GOVERNMENT OF INDIA
MINISTRY OF TEXTILES
OFFICE OF THE TEXTILE COMMISSIONER
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CIRCULAR – No.3
(2000 – 2001 Series)

Subject: Technology Upgradation Fund Scheme.

1. **Relaxation in prudential norms under TUFS:**

Consequent upon national inter-active seminar held at New Delhi on 26.2.2000, the nodal agencies have relaxed certain prudential norms under TUFS. The details are given below :

i) Norms regarding earning of continuous profit:

IDBI/SIDBI agreed to relax the norms of immediate past three years' continuos profit for availing of loan for the units which are viable, having good track record with a positive net worth even though they had incurred losses. The circulars issued by IDBI and SIDBI in this regard are reproduced below :

IDBI:

"We have been only ensuring that units being considered assistance under TUFS atleast make cash profit during the preceding 3 years. It is felt, this practice could continue. We may give overriding importance to company's track record provided the viability of the unit is not lost. If there is substantial erosion of networth on account of losses incurred, it should be partially offset by infusion of fresh funds from the promoters. Also, the net loss in a particular year should not be steep and substantial, thereby eroding the viability of the unit altogether".

SIDBI

"Considering the recessionary conditions prevailing in the textile industry in the past due to which a number of units not having a track record of book profits are not able to avail of assistance under TUFS inspite of these units having potential to improve in future, as per the resolve of the Inter Ministerial Steering Committee under TUFS. It has now been decided that an exception could be made in respect of assistance under TUFS to those units which do not have a Track Record of the book profits, subject to the following:

a) The units must be in existence for the last three years and should have made cash profits out of core operations during two years preceding to taking up the scheme.

b) The units must not be in default to any of the banks/FIs in respect of any facilities availed.

c) The sub-sector of the industry where the unit is operating should have a definitely positive outlook.

d) The management, operations, level of technology prevailing in the unit, etc. are considered to be satisfactory and it should be evident on a prima-facie basis that the unit would be able to earn book profits in the shortest possible time frame.

e) All other parameters under the Scheme are met.

Before taking up such cases, prior approval of Head Office may be obtained".

ii) Promoters' contribution:

SIDBI has stipulated the promoters' contribution at 20% as against 33.1/3 % in other cases. IDBI agreed to relax it even upto 17.5% in extremely deserving cases.

iii) Repayment period:

IDBI and SIDBI have agreed to extend the repayment period to 10 years (i.e., 2 years moratorium plus 8 years) instead of 8 years (i.e., 2 years moratorium plus 6 years) based on the merits of individual cases. IDBI has also agreed to graded system for repayment with lower repayment in initial years with gradual step up in subsequent years on a case to case basis.

iv) Debt equity ratio:

IDBI has agreed for a flexible approach with regard to debt equity ratio to provide for a D/E ratio of 1.5:1 with relaxation in deserving cases;

v) Norms for co-opted PLIs:

IDBI and SIDBI have agreed that co-opted PLIs under direct finance may fix their own prudential norms without affecting technology norms under TUFS and can interpret bankable projects in their own way;

vi) Tie-up for working capital:

Nodal agencies and PLIs will ensure to the extent possible while sanctioning TUFS loan that working capital has been tied up.

2. **Eligible investment on captive power generation**

The revised guidelines with regard to eligibility of investment in captive power generation under TUFS were circulated vide this office circular of even number dated 27th March, 2000. Some nodal agencies have expressed doubts regarding calculation for working out eligible investment under revised guidelines. To clarify the doubts and to maintain the uniformity in the calculation for covering investment in captive power generation under TUFS, two examples with model calculation of working are given below :-

Example – I

Unit : ABC Ltd.

(Rs. lakh)

S.No.	Item	Amount
Under 100% Finance		
1.	Plant and Machinery	206
Under 25% Finance		
2.	Building, civil construction & fabrication work	93
3.	Captive power plant including contingencies	1010
4.	Waste heat recovery boiler	60
5.	Miscellaneous fixed assets	64
6.	Pre-operative expenses	17
7.	**Total of (2) to (6) which should not exceed 25% of (1)**	1244
8.	**25% of (1)**	51.5
9.	**Total investment eligible under the TUF scheme (1) + (8)**	257.5, say, 258

Note: The unit proposes to instal 4.2 MW Heavy furnace oil (HFO) based captive power plant (CPP) though for the upgraded plant and machinery, power requirement is 300 kw.

