

## EXPORT PROMOTION SCHEMES FOR TEA



## Tea quality upgradation & product diversification scheme for the XI plan

### A. Objectives:

The main objective of QUPDS is to serve as a catalyst for tea factories/blending/packaging units to undertake investments in modern technologies/processes (either for expansion or for replacement), which would eventually enable quality improvement, and higher realizations through the production of better quality/value added teas. The overall objective of the scheme is thus to encourage quality upgradation and product diversification in the tea processing units.

### B. Eligibility Conditions:

1. All tea manufacturers and others who are dealing with value addition of tea such as blending, packing, tea bagging etc, are eligible to claim subsidy subject to fulfillment of the terms and conditions of the scheme.
2. At the time of submission of application for subsidy, the applicant tea garden/factory /packaging and or blending unit should be holding valid TMCO registration number issued by the Licensing Branch of Tea Board. For new micro mini factories being set up by Self Help Groups of small tea growers and for setting up of 100% orthodox and organic tea/green tea and other specialty tea factories the application should accompany a proof about submission of application to Licensing authority of Tea Board for obtaining registration under TMCO..
3. The subsidy, however, shall not be allowed for any equipment if imported under the Export Promotion Capital Goods Import (EPCG) scheme.
4. The applicant should be a member of TRA (for the Tea Factories in North India and UPASI -TRF (for the Factories in South India) and should hold valid current membership at the time of submission of application to Tea Board. ( Small growers as well as growers whose holding size less than 50 ha. are exempted).
5. The applicant should have paid his subscription in full to the National Tea Research Foundation. (Small growers and Identified sick tea gardens as per the provisions under clause 16B of Tea Act. are exempted).
6. Provident fund dues of the applicant tea Factory should not exceed Rs. 10,000/- at the time of submission of application. ( Where the P.F .liability exceed Rs.10,000/-,the application will be accepted provided it is backed by a Court decree or written consent from the P.F. authorities for allowing the payment of arrear Provident Fund dues in installments. For such applicants, conditional approval will be issued with a stipulation that no subsidy would be released until the arrear Provident Fund dues are cleared).
7. The applicant should not be a defaulter under any of the Board's loan schemes at the time of submission of application. (Tea Board shall have the

- right to adjust sanctioned amount of subsidy with defaulted dues if the applicant was found to be a defaulter at the time of releasing the subsidy.)
8. Subsidy cannot be claimed for the same activities that have been carried out with funds withdrawn from Tea Development Account Scheme 2007 (under section 33AB of Income Tax Act).
  9. The applicants should submit their application to the nearest field office of Tea Board, 75 days before the commencement of procurement of tea machinery items.
  10. Civil works should be commenced by the applicants only after receiving a NOC (No Objection Certificate) issued by the concerned field offices, after carrying out pre-approval inspection.
  11. Only one application per Factory in a financial year shall be entertained for consideration of subsidy.
  12. The subsidy will be credit linked and back ended (i.e. the subsidy amount will be released only after procurement and installation of the machinery to the complete satisfaction of the Board). The credit linkage may be dispensed with only as an exception to the rule, after receiving sufficient proof from the applicants that they are able to mobilize funds from their own resources.

**C. Duration of the Scheme:**

The duration of the scheme is five years during the 11<sup>th</sup> plan period (i.e. 2007-12). However, the receipt of applications for subsidy would be closed either on 31st October 2011 or at an earlier date in the event of the exhaustion of the approved outlay for the Scheme whichever is earlier. However, in the event of non- exhaustion of the sanctioned allocation, the duration would be extended until 31 March 2012.

