EXPORT PROMOTION SCHEMES FOR TEXTILES

SCHEMES FROM MIN OF TEXTILES

1. Technology Upgradation Fund Scheme (TUFS)

- Ministry of Textiles has launched a Technology Upgradation Fund Scheme (TUFS) for Textile and Jute Industries, w.e.f. 1.4.1999 for a period of 5 years, i.e., up to 31st March 2004 which was subsequently extended upto 31.3.2007, i.e., till the end of tenth five year plan.

- Benefits under the scheme:
- 5% interest reimbursement of the normal interest charged by the lending agency on RTL.

  or
- 5% exchange fluctuation (interest & repayment) from the base rate on FCL.

  or
- 15% credit linked capital subsidy for SSI sector.

  or
- 20% credit linked capital subsidy for powerloom sector (An option for 'front ended' subsidy provided w.e.f. 1st October, 2005).

  or
- 5% interest reimbursement plus 10% capital subsidy for specified processing machinery.
- Technology levels are benchmarked in terms of specified machinery.There is no cap on funding under the scheme.
- The identified sectors in the textile industry, including spinning, cotton ginning & pressing, silk reeling & twisting wool scouring & combing, synthetic filament yarn texturising, crimping and twisting, manufacturing of viscose filament yarn (VFY) / viscose staple fibre (VSF), weaving/knitting including non-wovens and technical textiles, garments, made-up manufacturing, processing of fibres, yarns, fabrics, garments and made-ups and the jute sector are eligible to avail of these concessional loans for their technology upgradation requirements. Investments in common infrastructure or facilities by an industry association, trust or co-operative society and other investments specified are also eligible for funding under the scheme. Improved metal frame hand looms used by the handloom weavers have also been covered under the scheme.
- IDBI, SIDBI and IFCI were the nodal agencies for Non-SSI textile sector, SSI textile sector and Jute sector respectively. However, w.e.f. 1st October, 2005, 13 additional nodal banks have been appointed under TUFS for determining elegibility & releasing the subsidy for the cases financed by them.

GUIDELINES OF THE SCHEME FOR INTEGRATED TEXTILE PARKS DURING THE 11TH FIVE YEAR PLAN

1. Objectives of the Scheme:

1.1 The 'Scheme for Integrated Textile Parks (SITP)' was launched by merging two schemes, namely, Apparel Parks for Exports Scheme (APES) and the Textiles Centre Infrastructure Development Scheme (TCIDS).

1.2 Primary objective of the SITP is to provide the industry with world-class infrastructure facilities for setting up their textile units. The scheme would facilitate textile units to meet international environmental and social standards.

1.3 SITP would create new textile parks of international standards at potential growth centres. This scheme envisages engaging of a panel of professional agencies for project identification and execution.

1.4 Each Integrated Textile Park (ITP) would normally have 50 units. The number of entrepreneurs and the resultant investments in each ITP could vary from project to project. However, aggregate investment in land, factory buildings and Plant & Machinery by the entrepreneurs in a Park shall be atleast twice the cost of common infrastructure proposed for the Park.

1.5 The ITPs may also be set up in the Special Economic Zones (SEZs), in which case the special provisions of SEZs would be applicable for them. In case these are set up outside SEZs, proposal may be pursued with the Ministry of Commerce & Industry to declare the ITP as SEZ, if it is so desired.

1.6 The Scheme is co-terminus with the 11^{th} Plan period (2007-12).

2. Scope of the Scheme:

2.1 The scheme targets industrial clusters/locations with high growth potential, which require strategic interventions by way of providing world-class infrastructure support. The project cost will cover common infrastructure and buildings for production/support activities (including textiles engineering, accessories. packaging), depending on the needs of the ITP. There will be flexibility in setting up ITPs to suit the local requirements.

2.2 An ITP will have the following components:

(a) **Group A** - Land.

(b) **Group B** – Common Infrastructure like compound wall, roads, drainage, water supply, electricity supply including captive power plant, effluent treatment, telecommunication lines etc.

