SECTION - 1

GOVERNMENT RESOLUTION ON TUFS ON TECHNO-OPERATIONAL PARAMETERS

(01-04-1999 to 31-03-2007)

(To be published in the Gazette of India Extraordinary Part I Section I of 31st March, 1999)

MINISTRY OF TEXTILES

RESOLUTION

New Delhi, the 31st March, 1999.

No.28/1/99-CTI

Objective:

The Indian textile industry occupies a unique position in the Indian economy in terms of its contribution to industrial production, employment and exports. In spite of a strong fibre and production base, for various historical reasons, this industry suffers from severe technological obsolescence and lack of economies of scale. While relatively high cost of state-of-the-art technology and structural anomalies in the industry have been major contributory factors, perhaps the singlemost important factor inhibiting technology upgradation has been the relatively high cost of capital, even in real terms, in India, especially for an industry usually squeezed for margins. Given the significance of this industry to the overall health of the Indian economy, its employment potential and the huge historical backlog of technology upgradation, particularly in the context of the liberalisation of the national industrial and trade policy and globalisation of textile trade, it has been emphasised by experts that in order to sustain and improve its competitiveness and overall long term viability, it is essential for the textile industry to have access to timely and adequate capital at internationally comparable rates of interest in order to upgrade its technology level.

In the light of the foregoing, it has been felt necessary to make operational a focussed and time-bound Technology Upgradation Fund Scheme(TUFS) which would provide a focal point for modernisation efforts through technology upgradation in the industry. The main feature of the TUF Scheme would be a five percent reimbursement on the interest actually charged by the identified financial institutions on the sanctioned projects.

Resolution:

It is, therefore, resolved that a Technology Upgradation Fund Scheme be made operational for the textile, jute and cotton ginning & pressing industries w.e.f. 1.4.1999 for a period of 5 years i.e., up to 31st March 2004, which was subsequently extended up to 31.3.2007. The scheme will provide a reimbursement of five percentage points on the interest charged by the lending agency on a project of technology upgradation in conformity with this resolution.

With effect from 1st January, 2002, an option has been provided to the Small Scale Textile and Jute Industries to avail of either 12 percent Credit Linked Capital Subsidy (CLCS-TUFS) or 5 percent interest reimbursement under Technology Upgradation Fund Scheme. The rate of 12 percent has been increased to 15 percent w.e.f. 13.01.2005.

With effect from 6th November, 2003, an additional option has been provided to the powerloom units to avail of 20% capital subsidy under TUFS in lieu of 5% interest reimbursement / 15% CLCS-TUFS on investment in TUF compatible specified machinery subject to a capital ceiling of Rs. 60 lakh and ceiling on capital subsidy is Rs.12 lakh. The capital ceiling for machinery has been increased from Rs.60 lakh to Rs.1 crore and the ceiling on capital subsidy has also been increased from Rs.12 lakh to Rs.20 lakh w.e.f. 13.01.2005.

An additional incentive of 10% capital subsidy over and above the 5% interest subsidy has been provided for the specified textile processing machinery during a period of one year from 20th April, 2005 to 19th April, 2006, which was subsequently extended upto 31.03.2007, i.e., co- terminus with TUFS.

The scope of the scheme, eligibility criteria and operational parameters are defined below:

I. SCOPE OF THE SCHEME

The following will be covered under the Technology Upgradation Fund Scheme :-

a) Cotton ginning and pressing.