**D. Budgetary Allocation & Rates of Subsidy:**

The gross approved outlay for the QUPDS for the 11<sup>th</sup> plan period (i.e. 2007-12) is Rs. 250.50 crores of which Rs 20.50 crores is to be met from Special Fund created out of the proceeds of Additional Excise duty during the X Plan period. The rates of subsidy for various activities, and the applicable ceiling limits are as under:

Sl NO.	Activities supported	Budgeted outlay Rs. Crores
I	<p>1.Modernisation of the processing factories by replacement of old and worn out machinery : ( Subsidy @ 25% on the actual cost of machinery subject to a ceiling of Rs.25 Lakhs per factory per annum).</p> <p>2. Procurement of processing machinery for orthodox tea in 100% CTC factories and</p> <p>3. Setting up of new factories by the Self Help Groups of small growers. (For item 2 &amp; 3 subsidy @ 40% would be provided subject to a ceiling of Rs.25 Lakhs per factory per annum).</p>	87.25
II	<p>1.Value addition by way of creating additional infrastructure for cleaning, blending, colour sorting, packaging etc. (Subsidy @ 25% on the actual cost of machinery subject to a ceiling of Rs.25 Lakhs per factory per annum).</p> <p>2.In case of machinery for orthodox tea in 100% CTC factories. (Subsidy @ 40% would be provided subject to a ceiling of Rs.25 Lakhs per factory per annum).</p>	36.75
III	<p>Quality assurance certification for ISO/HACCP and Organic Tea (Subsidy @ 50% of the certification fee subject to a ceiling of Rs. 1.00 lakh per certificate including renewals per annum).</p>	1.00
IV	<p>Setting up of new factories for production of green tea, orthodox tea and specialty teas etc (product diversification) - (Subsidy @ 40%of the cost subject to a ceiling of Rs.25 Lakhs per factory per annum).</p>	5.00
	<p>Incentive for orthodox tea production - Subsidy @ Rs.3/- per kg of actual production of leaf grades and Rs.2/- per kg for dust grades and an additional over the previous year.</p>	120.50* incentive @Rs.2/- per kg of the incremental volume
	<b>Total</b>	<b>250.50*</b>
<p>Note: *Rs.20.50 crores to be met from Additional Excise Duty(AED) Funds.</p>		

Machinery: The subsidy is limited to 25% of the total cost (basic cost of the machinery items, admissible taxes, freight, insurance and cost of commissioning) subject to a ceiling limit of Rs. 25 lakhs per factory/ blending packaging unit.

Certification: The subsidy for obtaining an ISO/ HACCP and organic certification would be limited to 50% of the cost of certification and restricted to a maximum amount of Rs. 1,00,000/-.

**Eligible Items:**

A comprehensive list of items of machinery/ equipments and allied items that are eligible for subsidy is given in Annexure-1

**Priority for subsidy:**

Bought leaf factories (BLF), Single estate tea factories and Medium sized tea gardens would be given priority for availing of subsidy under the scheme. However, in the event of insufficient claimants, other applicants would be permitted to avail of the subsidy.

**In regard to machinery items, priority would be given to the following:**

Conversion to orthodox manufacture Green tea processing facilities Tea packaging, bagging and cleaning facilities/ equipments blending and allied machineries

**Procedure for availing of subsidy:**

*Application:*

An application is to be submitted in the prescribed format (as given in Annexure II), 75 days prior to installation/ commissioning of the machinery to the nearest field office of the board. (i.e. subsidy would not be given for machinery installed/ commissioned prior to submission of the application).

*Inspections:*

*I.Pre-approval inspection for civil work:*

On receipt of the application, a pre approval inspection will be undertaken by the nearest office of the Board prior to commencement of the civil work. Any civil work undertaken prior to the pre approval inspection will not be considered for subsidy.

***No Objection Certificate:***

Immediately after establishing the essentiality of the machinery items covered in the application under consideration, the concerned field office shall issue a No objection Certificate to facilitate the applicant to proceed with the placement of orders for procurement of the applied item(s). The NOC, so issued, shall not be binding on the Board, if the applicant was subsequently, found ineligible for subsidy due to other reasons to be specified by the Board in writing. The commitment of the Board would become binding only after issuance of approval-cum-sanction letter by the respective sanctioning and disbursing offices viz. 1. Office of the Executive Director at Guwahati for the gardens/factories/blending and packaging units located in North Eastern Region including Sikkim, 2. Office of the Executive Director at Coonoor for entire Southern India and Head Office in Kolkata for rest of the areas.