(c) **Group C** – Buildings for common facilities like testing laboratory (including equipments), design center(including equipments), training center(including equipments), trade center/display center, ware housing facility/ raw material depot, one packaging unit, crèche, canteen, workers hostel, offices of service providers, labour rest and recreation facilities, marketing support system (backward / forward linkages) etc.

(d) Group D – Factory buildings for production purposes.

(e) Group E- Plant & machinery.

2.3 The items covered under each of the above Groups are illustrative only, and every ITP may be developed to suit the specific production and business requirements of members of ITP. The Project Approval Committee (PAC) will decide on merit the inclusion or otherwise of a component in the project cost on case to case basis.

2.4 The total Project Cost for the purpose of this Scheme includes the cost on account of components of ITP, as listed under Groups A, B, C and D above, provided the ownership of the factory buildings vests with the SPV.

2.5 The SPV will, however, have the option of seeking financial support from Government of India for components under Groups B and C only, if factory buildings are individually owned.

3. Implementation Structure:

3.1 Industry Associations/Groups of Entrepreneurs would be the main promoters of the ITPs. At each ITP, there would be a separate Special Purpose Vehicle (SPV) formed with the representatives of local Industry, Financial Institutions, State and Central Government. SPV shall invariably be a Corporate Body registered under the Companies Act. Any different structure for the SPV requires the approval of the Project Approval Committee. The SPVs shall have operational autonomy so that they do not become surrogate Public Sector Enterprises or be controlled by Central/State Governments.

3. 2 MOT shall appoint a panel of professional agencies, which have considerable experience and expertise in the area of infrastructure development, as Project Management Consultants (PMCs) for implementing the Scheme.

3.3 The PMCs will be responsible for the speedy implementation of the Projects in a transparent and professional manner so as to achieve high degree of quality at a low cost acceptable to the members of the SPV for which fee will be paid to the PMCs by the Ministry of Textiles.

3.4 The PMCs will report to Ministry of Textiles, which shall directly supervise the implementation of projects under the superintendence and control of Secretary (Textiles).

3.5 A PMC will discharge the following functions:

(i) Identifying the locations for setting up the ITPs based on a scientific assessment of the demand and potential of the area.
(ii) Facilitating formation of SPV at each project level with the participation of local industry.
(iii) Preparation of Project Plan including the setting of standards for infrastructure.
(iv) Structure and appraise the projects and submit the same for consideration of Project Approval Committee (PAC).
(v) Assist the SPVs in selection of agencies for preparation of bid documents, construction, operation and maintenance of the facilities in the Project.

(vi) Assist the SPV in achieving financial closure.
(vii) Monitor the implementation and submit periodical progress reports to the MOT.
(viii) To liaise with the State Governments to resolve state-related problems.
(ix) Ensure timely completion of project(s) as fixed by the PAC.

3.6 These SPVs would be the focal points for implementation of the Scheme, playing the following role:

(i) The SPV would conceptualize, formulate, achieve financial closure, implement and manage the infrastructure.
(ii) The SPV would procure land, cost of which could be built into the project cost.
(iii) After developing the infrastructure, SPV would allocate sites to Industry for setting up units.
(iv) SPV would also facilitate securing bank finance required for setting up units in ITP.
(v) SPV would be responsible for maintaining the utilities and infrastructure created for ITP by collecting service and user charges.
(vi) The SPV has to be so structured as to be self-sustaining with a positive revenue stream.
(vii) SPV would appoint contractors/consultants in a fair and transparent manner. In order to ensure timely completion of the project, SPV will obtain appropriate performance guarantee from consultants/contractors.

3.7 The ongoing projects sanctioned under the TCIDS/APES will continue to be provided Government assistance, as per the provisions of the respective scheme, out of the budget provision for SITP.

4. Role of State Government:

4.1 The role of the State Government is envisaged in the following areas:

(i) Providing all the requisite clearances, wherever needed, for setting up the ITP and providing the necessary assistance for Power, Water and other utilities to the ITP.
(ii) Assist in identification and procurement of suitable land.
(iii) The State Government agencies like Infrastructure/Industry Development Corporations may also participate in the projects by way of subscribing to the equity of SPV or by providing grants.
(iv) Providing flexible and conducive labour environment and consider special facilities like exemption of stamp duty etc. for the units located in the ITP.
(v) Dovetailing of other related schemes for overall effectiveness and efficiency of the project.