b) Textile industry covering:-
   - i) Silk reeling and twisting.
   - ii) Wool scouring and combing.
   - iii) Synthetic filament yarn texturising, crimping and twisting.
   - iv) Spinning.
   - v) Viscose Staple Fibre (VSF) and Viscose Filament Yarn.(VFY).
   - vi) Weaving, knitting including non-wovens, fabric embroidery and technical textiles.
   - vii) Garment/made-up manufacturing
   - viii) 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 ordinarily 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/ Wool Scouring & Combing/Synthetic filament yarn Texturising, Crimping & Twisting-	Annex - B.
2.3	Manufacturing of viscose filament yarn and viscose staple fibre -	Annex – C.
2.4	Weaving / Knitting including	

	non-wovens and Technical Textiles –	**Annex-D(1&2)**
2.5	Garment / Made-up manufacturing	**Annex – E**.
2.6	Processing of fibre / Yarn / Fabrics / Garments / made-ups	**Annex–F(1-4)**
2.7	Jute industry	**Annex – G**.
2.8	Energy saving & process control equipments for various sectors	**Annex-H**
2.9	Machinery eligible under 20% CLCS-TUFS for powerloom sector	**Annex-I**
2.10	Machinery eligible under 10% capital subsidy for processing sector	**Annex-J**

Note : Vide circular No.2 (2004-2005 series) dated 27th May, 2004, the machinery eligible for one segment has been made eligible for other segments/activity also unless its eligibility is specifically restricted for a particular segment.

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 state-of-the-art 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. However, multiple activities can be undertaken only in an integral manner, i.e., by way of forward or backward integration. It is, however, clarified that weaving / knitting and garment manufacturing or weaving / knitting and processing or garment manufacturing and processing will be considered as integral activities.
(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) Auto-coners upto 5 years' vintage with a residual life of minimum 10 years;
b) 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. **However, the vintage period of 10 years has been increased to 15 years with effect from 22nd Feb., 2005**;
c) Following worsted sector machinery of upto 10 years' vintage with a residual life of minimum 10 years :
   i) Worsted card.
   ii) High speed inter-setting/Gill box / Chain gills / Rotary gills/ Vertical gill box.
   iii) Drawing set / Roving frame/ Rubbing frame for worsted system.

iv) Ring frames for worsted system.
v) Rectilinear combers for worsted system.
vi) Ring frames with siro spinning attachment with or without auto doffers for worsted system.
vii) Tow Top converter.

d) Machinery for jute industry (i.e. jute softening and carding, drawing, spinning and weaving) with a minimum residual life of 10 years subject to a maximum expired life of 10 years.
e) Computerised flat bed knitting machine with minimum speed of 10 revolutions per minute and upto 5 years' vintage and with a residual life of minimum 10 years.
f) The following silk waste tops making machinery of upto 10 years' vintage with a residual life of minimum 10 years :
(i) Computerized silk waste cutting machine.
(ii) Carding machine with roller clearer for processing silk waste.
(iii) High speed Draw frame with Gill box.
(iv) Rectilinear Comber for silk combing.
g) Fabric embroidery machine of upto 10 years' vintage and with a residual life of minimum 10 years.
h) Warp and Raschel knitting machine with or without warping machine meant for warp knitting / raschel knitting machine with yarn tensioning device upto 10 years vintage and with residual life of minimum 10 years.
i) Automatic open end spinning machine with a speed of more than 75,000 rpm and upto 10 years vintage with a residual life of minimum 10 years.
j) High speed circular knitting machine (minimum speed of 20 revolutions per minute) upto 5 years vintage and with a residual life of minimum 10 years.
k) **Second hand imported machinery for manufacture / finishing of non-woven and conversion machinery for non-woven into finished products subject to 10 years vintage with residual life of minimum 10 years**.
Note : **Since the description of some of the machines for non-woven is similar to spinning machinery, it is clarified that above second hand machines are eligible exclusively for non-wovens and convertors of non-wovens into finished products**.
l) Spinning machine for viscose filament yarn upto 5 years' vintage (other than pot spinning), comprising of complete modules drive units, digital electronic frequency inverters including control board, programmable logistic control (PLCs), metering gear pumps, spinnerettes, counterspinnerettes.
m) Second hand electronic dobby / electronic jacquard on stand alone basis of upto 10 years vintage with minimum 10 years residual life.
n) Electronic Jacquard / Dobby on stand alone basis eligible under TUFS, i.e., upto 10 years vintage can be fitted into any looms irrespective of whether loom is TUFS compatible or not.

