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MINISTRY OF TEXTILES
OFFICE OF THE TEXTILE COMMISSIONER
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CIRCULAR

Sub: Technology Upgradation Fund Scheme for Textiles
& Jute Industries.

The Ministry of Textiles, Government of India has launched a Technology Upgradation Fund Scheme for Textile & Jute Industries for 5 years w.e.f. 1st April,1999 vide Resolution No.28/1/99/CTI dated 31st March, 1999. Under the Scheme, interest reimbursement of 5% has been provided to the eligible textile mills for investments in the bench-marked technology. There is no cap on funding under this Scheme. It is an open-ended scheme depending on the capacity of the industry to absorb funds in bankable and techno-economically feasible proposals.

2. The Government has also constituted a Inter-Ministerial Steering Committee under the Chairmanship of Secretary (Textiles) to lay down norms for monitoring and appraisal mechanism for effective implementation of the scheme and also to periodically review the functioning of the scheme. The Inter-Ministerial Steering Committee has held 4 meetings since the inception of the scheme and has made certain modifications in the scheme. The details of such modifications are given below :

2.1 **Cut-off date for coverage under TUFs:**

The IMSC has decided that the loans which have been sanctioned prior to 1.4.99 but not disbursed will be reconsidered under TUFs as fresh cases if otherwise they meet the parameters of TUFs. In case of part disbursed loans, if the borrower wishes to be considered for TUFs benefits, the existing loan cases will have to be terminated and fresh project for the remainder of the investment conforming to TUFs norms will have to be submitted to the lending agency.

2.2 **Other Investments eligible:**

- i) The original TUF scheme had provided for certain investments (i.e., land and factory building including renovation of factory building and electrical installations, energy saving devices, effluent treatment plant, water treatment plant for captive industrial use and captive power generation) eligible for funding with a cap of 25% of the total investment in the specified plant and machinery (para 3.3(1) of Govt. Resolution, dt.31-03-99). The IMSC noted that the three items, i.e., energy saving devices, effluent treatment plant and water treatment plant for captive industrial use are essential not only for the production process but also to the product quality. In fact, effluent treatment plant has also been included as an essential machinery for processing in the original scheme. Therefore, IMSC has decided to remove these items from the list of 'other investments' eligible within 25% ceiling and included as independent items eligible for funding without a cap of 25% (para 3.3(2) of above mentioned Govt. Resolution).
- ii) The original TUF scheme did not include preliminary, pre-operative expenses and the requirement of margin money for working capital as a cost of technology upgradation. IMSC decided that these items are specifically required for technology upgradation and therefore, should form part of the 'other investments' within the 25% overall ceiling (para 3.3(1) of the Govt. Resolution).
- iii) The original scheme provided for investment in acquisition of technical know-how, but did not specifically include training and payment of fees to foreign technicians. IMSC decided that such expenses on training and payment of fees to foreign technicians should also form a part of this investment (para 3.3(3) of the Govt. Resolution).
- iv) The IMSC has decided to continue 'captive power generation' in para 3.3(1) but included a provision for admissibility of excess investment in the said item.

Accordingly, the modified para 3.3(1), 3.3(2) and 3.3(3) of the G.R. dated 31.3.98 will be as under_:

“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;
 - (d) Captive power generation;
provided that if the investment in captive power generation matching with the energy requirement of the technologically upgraded manufacturing capacity, together with the other admissible investments included in this subpara, exceeds the stipulated 25% of the total investment in textile and jute textile plant and machinery, such excess investment in captive power generation shall also be admissible for concessional funding.
- 2) Investments in the installation of the following facilities including necessary equipment :
 - (a) Energy saving devices;
 - (b) Effluent treatment plant (ETP);
 - (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.

- 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.

2.3. **Capacity expansion in Cotton Ring spinning mills:**

(i) Eligible downstream value addition activity:

The original scheme in respect of cotton ring spinning system provided for new units or capacity expansion in an existing unit only if investment is also made in downstream weaving – preparatory activity of matching capacity, with or without weaving/knitting capacity. The IMSC decided for inclusion of yarn processing as an additional eligible downstream value addition activity besides weaving – preparatory, with or without weaving/knitting capacity for setting up new units or capacity expansion in the cotton ring spinning system 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.

ii) Minimum Economic size:

- a) IMSC has decided to reduce the Minimum Economic Size (MES) in respect of cotton ring spinning system. Generally, MES is considered as of 25000 spindles but since one blow room can feed 12000 spindles, for the units having 12000 or more spindles and with consistently good management and

financial performance track record the IMSC decided that nodal/ lending agency, at its discretion, may sanction a technology upgradation project even without topping the spindleage to 25000 provided post modernisation the unit is economically viable. However, new units will only be allowed at a minimum of 25000 spindles subject to other conditions of TUFs including investment in downstream value addition activities.

b) The original scheme stipulates that new units or capacity expansion in existing cotton ring spinning mills will not be eligible unless weaving preparatory activities, weaving / knitting etc. of matching capacity are set up. The IMSC decided that capacity expansion of smaller units to the level of minimum 12000 spindles but less than 25000 spindles (subject to strong management and financial track record) may be permitted if investment in permissible downstream value addition activities matches 50% of the expanded spinning capacity. For new spinning units or expansion beyond the MES (25000 spindles) only that portion of the spinning will be eligible for TUF for which there is also investment in creating matching downstream value addition capacity of yarn processing and/or weaving-preparatory, with or without weaving/knitting capacity.