4.2 In order to facilitate proper coordination, State Governments would be requested to participate in the SPV.

5. Funding Pattern:

5.1 The total project cost, as indicated in para 2.4, shall be funded through a mix of Equity/Grant – from the Ministry of Textiles, State Government, State Industrial Development Corporation, Industry, Project Management Consultant and Loan – from Banks/ Financial Institutions.

5.2 The Government of India's (GOI) support under the Scheme by way of Grant or Equity will be limited to 40% of the project cost subject to a ceiling of Rs. 40 crore. GOI support under the Scheme will be generally in the form of grant to the SPV unless specifically decided to be equity. However, the combined equity stake of GOI/State Government/State Industrial Development Corporation, if any, should not exceed 49%.

5.3 However, GOI support will be provided @90% of the project cost subject to a ceiling of Rs. 40 crore for first two projects in the States of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura, Sikkim and Jammu & Kashmir.

5.4 Release of Funds: The following schedule will be adopted for release of GOI assistance to the SPV:

i) 1st installment of 30% of the total Government of India (GOI) share will be released in two parts.

- 1st part of 1st installment representing 10% of the total GOI share will be paid to the SPV subject to fulfillment of following criteria:-

a) Establishment of SPV.
b) Inclusion of one representative of Government of India and one representative of the PMC on the Board of Directors.
c) Land to be in the possession of SPV.
d) Issuance of shares by SPV to members in proportion of area allocable to them.
e) Execution of share holders' agreement.
f) Establishment of escrow account in a nationalized bank.
g) Recommendation of PMC confirming the above points (a) to (f).
h) DPR duly validated by PMC and approved by the PAC.

- 2nd part of 1st installment representing 20% of the total GOI share will be paid to the SPV subject to fulfillment of following criteria:-

a) Utilization Certificate for the 1st part of the 1st Installment.
b) Details of equity contribution.
c) Sanction Letter for loan Component, in case SPV is taking term loans.
d) Award of contracts worth at least equivalent to 30% of the total project cost excluding the land cost.

ii) 30% of the total GOI share after the utilisation of the 1st installment and after the proportionate expenditure (i.e. 1.5 times of the GOI share released) has been incurred by the SPV. Utilisation Certificate (UC) of the 1st Installment shall be submitted by the SPV at the time of making claim for the 2nd Installment.

iii) 30% of the total GOI share after the utilisation of the 2nd installment and after the proportionate expenditure (i.e. 1.5 times of the GOI share released) has been incurred by the SPV. Utilisation Certificate (UC) of the 2nd Installment shall be submitted by the SPV at the time of making claim for the 3rd Installment.

iv) 10% of the total GOI share will be released after successful completion of the project and after 25% of the units in ITP start their production. The UC of the 3rd Instalment shall also be submitted by the SPV at the time of making claim for the final Instalment.

5.5 SPVs would forward their claims to the MOT after verification by PMC supported by documents such as Utilisation Certificate in the format of GFR 19A, Pre-Receipt Bill, Surety Bond etc., as required under the relevant rules.

5.6 Separate accounts shall be kept by SPV for the funds released by GOI, which shall be subject to audit by the Comptroller & Auditor General of India.

5.7 In the event of an SPV withdrawing from executing a project before utilizing the Government assistance, then the SPV should immediately return the Government assistance togetger with the interest accrued thereon, if any. Payment of penal interest by the SPV shall be decided by the Project Approval Committee (PAC) on case to case basis.

5.8 User charges would be fixed for various facilities and services by SPV. There shall be full recovery of Operational & Maintenance (O&M) costs through user charges.

5.9 The recovery by way of lease rentals shall accrue to the SPV for plough back for future expansion.

5.10 Budget provision of not exceeding Rs.1 Crore per annum shall be made for administrative expenditure, evaluation, studies, research & seminars, information dissemination, publicity, and for putting in an IT enabled monitoring mechanism, etc

6. Purchase of land:

6.1 Land for Textile Parks shall be purchased / arranged by the SPV. The registered value of land would be taken as part of the Industry's equity/share in the project. The GOI grant shall not be used for procurement of land.