(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 Committee 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). Except cotton ring spinning segment, the MES for other eligible segments of the industry should be any unit which is financially viable as per viability analysis of the financial institutions or banks. As regards cotton ring spinning system, ordinarily, 25000 spindles will be the MES. However, for the units having 12,000 or more spindles and with consistently good management and financial performance track record, nodal agencies / PLIs may sanction at their discretion, a technology upgradation project even without topping the spindleage to 25,000, provided post-modernisation, the unit is economically viable. Units with less than 12,000 spindles must top it upto a minimum of 12,000 spindles or more, subject to a good management and financial track record and fulfillment of the condition of investment in downstream permissible value addition activities. However, a new unit will be allowed only at a minimum of 25,000 spindles subject to fulfillment of other conditions of TUFS.

(MES for new spinning units under cotton ring spinning system has been reduced to 12,000 spindles and for existing units to 8,000 spindles w.e.f 15th October, 2004. The units which have modernised in conformity with relaxed norms prior to the decision of the IMSC, regarding reduction in MES of spinning units and deletion of downstream value addition stipulation would be eligible for TUFS incentive from 21st April, 2003 for the amount outstanding as on 21st April, 2003 (disbursed after 01.04.1999) in conformity with the scheme. The eligible amount disbursed after 21st April, 2003 would however be fully covered under TUFS.

(8) A combination of ring spindles and O.E. Rotors for the MES of 25,000 spindles under TUFS has been permitted. Further, if an existing spinning unit proposed to expand its capacity, the MES of the unit after expansion should be a minimum of 12,000 spindles including a combination of ring spindles and O.E. Rotors, with a maximum of 5% lower tolerance.

(9) (i) New Composite units with knitting and garmenting facility are permitted to install equivalent / matching capacity in spinning. In such cases, MES for spinning facility will not be applicable. However, the existing Knitting and Garmenting units, intending to set up spinning units for captive consumption of yarn are required to fulfil the MES of 25,000 or more spindles for cotton ring spinning system under TUFS. However, the investment in downstream value addition for such units would take into account the existing knitting and garmenting facility also and additional incremental capacity only need to be installed.

(ii) New powerloom units can also set up equivalent capacity in spinning, without applicability of MES for spinning capacity. However, the existing powerloom units intending to set up spinning units for captive consumption of yarn are required to fulfil the MES of 25,000 or more spindles for cotton ring spinning system under TUFS. However, the investment in downstream value addition for such units would take into account the existing weaving facility also and additional incremental capacity only need to be installed.

(10) 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 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 25% 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;
(For all apparel units, the above 25% stipulation has been enhanced to 50% for projects in which loan is sanctioned after the 1st April, 2004 or to that portion of already sanctioned loan, which remain undisbursed on 1st April, 2004.)

2) Investments in the installation of the following facilities including necessary equipment :

(a) Energy saving devices;

(b) (i) Effluent treatment plant (ETP);

(ii) In case of an individual unit or an independent unit setting up Effluent Treatment Plant for its own use or substantively for a group of willing textile units in that area, it will be eligible for coverage under TUFS on stand alone basis.

(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 of the units availing of TUFS loan or on stand-alone basis w.e.f. 23.10.2001. The CPP on stand-alone basis will be covered of the units having main plant & machinery in conformity with TUFS norms and eligible for loaning under TUFS. However, investment already made prior to 23.10.2001 on CPP would not be eligible under TUFS.

Note : (i) Prior to coverage of CPP on stand alone basis, the investment in CPP was limited to eligible investment in plant and machinery under TUFS. It is clarified that in case of installation of CPP before implementation of technology upgradation of plant & machinery, interest reimbursement will be eligible from the date of disbursement of loan for CPP provided technology upgradation of plant & machinery is implemented within 1 year of the disbursement of loan for CPP. In case technology upgradation of plant & machinery has been implemented after 1 year of installation of CPP, interest reimbursement on CPP will be available retrospectively for a period of one year only. Interest reimbursement will not start until the eligibility therefor is established, i.e., the technology upgradation is actually implemented.