2.4. Accordingly, para 4.2 (a) of part II of the Principal Resolution, item (ii) shall be substituted by the following, namely:-

“(ii) 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, which must be installed simultaneously;”

provided that an existing spinning unit expanding its capacity to 12,000 or more spindles but less than 25,000 spindles shall be required to instal down stream permissible manufacturing capacity matching with 50% of the expanded spinning capacity.

2.5 It is clarified that ring spinning units having dyeing facilities are permitted to instal 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.

2.6. In Annexure 'B' annexed to the Principal Resolution, the IMSC has made the following amendments and additions:-

(1) **Amendments**

<u>Original Entry No</u>	<u>Revised Entry No</u>	<u>After amendment to read as below :</u>
a.2	a.2	Sophisticated blow room line with cotton pre- cleaner, chute feed / foreign fibre detector / metal detector with the latest openers, cleaners, chute feeding system, auto scan etc.
a.3	a.3	Automatic waste extraction and packing system for blow room, cards, combers & ring frames.
a. 13	a.13	Two-for-one / Three-for-one twisters operating at the speed of minimum 8000 rpm & 5000 rpm, respectively.
a.15	a.15	Industrial humidification system with air washer plant and air filters to maintain RH and temperature with de-humidifiers (chillers).
b.8	b.8	Two-for-one / Three-for-one twisters operating at speeds of minimum 8000 rpm & 5000 rpm, respectively.
h.1	h.1	Modern fibre testing instruments, viz., high / medium / low volume instrument for checking length, strength, micronnaire, maturity, trash, colour etc.
h.3	h.3	Yarn fault classification equipment, viz, classimat, classidata etc.
h.4	h.4	Equipments for testing neps, length, diameter, maturity, trash, viz., AFIS / FILE, advance fibre information system, rapid tester, etc.
h.5 } h.6 }	h.5	Single yarn tenacity tester, viz. tensorapid, statimat, tensomax, etc.
h.7	h.6	Tenacity / fibre crimp measurement instrument, viz., fevimat, etc.,
i	J	Any other machinery considered appropriate by the Technical Advisory Committee (TAC).

2)

Additions**Entry No.****Specifications of machinery**

h.7	Modern yarn testing equipment, viz., twist tester, hairiness tester, tension tester, coefficient of friction tester, etc.
h.8	Moisture tester.
h.9	Packing density tester
h.10	High precision weighing balance
i	Modern material handing equipment, viz., fork lifter, bale stackers etc.

2.7. In Annexure 'D-1' annexed to the Principal Resolution, the IMSC has made the following amendments:

<u>Original Entry No.</u>	<u>Revised Entry No.</u>	<u>After amendment to read as below</u>
a.11	a.11	Two-for-one twister / Three-for-one twister operating at the speed of minimum 8000 rpm & 5000 rpm, respectively.

2.8 **Cotton ginning machinery:**

- i) The IMSC decided that prescription of Bailing Press (S.No.9 of the list of bale size) standards should be in conformity with the recently amended BIS specifications (IS12171 : 1999).
- ii) In the TUFs list, the single stage automatic bale pressing machines as well as 2 stage manual bale pressing machines are allowed. It is decided that a unit replacing the bale pressing machine or installing bale pressing machine for the first time will be required to instal only single stage double box automatic

bale pressing machine. However, a unit with existing 2 stage manual bale pressing machine will not be compelled to replace it while going for other modernisations as per the TUFs.

iii) Government has decided vide No. CCEA 1/99, that when the 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. Government have since approved the Technology Mission on Cotton vide No. 1/CM/2000 (I) dated 17th January 2000 and therefore, such units are not eligible for assistance under TUFs, henceforth. However, applications received prior to the approval of the TMC may be processed in normal course under TUFs.

(iv) It has been decided that IDBI will be the nodal agency for pending cases of medium and large scale ginning and pressing units.

2.9. **Interest Reimbursement** :- Government has approved the placement of funds towards reimbursement of 5% interest to the borrower under the scheme on a quarterly basis, in advance but not earlier than 15 days of the due date, to the nodal agencies, viz., IDBI, SIDBI and IFCI . Government has also approved the covering of exchange rate erosion not exceeding 5% per annum in respect of foreign currency loans. This decision of the Government will ensure the full reimbursement of 5% interest to the borrower without any dilution / erosion.

3. The above modifications in the scheme would facilitate better access to the scheme for all segments of the textile and jute industries.

(Smt. Shashi Singh)
Director

To:-

1. **Secretaries (Textiles) of all states.**
2. **All PLI's of IDBI and SIDBI**
3. **To all Major Textile Industry Associations/ Trade Associations/All India Industry Associations/Chambers of Commerce & Industry.**
4. **Officer Incharge of all Regional office of the Textile Commissioner,**
5. **Secretary, Textiles Committee, Mumbai**

6. **Officer Incharge of all Powerloom Service Centers,**
7. **The Directors of all TRAs**
8. **Executive Directors of all EPCs**
9. **Development Commissioner (Handlooms)**
10. **Development Commissioner (Handicrafts)**
11. **Member-Secretary, Central Silk Board**
12. **Director General , NIFT**
13. **Prominent News Agencies.**

With a request to bring the above message to the notice of all concerned, by publishing / covering the above amendments/modifications in the TUFs in the news papers/ periodicals / magazines etc. to enable the textile units to take the benefit of such relaxation in norms.

II. Copy for information to:

1. **Shri N.Ramakrishnan, Jt. Secretary, MOT, New Delhi.**
2. **All members of IMSC & TAC.**
3. **Shri Y.P.Singh, Director, Ministry of Textiles, New Delhi.**

(Smt. Shashi Singh)
Director