7. Project Formulation:

7.1 The project proposal shall be formulated by a PMC after conducting a diagnostic study of the requirements of common facility and infrastructure in the specific location and based on demand and potentiality.

7.2 The broad aspects, which may be covered in the Project Report, are given at Annex-A. These are intended to be indicative and not exhaustive.

8. Project Approval Committee:

The project proposals shall be considered and sanctioned by a Project Approval Committee (PAC) headed by Secretary (Textiles). The other members of the Committee shall be as follows:

(i) Advisor (Industry), Planning Commission
(ii) Additional Secretary & Financial Advisor, Ministry of Textiles.
(iii) Textile Commissioner, Mumbai
(iv) Joint Secretary (PF-II), Department of Expenditure
(v) Joint Secretary (Infrastructure), Department of Commerce
(vi) Joint Secretary (IIUS), Department of Industrial Policy & Promotion
(vii) Economic Advisor, Ministry of Textiles
(viii) Joint Secretary (SITP), Ministry of Textiles
(ix) Director (SITP), Ministry of Textiles – Member Secretary

9. Project Monitoring and Evaluation:

The Ministry of Textiles (MOT) will periodically review the progress of the projects under the scheme. The PMC would devise a suitable monitoring and evaluation system and shall furnish monthly reports/returns to the MOT.

10. In so far as interpretation of any of the provisions of these guidelines, the decision of the Project Approval Committee (PAC) shall be final.

Subject:- Continuation of the Scheme for Integrated Textiles Parks in 11th Plan.

Though the Indian textile industry has its inherent advantages, infrastructure bottleneck is one of the prime areas of concern. To provide the industry with world-class infrastructure facilities for setting up their textile units, the Scheme for Integrated Textile Park (SITP) was approved in July 2005 to create new textile parks of international standards at potential growth centres. As per the target for the 10th Five Year Plan, 30 Textiles projects have been approved. There has been overwhelming response to the scheme. Taking into consideration the response to the scheme and the opportunities for the growth of textile industry in the quota free regime, the Government of India have decided to continue the SITP in the 11th Five Year Plan. Ten (10) Textiles Park projects will be approved at the first instance. This will facilitate additional investment, employment generation and increase in textiles production.

Industry Associations / Groups of Entrepreneurs would be the main promoters of the Textiles Park by forming a Special Purpose Vehicle (SPV) for implementation / management of the project. Ministry of Textiles has engaged eight (8) Project Management Consultants (PMCs) who will help the promoters in formation of SPV, preparation of Detailed Project Reports, etc., for which Ministry of Textiles will pay fee to the PMCs.

Detailed guidelines of the scheme, inter alia including the objective of the scheme, salient features of the scheme, level of assistance, role of SPV, PMC, State Government etc. and list of the empanelled PMCs are available on the following links or can be obtained from the SITP Cell, Ministry of Textiles, Room # 545, Udyog Bhawan, New Delhi-11, Tel: 011 - 23063544.

Schemes for Decentralized Powerloom Sector

1. ***20%Credit Linked Capital Subsidy Scheme for powerloom sector under TUFS***

Weaving is a thrust area and occupies a special place under the Technology Upgradation Fund Scheme. TUFS helps the small scale powerloom units by providing an additional option of availing credit linked 20% capital subsidy upto a cost of Rs. 1.00 crore with the facility to obtain credit from an enlarged credit network that includes all cooperative banks and other genuine non-banking financial companies (NBFCs) recognized by the Reserve Bank of India.

2. ***Powerloom Service Centres (PSCs)***

44 Powerloom Service Centres (PSCs) are located in major powerloom concentration areas in different States and provide a variety of technical services that include training, testing facilities, technical consultation, design development and diversification etc to powerloom units and weavers. So far 21 PSCs have been modernized and the rest are being upgraded with modern looms and related machinery and equipment. Plans are afoot to re-orient these Centres into Textile Service Centres catering to other segments of the industry as well. Most of these are under the management of autonomous bodies.