(ii) Since CPP on stand alone basis is permitted without any restriction of overall investment in eligible P&M, such restriction for CPP along with technology upgradation project also stand removed from 23rd Oct., 2001. However, the investment in CPP may be restricted to lending agencies assessment of overall present and anticipated future power requirement of the unit to ensure in house consumption.

(iii) Cut off date for stand alone CPP is 23rd Oct. 2001 and the date of first disbursement for CPP is to be considered for assessing the eligibility of CPP set up on stand-alone basis.

(h) Husk Fired Boiler on stand-alone basis (without accompanying textile modernisation /expansion) are eligible.

(i) Wind Turbine : The Nodal agency would strictly adhere to the following guidelines before release of interest reimbursement for proposals for wind energy plants received from co-opted PLIs:

a. The investment in CPP based on wind turbine shall be restricted to the lending agencies assessment of overall present and anticipated power requirement of the unit to ensure in house consumption. TUFS subsidy cannot be used to establish a wind turbine of capacity more than necessary. NAs/PLIs may satisfy that subsidy admissible is limited to the amount necessary and does not become a subsidy for establishment of wind energy parks for supply of electricity to SEBs.

b. The wind turbine on stand-alone basis will be covered of the textile units having main plant & machinery in conformity with TUFS norms and eligible for loaning under TUFS.

c. Wind energy mills can be established only at such places, which are feasible and have requisite wind velocity for the purpose. It is not necessary that the textile units should also be located at the same place. Nodal agencies / PLI may examine whether establishment of wind energy units would ensure uninterrupted power supply to the textile units, if supply is through the transmission and distribution networks of

State Electricity Boards (SEBs) or any other State monopoly. NAs / PLIs should also satisfy that arrangements of transmission and distribution of Electricity Boards would ensure uninterrupted power supply to the textile units which is the main objective of granting the subsidy.

d. Since generation of wind energy is dependent on a number of natural factors, a textile unit cannot fully remain dependent on wind energy source and would need supplementing the generation of power through DG set. NAs/PLIs should ensure the same.

e. The wind energy units have been removed from eligible list of plant and machinery prospectively from 22nd Feb., 2005. The criteria for deciding cut-off date is date of sanction. Any wind mill project sanctioned before 22nd Feb., 2005 by a bank would be 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 subpara (1) of this para (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 :

(1) Common utilities, viz., water supply, power substation etc.

(2) Common captive power generation.

(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 TUFS:

(a) The loans which have been sanctioned prior to 1.4.99 but not disbursed will be re-considered under TUFS as fresh cases, if otherwise they meet the parameters of TUFS. In case of part-disbursed loans, the existing loan cases will have to be terminated and the remainder of the investment conforming to TUFS norms may be considered as a fresh project by the lending agencies. However, the Nodal Agencies and the co-opted PLIs may consider at their discretion the remainder of the project under TUFS without formal termination if the remainder project otherwise conforms to TUFS technology norms.

(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 TUFS, the TUFS benefits for such equipments may be extended for the loans disbursed after 1-4-1999. In case inclusion of any machinery/equipment is due to relaxation of norms laid down in the GR of TUFS, the effective date of eligibility of interest reimbursement would be applicable only from the date of the meeting.

3.7 COVERAGE OF INVESTMENT MADE IN TUFS COMPATIBLE PROJECTS AFTER 01.04.99 FUNDED BY OTHER SOURCES (OTHER THAN BANK LOAN) UNDER TUFS:

The investment made in TUFS compatible projects after 01-04-1999 funded by other sources (other than bank loan) are covered under TUFS. The general guidelines for coverage of such units are as under:

"As long as the technology upgradation project is executed within the TUFS period (i.e. the initial funding from other sources is after 01/04/1999) 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 TUFS, if it is covered by an appropriate term loan in due course. However, the benefit of TUFS interest incentive will be coterminous with the loan disbursal."