***ii. Post-installation inspection.***

On receipt of confirmation from the applicant tea factory as to the completion of procurement/ installation and commissioning of the machinery/equipment for which an application has been submitted to Tea Board, a post installation inspection will be undertaken by the nearest office of the Board. Procurement/ installation and commissioning of the machinery/equipment must be completed within six months from the date of issue of approval cum/ sanction letter. On receipt of the satisfactory post installation report from the field office, a Letter of Undertaking (LOU) in prescribed format(Annexure-III) and other supporting documents from the applicant concerned. the eligible subsidy amount shall be released.

***iii. Inspection for evaluation of performance :***

The performance of the activity being supported shall be evaluated. For this purpose, the tea unit shall be visited by Board's inspecting officials during the operative season. The management of the beneficiary tea unit shall declare about the benefit accrued from the activity in terms of price realization, product augmentation, quality upgradation and cost reduction in manufacturing process. The declaration of the management shall be verified by the Board's inspecting official during the visit.

***iv. Other inspections:***

Apart from the above, the Board may carry out or cause to be carried out such investigations as deemed necessary for verification of the particulars furnished in the application or for any other purposes connected with grant of subsidy including standard of leaf being manufactured. The applicant shall fully co-operate in such investigations and place at Board's disposal such information and records as may be required by the representatives of the Tea Board.

### ***Disbursement of subsidy:***

The subsidy is disbursed in a single installment after installation / commissioning of the machinery items and receiving a satisfactory post-installation inspection report from the field office of Tea Board and the supporting documents as to the proof of having purchased the machinery items and a good condition certificate by the applicant as to the satisfactory functioning of the installed machinery. Applicants who have availed bank loan for items considered for subsidy are required to produce a copy of the loan sanction order issued by the bank, and a letter authorizing Tea Board for release of the subsidy amount directly to the Bank against their loan account.

### ***Minimum value of investment:***

While there is no minimum investment limit specified in the present scheme, applications, which are in the nature of routine/nominal capex (say upto Rs. 0.5 lakh of subsidy i.e. upto Rs. 2 lakh of total investment) dilute the original objective envisaged for providing subsidy for 'substantial factory Upgradation / modernisation' and also burden the Scheme Administration Machinery. Hence such applications will not receive the kind of attention that would normally be given for those seeking subsidy for 'substantial factory Upgradation / modernisation'. Hence it is suggested that applicants may endeavor to maintain a minimum investment limit of Rs. 4 lakhs per Factory i.e Rs. 1 lakh of subsidy @ 25%) so that the funds available under the scheme are more directed towards making substantial investments (for which subsidy support would be better justified) .

### ***No. of applications admitted per year:***

In order to encourage a planned programme of investment for factory modernization rather than ad-hoc investments, applicants are advised to submit only one application per year. It will enable Tea Board to better evaluate the overall need and potential impact of the proposed investment programme. It has been observed during the X Plan period that multiple (sometimes upto 3) applications have been submitted in a single financial year. Though cumulatively these multiple applications were within the specified subsidy limit, the flexibility offered by the scheme encourages 'ad-hoc' capex investments rather than a planned factory investment programme.

### ***Validity period of Sanction order Issued by the Board***

The applicant should complete the procurement and installation/commissioning of the machinery item for which sanction has been accorded by the Board within six months from the date of sanction. Failure to do so without any valid reason to be given in writing to the sanctioning authority before the expiry of the sanction period will render the sanction null and void.

***Other Conditions :***

The payment of subsidy shall, further be subject to the following, conditions and it will be binding on the applicant to adhere to these conditions. Violation of any condition will make the applicant liable for refund of the subsidy disbursed along with interest @ 12%per annum from the date of disbursement of the subsidy amount till the date of repayment.