3. ***Support to Computer Aided Design Centres***

Similar to the PSCs, the CAD Centres also play an important role in developing new computergenerated textile designs. At present there are 17 such Centres to give support to the powerloom sector all over the country. Financial assistance in the form of a grant-in-aid of Rs. 6.75 lakh per CADC per annum is provided by the Ministry.

4. *Group Workshed Scheme*

With a view to improve the working environment and enable powerloom workers to obtain higher productivity, the Central Government has approved a Group Workshed Scheme, to provide subsidy for construction of worksheds, limited to 25% of the unit cost of construction subject to a maximum of Rs.80/- per. sq. ft. In order to improve other infrastructure facilities the scheme envisages a link with the Textile Centre Infrastructure Development Scheme (TCIDS), which provides central assistance for improving critical infrastructure in existing or emerging textile centers.

5. *Group Insurance Scheme for Powerloom Weavers*

A Group Insurance Scheme for Powerloom Weavers has been introduced in association with the Life Insurance Corporation of India since July 2003. This Scheme has two components-- Janashri Bima Yojana & Add on GIS for Death. Under Janashri Bima Yojana powerloom workers aged between 18 to 59 years and below the poverty line (BPL) or marginally higher than the BPL are eligible for an nsurance coverage of Rs. 50,000 on accidental death / permanent disability; Rs. 25,000 on permanent partial disability; or Rs. 20,000 on natural death / partial disability. The annual premium of Rs. 200 would be shared by the Central Government, the Beneficiary, and LIC in the ratio of Rs. 60, 40 and 100 respectively. Under the Add on Scheme, additional insurance coverage of Rs. 30,000 on natural as well as accidental death is made available at annual premium of Rs. 180, which would be shared equally by Central Government and Beneficiary. On paying, a weaver can avail cumulative benefits of both the Schemes.

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Package for the Organised Textiles Industry

Government of India, in Ministry of Finance, Department of Banking has announced a package for restructuring of high cost debts of textile units in the organised sector. The salient features of the package are as follows:-

a) Parameters determining the eligibility of units

- The package would be applicable to all units in the organized sector with a minimum debt exposure of Rs. 2 crore.
- Technical viability will be assessed by the designated technical agencies.
- Units should have positive Earning before Interest, Depreciation, Tax, and Amortization (EBIDTA) in three out of last five years.
- The post-restructuring debt service coverage ratio should be at least 1:1.33. However, the time by which it may be achieved has been left to the lender to decide.

b) Nature of Relief

- The scheme would have a tenure of five years
- Banks/FIs will be permitted to access external commercial borrowings (ECBs) and convert Rupee Term Loans into Foreign Currency Loans
- ECB borrowings by Banks/FIs will be permitted for 5 years
- The recipient units would pay interest at the targeted rate of 8% to 9% on rupee loan basis.
- The repayment of loans is not restricted to the five years in the scheme. The period of repayment may extend beyond 5 years but ECB will be permitted only for 5 years.
- The conversion of working capital into working capital term loan would be decided by the lenders. The rate of interest on working capital loans would follow the internal guidelines of the lender bank/FI.
- Accumulated liquidated damages and penal interest would be waived
- Accumulated interest liability would be frozen and converted into zero coupon bonds payable after five years in installments or at one time, as negotiated between the lender and borrower.

c) General guidelines for the scheme

In cases of adverse debt equity ratio, the promoters should be willing to write down equity.

- A Personal guarantee of the promoters would be a precondition for restructuring.
- RBI will consider classifying such restructured accounts as standard assets.
- Willful defaulters will not be eligible for the scheme
- Healthy textile units, that are able to service their loans, will be provided assistance under the Technology Upgradation Fund Scheme to become even more competitive.
- Technical agencies to assess technical viability of the units seeking assistance under the package

Following Textile Research Associations (TRAs) have been designated for assessing the technical viability of the units eligible under the Scheme:-

(i) South India Textile Research Association (SITRA), Coimbatore, Tamilnadu
(ii) Bombay Textile Research Association(BTRA), Mumbai
(iii) Ahmedabad Textile Industry Research Association(ATIRA), Ahmedabad
(iv) Northern India Textile Research Association(NITRA), Ghaziabad
(v) Synthetic and Art Silk Mills Research Association(SASMIRA), Mumbai
(vi) Man-made Textile Research Association(MANTRA), Surat

• To assess the financial viability and the debt restructuring package, banks/financial institutions or units would be free to appoint consulting organisations such as Price Water House Coopers, Ernest and Young, CRISIL, KSA Technopack, Delloit Huskins and Sells, SBI CAPS, KPMG etc as per their own assessment and decision.