3.8 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 mondernisations, 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) Government had decided that when the cotton ginning & pressing units become eligible for concessional finance under the proposed Technology Mission on Cotton (TMC), such units will no longer be eligible under the TUFS which is in operation w.e.f. 01.04.1999. Since the ginning & pressing units had become eligible for concessional finance under the TMC vide No.1/CM/2000(I) dt.17th January, 2000, such units are no more eligible for assistance under TUFS with effect from that date. However, applications received prior to the approval of the TMC were to be processed in normal course under TUFS.

f) With effect from 25.07.2001, coverage of cotton ginning & pressing units has been restored under the scheme with the stipulation that a cotton ginning & pressing unit will have the option to avail of benefits either under the TUFS or under the 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, only modernisation of existing obsolete spindleage through technology upgradation will be permitted. The 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.]

(ii) (a) New units or capacity expansion in an existing unit will be permitted only if investment is also made in downstream matching capacity in yarn processing or weaving preparatory and / or weaving / knitting and / or sewing thread manufacturing, which must be installed simultaneously; provided that an existing spinning unit expanding its capacity to 12,000 or more spindles but not more than 25000 spindles shall be required to install down stream permissible manufacturing capacity matching with 50% of the expanded spinning capacity. (The downstream value addition of the existing units may be worked out on the basis of actual production of actual count of yarn. The monthly production returns submitted by the units to the Office of the Textile Commissioner should be the basis for the production of actual count of yarn by concerned unit).

(b) The eligibility of yarn processing as an eligible downstream value addition activity will be to the extent enumerated below:

Yarn singeing together with wet processing of yarn, viz. bleaching/ mercerising/dyeing (cone/hank dyeing)/yarn printing;

OR

Cone winding/ doubling/ fancy doubling alongwith one or more of the above mentioned wet processing activities;

OR

Doubling/fancy doubling, singeing and one or more of the above mentioned wet processing activities;

OR

Yarn sizing and warping.

(Downstream value addition stipulation for spinning units under cotton ring spinning system has been deleted w.e.f. 15th October, 2004. The units which have modernised in conformity with relaxed norms prior to the decision of the IMSC, regarding reduction in MES of spinning units and deletion of downstream value addition stipulation would be eligible for TUFS incentive from 21st April, 2003 for the amount outstanding as on 21st April, 2003 (disbursed after 01.04.1999) in conformity with the scheme. The eligible amount disbursed after 21st April, 2003 would however be fully covered under TUFS.

(c) Installation of matching new fibre dyeing capacity as an eligible value addition process for expansion of spinning capacity under TUFS. However, existing fibre dyeing capacity will not be considered as a value addition process.

(d) 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.

(e) 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.

(f) The downstream value addition condition for the spinning units expanding capacity from 12,000 to 25,000 spindles has been waived in respect of first one hundred cases of loan sanctioned after 29-04-2004.

(iii) Installation of compact spinning machine for setting up of new capacity or for modernisation / replacement of existing ring frames is permitted. Existing and new units set up for manufacture of compact yarn have been exempt from the stipulation of Minimum Economic Size and downstream value addition norms under TUFS. In situ upgradation of existing ring frames by changing the existing drafting system to compact spinning drafting system has been covered under TUFS.

(iv) 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.

4.3 **VISCOSE FILAMENT YARN** :

(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 to semi automatic shuttle loom 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 semi-automatic shuttle loom with benchmarked technology features are permitted.
3. New units in the decentralized powerloom sector are permitted to install semi-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** : As given in the Annex-D1.

e) **Non-wovens / technical textile manufacturing units** :

Machines required to manufacture needle punched / technical filters / blankets / floor coverings / automotive carpets / geo textiles / synthetic or leather non-wovens and such other non-wovens and technical textiles, as listed in Annex - D2 are eligible for coverage under TUFS.

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 **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. INTERPRETATION OF ELIGIBILITY :

(1) The Government has constituted a Technical Advisory Committee (TAC) with the Textile Commissioner (convenor) the Jute Commissioner and technical experts from the Textile Research Institutions (TRAs), industry and academic field covering the different segments, as members.