- 1) The tea manufacturing unit availing subsidy under the scheme should use / procure only good quality green leaf to ensure quality end product.
- 2) The beneficiary tea Factory shall allow full access to the officers of the Tea Board and other representatives authorized by the Tea Board on its behalf to inspect the factory and verify its records, and shall adopt all recommendations with regard to Good manufacturing practices and procurement of raw materials.
- 3) In the event of the applicant becoming defaulter at the time of release of the subsidy, the eligible amount of subsidy shall be adjusted against the defaulted loan amount.
- 4) The applicant should submit monthly returns to the disbursing and sanctioning offices of the Board indicating the volume of tea manufactured and price realized during the month. Failing to do so would lead to penal measures and the Board will have the right to call back entire subsidy with admissible interest.
- 5) The Tea Board shall reserve the right to reject any application, either in part or full, without assigning any reason thereof.
- 6) The following supporting documents are to be submitted by the applicant for claiming subsidy after installation / commissioning the machinery covered under the Board's sanction order:
  - i. A copy of the purchase order issued by the applicant to the supplier for supplying the machinery approved by the Board.
  - ii. A copy of the delivery order issued by the supplier.
  - iii. Original Invoice/Bill/money receipt submitted by the supplier.
  - iv. Bills in support of freight/installation/commissioning charges and insurance.
  - v. Good condition certificate in support of satisfactory functioning of the machinery/equipment.
  - vi. Copy of ISO/HACCP certificate or proof that the applied factory has applied for obtaining ISO/HACCP certificate.
  - vii. A letter authorizing the Board for releasing the subsidy in favour of the Bank from which loan has been taken for the machinery covered under the Board's sanction order.



## **Mandatory submission of annual performance report**

All beneficiaries availing subsidy need to submit 'Annual Performance Review Returns' to the Tea Board specifying the benefits achieved in terms of specified parameters viz. price realization, product augmentation / diversification, quality upgradation and manufacturing cost reduction etc. However, it has been observed that only a negligible number of beneficiaries have submitted these Annual Declarations after availing of the subsidy during the X Plan period. This dilutes the feedback mechanism to the Tea Board on the overall effectiveness of the scheme. Hence it is proposed to adopt the below noted procedure to obtain this information from the beneficiaries of the scheme.

- i. That any subsequent applications from such existing beneficiaries shall be entertained only after receipt and evaluation by Tea Board of the Annual Performance Review submitted by the concerned unit.
- ii. Separately, an independent technical audit of the machinery will be commissioned by the Tea Board, if felt necessary, to ensure that the installed machinery is being utilised efficiently and as intended when the subsidy was disbursed.

### **Controls on disposal of machinery for which subsidy has been availed of:**

From a control perspective, the beneficiary is not permitted to sell the machinery for which QUPDS subsidy has been availed and should retain the machinery for a minimum period of seven years from the date of purchase.

Submission of application for claiming subsidy towards obtaining ISO/HACCP/ Organic tea certification and any other certificate that may be required to comply with food safety norms :

The subsidy shall be considered for obtaining HACCP certification alone or HACCP/ISO in combination. The HACCP/ISO Certificate has to be obtained from only such accredited certification bodies that are empanelled with Tea Board (Annexure-IV).

The organic tea certification and other certificates may be obtained from the accredited certification agencies empanelled with APEDA under National Programme for Organic Production (NPOP)( Annexure-V)

### **LETTER OF UNDERTAKING:**

- a. For all the activities mentioned above, the applicants should submit a Letter of Undertaking on a non-judicial stamp paper before receiving the 1st installment of subsidy,
- b. In the event of breach of any of the provisions of the aforesaid undertaking or the terms and conditions of the scheme, the Tea Board

shall be entitled to call back the amount of subsidy with interest thereon @ 12% per annum.

**CHANGE OF OWNERSHIP OF THE BENEFICIARY COMPANY/FACTORY:**

a. In the event of any change in the ownership of the tea garden/FACTORY before completion of the disbursement of the sanctioned subsidy amount, the transferor / seller of tea estate/FACTORY shall cease to receive any further subsidy remaining to be paid by the Tea Board after transfer or sale is effected.

b. The transferee / purchaser of the tea company having recorded the present ownership with the Tea Board shall be entitled to receive subsidy due to the previous owner provided the transferee / purchaser tea company submits in writing to Tea Board the willingness to continue the development programme for which sanction has been accorded and agree to fulfill all the terms and conditions for disbursement of balance installment of subsidy.