Implementation of the Scheme

Nodal Ministry

• The Ministry of Finance will be the nodal Ministry for monitoring and its efficient and early implementation.

Implementation Committee

• In order to ensure smooth implementation of the package and to encourage eligible industries to approach banks/financial institutions an Implementation Committee under the Chairmanship of Secretary(Textiles) with the following members has been constituted:-

(i) Joint Secretary, Department of Banking;
(ii) Textile Commissioner;
(iii) Secretary General, the Indian Cotton Mills Federation (ICMF);
(iv) An industry representative from ICMF;
(v) A representative from South India Mills Federation(SIMA);
(vi) A representative from Indian Spinners Association;
(vii) Chairman, ICICI or his nominee;
(viii) Chairman, State Bank of India or his nominee;
(ix) Joint Secretary, Ministry of Textiles—Member—Convener.

The above Committee would monitor the progress of the package and would also examine various issues, which may be brought before the Committee.

Generalised System of Preferences (GSP)

The Generalised System of Preferences (GSP) is an instrument by which the developed countries allow imports originating from developing and least developed countries on duty-free or preferential duty basis. Presently, 29 preference giving countries are extending GSP concession through their respective Schemes. These are Australia, Canada, Chech Republic, European Union, Japan, New Zealand, Norway, Bulgaria, Hungary, Poland, Russian Federation, Slovakia, Switzerland, and USA.

US's GSP Scheme-with reference to India's textile exports

- ❖ The US GSP Scheme was first authorised by Trade Act of 1974, renewed in December 1999 and extended through the end of September 2001.
- ❖ All GSP eligible products are granted duty free entry with three requirements:

GSP country eligibility. (covers 38 LDCs, 47 Sub-Saharan African countries and other beneficiary countries including India). GSP product eligibility (Most textiles with the exception of 6 categories of Hand-made products:5701.10.13- 5702.10, 9120-5805.0020-6304.9910, 9940) are prohibited from receiving GSP treatment. US President may designate almost any product as eligible for duty free treatment under GSP- under this dispensation US has recently granted GSP concession to India in respect of 9 HS tariff lines, namely, 52083120, 52083210, 52084120, 52084210, 52085120, 52085210, 52093130, 52094130, 5210900.

(iii)GSP Rules of Origin

·As per USA's GSP programme, an article (from non-LDCs) would stand to lose the GSP duty free treatment if;
(i)Based on interim trade data, the imports (from India) of a GSP eligible article exceeds the Competitive need Level (CNL) ($ 90 million in 1999); or
(ii)If the quantity of GSP article has a value equal to or greater than 50% of the value of total US imports of that article from all countries. However, in case the import of an article is less than the applicable amount (14.5 million in 1999), they would be eligible for de-minimus waiver.

EU's GSP Scheme-with reference to India's textile exports

- ❖ The revised GSP Scheme was introduced by EU in 1995 valid for four years (extended upto end of 2001) with the following main features:
- ❖ Product coverage: Chapters 25 to 97 of Common Customs Tariffs (CCT)
- ❖ Trade modulation: Categories the products as Very Sensitive (VS) (all the Textile items fall in the VS category); Sensitive (S); Semi Sensitive (SS) and Non Sensitive (NS).
- ❖ VSs were subjected to a duty of 85% of MFN rate, AS at 70% of MFN rate, SS of 35% of MFN rate and NS full duty waiver. LDCs to get full GSP benefit.

- ❖ Special incentives are in place for those countries which have agreed to enforce labour right, environment protection, combating drug clauses.
- ❖ Graduation mechanism:

(i) If the total value of exports by beneficiary country exceeded 25% of the total value of imports of that product into EU by all beneficiaries, then such country would graduate in the item from 1996.