(2) If any question of interpretation or clarification is raised by the Nodal Agency as to the eligibility of any unit or machinery under the scheme, the views of the Technical Advisory Committee appointed in this behalf will be obtained.

(3) The role of the TAC has since been expanded to cover the function of monitoring the scheme also and TAC has been re-designated as Technical Advisory-cum-Monitoring Committee (TAMC).

III. LOANS UNDER THE SCHEME

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

a) **Duration of Scheme** :

The scheme will be in operation for the period of five years from 01-04-1999 to 31-03-2004. The scheme was subsequently extended upto 31-03-2007. Loans sanctioned by the lending agency till the last date of the duration of the scheme period will be eligible under the scheme and the reimbursement would continue to be available till the same is repaid as per the normal lending period of the nodal agency.

b) **Amount of loan :**

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

c) **Promoter's contribution** :

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

d) **Rate of Interest** :

(i) Rupee loan :

Effective rate of interest charged to the concerned borrower will be five percentage points lower than the prevailing commercial rates of interest charged by the Financial Institutions and Banks concerned; the Ministry of Textiles will reimburse the five percentage points under the scheme.

(ii) Foreign Currency loan :

As applicable for normal Foreign Currency loan. However, cover for exchange rate fluctuation not exceeding 5% p.a. would be provided under the scheme.

(iii) Period of interest reimbursement :

(a) 1. Interest reimbursement of 5% and/or cover for exchange fluctuation upto 5% p.a. will be available during the period of loan as specified in the Letter of Intent or as may be specified in the loan document. Interest reimbursement under TUFS 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 moratorium period, if such re-scheduling is accepted by the concerned nodal agency / co-opted agency.

2. 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 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 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 on the base rate of exchange as an option, which may be exercised only once in the each financial year of the project has been 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% interest reimbursement will accept the repayment of loan if made with in the prescribed date without the 5% 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**:

(i) The DPG in respect of rupee loan only covered under TUFS w.e.f. 23rd March, 2002.

(ii) The assistance under DPG will cover major equipments and also cases involving both DPG and normal term loan in a single project. In all cases, however, the project per-se has to meet the technology and other eligibility norms of the TUFS.

(iii) The margin money in case of equipment exclusively under DPG, shall be assumed as 20% for the purpose of interest subsidy under TUFS. However, in respect of cases involving both DPG and term loan, margin money may be taken based on project cost excluding DPG component.

(iv) The period of the deferred payment will be from the date of execution of the bills/promissory notes and should not exceed 7 years including moratorium period not exceeding one year.

(v) Only rupee loan will be covered under the TUFS and buyers bank who is giving the guarantee has to be bank co-opted under TUFS.

(vi) The intending purchaser-user of indigenous / imported machinery who is not in a position to offer immediately full cash payment for the required machinery will approach the machinery manufacturer / local agent of foreign supplier seeking deferred payment facility. The manufacturer – seller will prepare separate usance bill / promissory note for each installment together with interest payable on the deferred installments.

(vii) The bills drawn by the seller will be accepted by the purchaser/user and guaranteed by the purchaser/users bank. Alternatively, these bills are drawn by the purchaser/users and guaranteed by his banker.

(viii) These bills/promissory notes are then delivered to the seller, who gets them discounted with his banker, thus realising the cost of the machinery; the discount payable by him to his banker is included in the amounts of the bills by way of interest for the period of deferred payment.

(ix) The buyers bank will retire the bills on the respective dates by debiting the account of the buyer and for the full face value of the bill including principal amount and interest on deferred payment. After receipt of the 5% interest reimbursement from nodal agency, the reimbursement amount will be refunded by the buyers bank to the buyer.

