction of the assistance lending agencies will get an agreement executed by the small scale unit on behalf of Government of India. A copy of the draft agreement to be executed by the eligible PLI with SSI unit is at **Appendix-III**.
33. Textile Commissioner would also constitute a team comprising of senior officers of the Head office to periodically inspect on random basis, the machinery installed / commissioned.

Monitoring of the progress of the scheme

34. The TAMC will monitor the progress of the scheme.

Grievance Committee

35. Grievance of the SSI entrepreneurs after purchase of machinery under the scheme, would be considered by a grievance committee under the chairmanship of the Textile Commissioner comprising of representatives of industry associations and FITEI.

Appendix - I**FORMAT FOR SUBMISSION OF DATA BY THE LENDING AGENCY UNDER
MMS@15%-TUFS**

Dated : _____

Name & Address of the Lending Agency

Sr. No.	Name & Address of borrower	Machinery covered under the scheme				Total amount sanctioned under MMS-15% TUFS	
		Name of the machinery alongwith specification	Name & address of the machinery manufacturer in case of indigenous machinery	Country of import in case of imported machinery	Basic price / CIF price of the machinery excluding all taxes (Rs.)	Date	Amount (Rs)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.							
	<i>Sub total</i>						
2.							
	<i>Sub total</i>						
3.							
	<i>Sub total</i>						
	<i>Grand total</i>						

Appendix – II

FORMAT

**Format to be submitted by the lending agencies for claiming subsidy under
MMS@15%-TUFS from the Office of the Textile Commissioner.**

Dated : _____

Name & Address of the Lending Agency:

1	Name & Address of borrower				
2	Whether SSI unit or not				
3	Name of the promoter(s)				
4	Type of firm (Proprietorship / Partnership / Limited Company / Cooperatives / Others)				
5	Project Cost (Rs.)				
(a)	Promoters Contribution (should be minimum of 15%)				
(b)	Term loan disbursed (L.C. No. in case of imported machinery)				
(c)	Bridge Finance disbursed				
6	Details of machinery covered under MMS@15%-TUFS				
(a)	Indigenous machinery				
Sr. No.	Description of machinery	Name and address of machinery manufacturer	No. of machines	Annex No., Sr. No. of GR on TUFS	Basic price excluding all taxes (Rs.)

(b)	Imported machinery						
Sr. No.	Description of machinery	No. of machines	Brand New or second hand	Sr. No. of machine(s)	Date of Bill of Entry	Annex No., Sr. No. of GR on TUFS	CIF price (In rupee terms) or benchmarked price in respect of 2nd hand imported looms

Documents to be enclosed:

Sr. No.	Description of document	Please tick if enclosed and write N.A. if not applicable
1	SSI certificate or any document (i.e., C.A. Certificate, banker certificate) to prove that unit is a SSI unit.	
2	In case of same location, a copy of separate electricity bill.	
3	Invoice with full details including accessories	
4	Bill of entry in case of imported machinery.	
5	Chartered Engineer's certificate indicating the vintage and residual life of shuttleless looms	
6	Copy of Letter of Credit in case of imported machinery.	
7	Declaration from the borrower that he has not exceeded the subsidy limit of Rs.15 lakh since inception of the scheme.	

It is certified that the unit has commissioned machinery and the payment has been released for the same including the bridge finance on account of 15% margin money subsidy as per the guidelines contained in GR on TUFS and further amendments issued from time to time by the Government of India and the unit has not availed of 5% interest subsidy / 20% MMS under TUFS.

Authorised signatory

Place :

Name :

Date :

Designation:

Seal

Appendix – III

(To be stamped as an Agreement)

**Agreement for availing of Credit Linked Margin Money Subsidy under
Technology Upgradation Fund Scheme (CLMMS-TUFS) for
Small Scale Textile and Jute Industries**

This Agreement made at _____ on this _____ day of _____ in the year _____ between M/s _____ a public / private Limited Company/ proprietary concern, incorporated under the Companies Act of 1956 and having its Registered Office at _____ and being an industrial concern hereinafter called the Beneficiary (which expression shall unless repugnant to the context or meaning thereof include its successors and assigns) of the One part;

OR

FOR PARTNERSHIP FIRM

(i) Shri _____ son of _____ age _____ years residing at _____
(ii) Shri _____ son of _____ age _____ years residing at _____
(iii) Shri _____ son of _____ age _____ years residing at _____ carrying on business in partnership in the firm name and style of _____ and having their office at _____ (hereinafter referred to as 'Beneficiary' which expression shall, unless it be repugnant to the subject or context thereof, include its/his/her/their legal representatives, heirs, administrators, successors and assigns) of the One part.

AND

_____ (hereinafter referred to as the financing institution/Bank) [which expression shall unless repugnant to the context or meaning thereof include its successors and assigns] of the Other part.

WHEREAS

1. Government of India has appointed Small Industries Development Bank of India (SIDBI) as Nodal Agency or _____ as nodal bank (hereinafter referred to as the Agent) for channelising Credit Linked Margin Money Subsidy for Technology Upgradation of the Small Scale **Textile and Jute** Industries under **Technology Upgradation Fund Scheme (TUFS)** of Ministry of **Textiles**, Govt. of India (hereinafter referred to as the Scheme) and permitting the financial institution / Bank under the Scheme for claiming margin money subsidy on the term loan sanctioned and disbursed by the financing institution/bank to the beneficiary.