(ii) If the per capita GNP of any beneficiary country exceeded US$6000, the GSP benefit would be only 50% of his entitlement during April 1995 to December 1995 and the entire from 1996 the entire benefit of GSP would be withdrawn.

(iii) Beneficiary country with less than $ 6000 per capita GNP which enjoyed GSP benefit in which they have attained higher degree of trade specialisation would get only 50% of the benefit from 1997 and the benefit would be withdrawn totally from 1998.

- ❖ In respect of products falling under Chapters 50 to 60 originating from India and exported to EU there was a partial waiver of 15% of CCT for the calendar years 1995 and 1996. During 1997 the preferential margin was reduced by 50% and from 1998 the entire GSP benefit ceased to exist since India along with Pakistan graduated from the Scheme.
- ❖ The clothing items falling under Chapters 61 to 63, however, continue to get the benefit of being subjected to 85% of MFN rate.

NCDC SCHEMES FOR TEXTILES

NCDC has been promoting the cooperative textile programmes by providing financial assistance for the development of Cotton Ginning and Spinning, Weaving, Coir, Jute & Sericulture activities in the cooperative sector. These activities include the entire gamut of activities right from ginning to the garmenting stage besides activities for development of Coir, Jute & Sericulture.

SCHEMES

NCDC is implementing schemes for development of Cooperative Textile Sector. Financial assistance is provided for the following activities under the schemes in vogue:

Ginning & Pressing

- ⊚ Modernisation of existing and establishment of new Ginning & Pressing Units.

Spinning

- ⊚ Modernisation/Expansion of existing Cooperative Spinning Mills and establishment of new mills.
- ⊚ Margin money/working capital assistance to the Cooperative Spinning Mills and State Cooperative Cotton Federations.
- ⊚ Rehabilitation of sick Cooperative Spinning Mills
- ⊚ Subsidy assistance to Cotton Growers Spinning Mills for Cotton Development

Handloom

- ◎ Strengthening of share capital base/margin money assistance.
- ◎ Creation of processing facilities.
- ◎ Construction/opening/renovation of showroom, Central Godown and Showroom-cum-Godown.
- ◎ Construction of workshed

Powerloom

- ◎ Strengthening of share capital base/margin money assistance.
- ◎ Purchase of looms or construction of shed with looms and ccessories/modernisation/construction/renovation/opening of Godown/Showroom/Marketing Complex/Cooperative Textile Estate.
- ◎ Establishing pre/post loom processing/Garment/Knitting units.

Coir

- ◎ Strengthening of share capital base/margin money assistance
- ◎ Creation of processing facilities.
- ◎ Construction of Coir godowns/showrooms/godowns-cum-showrooms.
- ◎ Purchase of transport vehicles.

Jute

- ◎ Strengthening of share capital base/margin money assistance.
- ◎ Creation of processing facilities (small/medium sized processing units).
- ◎ Warehouses/godowns/showrooms/godowns-cum-showrooms.

Sericulture

- ◎ Strengthening of share capital base/margin money assistance.
- ◎ Creation of processing facilities (filature & Integrated Sericulture Development Project).
- ◎ Warehouses/Godowns/Showrooms/Transport Vehicles/Market Yards/ Grainages/Chawki rearing/Rearing of Silk Worm Chandrika Centre/Hot Air Drier/Laboratory.

ELIGIBILITY CRITERIA

- ❖ In order to be eligible for NCDC's assistance, in addition to usual techno-economic viability consideration, the following eligibility criteria applies:-
- ❖ In case of Ginning & Pressing Unit minimum capacity for assistance will be 12 double roller gins and above. The project location should ensure adequate availability of raw material within a reasonable distance.
- ❖ For Growers Cooperative Spinning Mill, the project location should be in a major cotton growing tract and ensure adequate availability of raw material within a reasonable distance. Cotton growers will establish effective linkages with its grower members for procurement of raw material.
- ❖ In case of Weavers Spinning Mills, the location of the project should be in area having large handloom/powerloom concentration and gap in the existing yarn requirement.
- ❖ Firm commitment/sanction of term loan from the Financing Institution for establishment of the new Cooperative Spinning Mills.
- ❖ Mills seeking assistance for modernisation/expansion should have a positive net worth.
- ❖ Sick Cooperative Spinning Mills should fulfil any of the following conditions for becoming eligible under rehabilitation scheme.