(x) After ensuring compliance with all the provisions of TUFS, the buyers bank will approach respective nodal agencies for interest reimbursement. The buyers bank will be required to furnish complete details i.e., invoice value of equipment, discounting rate (%), usance period (months) for each bill, periodicity and entire repayment schedule indicating break-up of principal components for the entire period of repayment.

u) **CLCS-TUFS @ 15% – Operational Guidelines**:

(i) The proposed option would be extended to the small scale Textile and Jute industries of all the segments, which are already covered under TUFS.

(ii) CLCS-TUFS will be in operation from 1st January 2002 to March 31, 2007. The loan sanctioned by the nodal agencies / co-opted PLIs till the last date of duration of the scheme will be eligible for availing of

12% capital subsidy. The subsidy has been increased to 15% with effect from 13th Jan., 2005. However, the same will be available to the proposals which were sanctioned prior to 13th Jan., 2005, but where disbursement is yet to start. The benefit of increase in capital subsidy will also be available on disbursement made on or after 13th Jan., 2005 to sanctioned cases prior to 13th Jan., 2005 where part disbursement has already been made prior to 13th Jan., 2005.

(iii) Under CLCS-TUFS, units are permitted to make new investment (eligible under TUFS) upto Rs. 1 crore or till the unit reaches SSI limit whichever is higher. Subsidy amount under the scheme may be worked out accordingly.

The operational guidelines of the scheme is in the circular no. 6 (2001-2002 series) dated 19th Feb., 2002 given in the Section-5 of the booklet.

v) ***Credit Linked Capital Subsidy @ 20% under TUFS (CLCS@20%-TUFS) for Powerloom sector –Operational Guidelines:***

(i) The government has provided an option to the powerloom units to avail of 20% capital subsidy under TUFS in lieu of 5% interest reimbursement/15% CLCS-TUFS on investment in TUF compatible specified machinery subject to a capital ceiling of Rs.60 lakh and the ceiling on capital subsidy is Rs.12 lakh. However, the capital ceiling for machinery has been increased from Rs.60 lakh to Rs.1 crore and the ceiling on capital subsidy has also been increased from Rs.12 lakh to Rs.20 lakh with effect from 13th Jan., 2005. The criteria for deciding the eligibility for enhanced capital subsidy of 20% (i.e., Rs.20 lakh) is the purchase date of loom is on or after 13th Jan., 2005 in respect of indigenous looms and bill of entry is on or after 13th Jan., 2005 in respect of imported looms.

(ii) CLCS@20%-TUFS will be in operation from 6th November, 2003 to 31st March, 2007. The loan sanctioned by the lending agencies till the last date of duration of the scheme will be eligible for availing of 20% capital subsidy.

(iii) The operational guidelines of the scheme, which inter-alia, contains eligibility parameters, eligible machinery, price fixation etc. are in the circular no.7 (2003-2004 series), circular no. 1 (PDC 2003-2004 series), circular no. 2 (PDC 2003-2004 series) and circular no. 3 (PDC 2003-2004 series), circular no. 1 (PDC 2004-2005 series), circular no.2 (PDC 2004-2005 seires), circular no. 6 (2004-2005 series), circular No.3 (PDC 2004-2005 series), circular no. 8 (2004-2005 series), circular no.4 (PDC 2004-2005 series), circular no.1(2005-2006 series) and **circular no.5(2005-2006 series)** dated 23rd January, 2004, 11th February, 2004, 22nd March, 2004, 16th July, 2004, 10th Nov., 2004, 29th Dec., 2004, 25th Jan., 2005, 10th Feb., 2005, 11th Feb., 2005, March, 2005, 21st April, 2005 and **8th Sept., 2005** respectively given in the Section-5 of the booklet.

w) **Additional incentive in the form of 10% capital subsidy fro the processing machinery under TUFS**:

1. Govt. has provided an additional incentive of 10% capital subsidy over and above the 5% interest subsidy under TUFS for the specified textile processing machinery.
2. The additional 10% capital subsidy will be admissible on the investment made in the specified processing machinery during a period of one year from 20th April, 2005 to 19th April, 2006, **which was subsequently extended upto 31.03.2007, i.e., co-terminus with TUFS**.
3. The operational guidelines of the scheme, which inter-alia, contains eligibility parameters, eligible machinery are in Circular No.2 (2005-2006 series) dated 29th April, 2005 given in the Section-5 of the Booklet.