2. The beneficiary has requested the financing Institution/ Bank for providing assistance under the Scheme to the extent of Rs. _____ (Rupees _____ only) for setting up a project under small scale industries, which the financing Institution / Bank has agreed to lend in proportion to the **eligible** investment made or to be made in purchase of machineries **under TUFS** by the Beneficiary

as per the terms and conditions provided in the Agreement executed between the financing institution / Bank and the Beneficiary.

3. The Agent has agreed to act as nodal agency for Government of India for channelising disbursement of capital subsidy sanctioned to the Beneficiary by the financing institution/ Bank, and the parties hereto desire to enter into an agreement for the said purpose, being these presents providing for the terms hereinafter appearing.

NOW THESE PRESENTS WITNESS AND IT IS HEREBY AGREED BY AND BETWEEN THE PARTIES HERETO AS FOLLOWS:-

1. The beneficiary, hereby, covenants :

a) That the Beneficiary will comply with and faithfully observe all the terms and conditions of the said Scheme and also all the subsequent amendments and modifications and additions thereto together with the conditions of the sanction of the said financial assistance.

b) That the Beneficiary will allow the officers of the Agent and / or the Government of India or any other person or persons authorised, by the Agent or by Government of India or by the **Technology Advisory-cum-Monitoring Committee (TAMC) / Inter-Ministerial Steering Committee (IMSC)** to inspect the work for which the margin money subsidy has been granted and also the machines, plant appliances, tools, equipments, etc., for the procuring of which the subsidy has been granted and will furnish such information concerning the machines, plant, implements, etc., for procuring of which the margin money subsidy has been granted or concerning the matters connected with the margin money subsidy or incidental thereto as the Agent or the **TAMC/IMSC** or their nominees may, from time to time require.

c) That the Beneficiary will not change the place or location of the industrial unit entirely or partly, nor enter into partnership with any one, or change its constitution by merger, amalgamation or in any manner nor the Beneficiary will effect disposal of fixed capital investment without the express prior permission of the Agent in writing.

2. It is further hereby agreed and declared by and between the parties thereto, that in any of the following cases namely,

a) where the Beneficiary has obtained the margin money subsidy by misrepresentation as to an essential fact, or by furnishing of false information; or,

b) **where the industrial unit goes out of production within three years from the date of disbursement of margin money subsidy except in cases where the unit remains out of production for short periods not exceeding three months (six months in case of ginning and pressing factories and not to any other manufacturing activity of the textile industry) due to reasons beyond its control such as shortage of raw material / power etc.; or**

c) where the Beneficiary fails to furnish the prescribed statement or information which it is called upon to furnish.

If the Beneficiary commits breach of any one of the covenants herein contained or of the terms and conditions of the Scheme as amended from time to time, the Beneficiary shall refund the same forthwith to the financing institution / bank together with interest at the then prevailing prime lending rate of financing institution/bank. **The bank/FI shall take all steps for recovery of the margin**

money subsidy to the Beneficiary as it is provided by the Agent and all the expenses incurred by the bank/FIs/Agents for recovery shall also be recoverable from the beneficiary. The margin money subsidy along with interest so recovered shall be transferred to the Govt.

3. The interpretation/clarification/decision of agent or **TAMC/IMSC** regarding the eligibility, subsidy and any other benefits of an unit/borrower under the scheme, either before or after release of the loan facility by the financing institution/bank shall be binding on the beneficiary and the beneficiary will not raise any objection either against agent or bank/financing institution.

4. It is hereby further agreed and declared that the stamp duty chargeable on these presents shall be paid and borne by the Beneficiary and that the Beneficiary will also be liable to bear the expenses, if any, incurred by enforcing the terms and conditions of these presents.

IN WITNESS WHEREOF the Beneficiary has caused its common seal to be affixed hereto and to a duplicate hereof on the day, month and year first hereinabove written and Bank has caused these presents and the said duplicate to be executed by the hand of Shri _____ (Name & Designation) of Bank, as hereinafter appearing.

THE COMMON SEAL OF _____ LIMITED has pursuant to the Resolution of its Board of Directors passed in that behalf on the _____ day of _____ hereunto been affixed in the presence of Shri _____ and Shri _____ Shri _____, Director who have signed these presents in token thereof and Shri _____ Secretary* / Authorised* person who has signed / countersigned the same in token thereof

SIGNED AND DELIVERED BY the within named Bank

by the hand of Shri _____

(Name & Designation), an authorised official of Bank.

OR

IN WITNESS WHEREOF the partners of the Beneficiary have set their respective hands hereto and to a duplicate hereof on the day, month and year first hereinabove written and Bank has caused these presents and the said duplicate to be executed by the hand of Shri _____ (Name & Designation) of Bank, as hereinafter appearing.

1) SIGNED AND DELIVERED BY the within named Shri _____, Partner of _____, the within named Partnership Firm.

2) SIGNED AND DELIVERED BY the within named Shri _____, Partner of _____, the within named Partnership Firm.

Signed and delivered by
the within named _____
By the hand of Shri _____

In pursuance to the Board Resolution dated and common seal has been affixed in presence of Shri
_____ who has signed in token thereof.

Signed and delivered by the within named FI / NSIC /Bank / SFC* by the hand of Shri
_____ authorised official.

(*whichever is applicable)

NOTE : Relevant Board Resolution authorising the person(s) to execute the document on behalf of the Beneficiary has to be submitted with the Agreement.