- The mill has been incurring case losses continuously for the last 3 years.
- The mill is having accumulated losses leaving networth negative and the mill must not be closed for more than 2 years
- When a society proposes to construct a godown, a showroom or a godown-cum-showroom, it can apply for NCDC's assistance only if it has acquired land using its own resources.
- In case of direct funding the applicant cooperative, by and large, should be an existing cooperative society in operation for more than 3 years. The society should have positive net worth, there should be no erosion in the paid up share capital. The society should not have any cash losses during last three years and there should be net profit in at least two of previous three years. Audit of accounts should be complete up to previous year. In cases, where audit is undertaken by Govt. auditors and it is not complete, accounts audited by Chartered Accountants' Firms may be accepted.

PROCEDURE INVOLVED FOR AVAILING ASSISTANCE

- Cooperatives interested in NCDC's assistance should contact the State RCS/Directorates/Regional Directorates of NCDC for guidance. Scheme and **application forms along with pattern of funding available at these offices.**

- Those societies which fulfill the relevant eligibility criteria and other terms and conditions, should send proposals through the State Govts./Direct. For direct funding the applicant society should also fulfill the relevant criteria applicable for availing direct assistance. Assistance for new mills and rehabilitation is provided through the State Govt. only.

(iii) SPINNING MILLS

Activity	Developed States/UTs			Under Developed States/UTs			Least Developed States/UTs		
	NCDC to State Govt.	State Govt. to Society	Direct Funding	NCDC to State Govt.	State Govt. to Society	Direct Funding	NCDC to State Govt.	State Govt. to Society	Direct Funding
Share Capital Participation in New Mills	Loan 20% of the Project cost or 50% of SC contribution by the SG whichever is less	SC contribution of 50% of Project cost less members stipulated equity which should not be less than 10% of Project cost	*	Loan 30% of project cost or 70% of SC contribution by SG whichever is less	SC contribution of 50% of project cost less members stipulated equity which should not be less than 7.5 % of project cost	*	Same as in Under Developed States	Same as in Under Developed States	*
Modernisation / Expansion	Term Loan 60% Investment Loan 30%	Term Loan 60% SC 30% (Members contribution 10%)	*	Term loan 60% Investment loan 32.5%	Term Loan 60% SC 32.5% (Members contribution 7.5%)	*	Same as in Under Developed States	Same as in Under Developed States	*
Margin Money Assistance to Spinning Mills & State Coop. Cotton Fedns.	Loan 100%	SC or long term loan 100%	Loan 100%	Loan 100%	SC or long term loan 100%	Loan 100%	Loan 100%	SC or long term loan 100%	Loan 100%
Modernisation of existing & establishment of modern Ginning & Pressing Units	Term Loan 55% Investment Loan 25% Subsidy 10% Member's Contribution 10%	Term Loan 55% Investment Loan 25% Subsidy 10% Member's Contribution 10%	*	Term Loan 55% Investment Loan 25% Subsidy 10% Member's Contribution 10%	Term Loan 55% Investment Loan 25% Subsidy 10% Member's Contribution 10%	*	Term Loan 55% Investment Loan 25% Subsidy 10% Member's Contribution 10%	Term Loan 55% Investment Loan 25% Subsidy 10% Member's Contribution 10%	*
Rehabilitation of Sick Cotton Growers/ weavers/ Power loom Spinning mills	Loan 70% Sub 20% MC 10%	As per Viability requirement		Loan 70% Sub 20% MC 10%	As per Viability requirement		Loan 70% Sub 20% MC 10%	As per Viability requirement	

Subsidy to Spinning mills is subject to the ceiling of Rs.500 lakhs each mill.
* For Direct Funding the Pattern of Assistance will be the same as indicated under C (ii) for processing units.
Subsidy will be provided if available from GOI.