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)	- IDBI
SSI Textile Sectors	- SIDBI
Cotton ginning & Pressing Sector(non-SSI sector)	- IDBI
Cotton ginning & Pressing Sector (SSI sector)	- SIDBI
Jute Industry	- IFCI

2. The nodal agencies may co-opt 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.
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 re-imbursement of 5% interest to the borrowers 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. will be covered. This will ensure the full reimbursement of 5% interest 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 12 nodal banks have co-opted under TUFS for the cases financed by them. The identified 12 banks have consented to become nodal banks under TUFS. The names of the 12 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)
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 also cases covered under 15% CLCS –TUFS for SSI sector and 10% capital subsidy for specified processing machinery. The State Bank of India will also function as nodal bank for its seven associate banks.

(iii) **The cut-off date for additional nodal banks is 1st October, 2005**. In respect of ongoing cases under TUFS, Nodal Banks **shall administer interest reimbursement for the quarter July-September 2005 (payable from October 1, 2005) and onwards**. In respect of new cases and past cases (for which interest reimbursement has not been claimed from IDBIL / SIDBI for some reason altogether or for some period), interest reimbursement shall be administered by Nodal Banks from October 1, 2005, though the claim/s may pertain to period earlier than quarter July-September 2005.

(iv) The Nodal Banks shall examine eligibility of cases from TUFS-angle before a project becomes eligible to the benefit of interest reimbursement under TUFS.

(v) 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.

(vi) 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.

(vii) 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.

(viii) Nodal Banks shall examine eligibility of new cases, as well as of existing cases (i.e., already assessed by IDBIL/ SIDBI) in case of change in scope (on the lines as if fresh case) / change in repayment schedules / funding of interest / takeover of loan / conversion of Rupee Term Loan (RTL) to Foreign Currency Loan (FCL) and vice versa, etc., **from 1-Oct-05**.

(ix) **IDBIL / SIDBI shall examine all the cases received upto September 30, 2005**. The references / proposals which are not cleared by IDBIL / SIDBI under TUFS for want of additional information, the same shall be attended to by new nodal banks in the light of the query made / raised by IDBIL / SIDBI.

(x) Nodal Banks would have retained correspondence on their files in respect of existing cases examined by IDBIL / SIDBI under TUFS. IDBIL / SIDBI shall, therefore, retain the existing case files for the time being. The files shall be transferred to respective nodal banks in due course of time.

(xi) 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., 1^{st} July / 1^{st} October / 1^{st} January / 1^{st} April) based on principal outstanding amount in respect of their assisted cases, for actual release of funds by MoT, GoI, New Delhi.

(xii) Nodal Banks shall submit utilisation certificate to MoT, GoI, New Delhi in prescribed formats on monthly / quarterly basis before submission of next quarterly claim in the prescribed format.

(xiii) As funds will be placed by MoT, GoI, New Delhi, with Nodal Banks in advance, they shall open a dedicated account for keeping the funds so released by MoT, GoI, New Delhi. Any interest that may accrue on the balances lying pending release in the dedicated account shall be adjusted against future quarterly claim, to be lodged with MoT, GoI, New Delhi.

(xiv) 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, GoI, New Delhi, and parliament questions, if any.

(xv) The Nodal Banks will try to implement an '**on-line system**' for expeditious clearance of the TUFS cases and releasing of TUFS subsidy to the beneficiary. The SIDBI has implemented such a system, if needed, the nodal banks may contact SIDBI for assistance in this regard.

(xvi) 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.

(xvii) 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.

(xviii) **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. 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.

Sd/-
(N. RAMAKRISHNAN)
JOINT SECRETARY

Note: List of eligible machinery in Annex A to I as referred to in para 2 of Part II of the Govt. Resolution is given in Section 4 of this booklet.