Since 300 kw is required for new upgraded plant & machinery out of the 4.2 MW, Heavy Furnace Oil (HFO) based D.G. set costing Rs.1010 lakh proposed by the company for its project, only Rs.72 lakh is eligible investment on CPP under TUFS. (i.e., 300 / 4200 x Rs.1010 lakh = Rs.72 lakh). Rs. 42 lakh on account of CPP is already included in Rs.51.5 lakh under eligible 25% ceiling as mentioned at S.No.8 in table above.(i.e. Rs. 1010 lakh / Rs. 1244 lakh x Rs.51.5 lakh = Rs.42 lakh). Since Rs.42 lakh is already included in 25% ceiling the excess eligible amount of Rs.30 lakh (Rs.72 lakh – Rs.42 lakh) will be excess investment eligible to be covered under TUF scheme.

Thus, the total investment eligible in TUF scheme will be Rs. 288 lakh, i.e., (Rs.258 lakh plus Rs. 30 lakh)

Example II

Unit ; X Y Z Ltd.

(Rs. lakh)

S.No.	Item	Amount
Under 100% Finance		
1.	Plant and Machinery	500
Under 25% Finance		
2.	Building, civil construction & fabrication work	100
3.	Captive power plant including contingencies	700
4.	Waste heat recovery boiler	70
5.	Miscellaneous fixed assets	50
6.	Pre-operative expenses	15
7.	**Total of (2) to (6) which should not exceed 25% of (1)**	935
8.	**25% of (1)**	125
9.	**Total investment eligible under the TUF scheme (1) + (8)**	625

Note: Power requirement for the upgraded plant and machinery is 100 kw though the unit proposes to instal 2.90 M W Heavy Furnace Oil (HFO) based Captive Power Plant (CPP)

In the 25% ceiling as mentioned at Sr.No. 8 in the above table, Rs.92 lakh is included on account of CPP (i.e.Rs.700 lakh / Rs. 935 lakh x Rs.125 lakh = Rs.92 lakh). For the upgraded plant & machinery 100 kw power requirement is Rs.24.14 lakh (i.e., 100 / 2900 x Rs.700 lakh=Rs.24.14 lakh).

Since Rs.92 lakh is already included in 25% ceiling, there is no excess amount eligible on account of CPP to be covered under TUFS. Therefore, the total investment eligible in TUF scheme under this project will remain at Rs.625 lakh only.

3. **<u>Co-option of more Banks and Life Insurance Corporation of India (LIC) by IDBI:</u>**

In addition to 15 banks and 4 financial institutions already co-opted by IDBI, it has since co-opted 10 more banks (including one co-operative bank) and LIC for operation of the TUF scheme for non-SSI sector. The updated list of FIs and banks co-opted by IDBI is given below :

<u>Financial Institutions:</u>

1. The Industrial Finance Corporation of India Ltd.
2. ICICI Limited.
3. Industrial Investment Bank of India Ltd.
4. Export-Import Bank of India
5. Life Insurance Corporation of India.

<u>Banks</u>

1. State Bank of India
2. State Bank of Bikaner and Jaipur
3. State Bank of Hyderabad
4. State Bank of Indore
5. State Bank of Mysore
6. State Bank of Patiala
7. State Bank of Saurashtra
8. State Bank of Travancore
9. Bank of Baroda
10. Bank of India
11. Canara Bank
12. Punjab National Bank
13. Central Bank of India
14. Union Bank of India
15. Jammu & Kashmir Bank Ltd. (only for the State of J&K).
16. Indian Overseas Bank
17. Andhra Bank
18. Punjab & Sindh Bank
19. Corporation Bank

20. Indian Bank
21. Oriental Bank of Commerce
22. The Surat People's Co-operative Bank Ltd.
23. The Karnataka Bank Ltd.
24. Bharat Overseas Bank Ltd.
25. The Karur Vysya Bank Ltd.

4. **Co-option of all banks by IDBI which are co-opted by SIDBI.**

In terms of the consensus arrived at the national interactive Seminar on TUFS held at New Delhi on February 26, 2000, IDBI, the Nodal Agency for the Non-SSI Sector-Textile Industry under the TUF Scheme has since co-opted all the banks co-opted by SIDBI **for the limited purpose of covering those cases where the units are newly proposed or have graduated to medium scale by virtue of GOI's reducing the investment limit to Rs. 1 crore for SSIs, as SIDBI is not in a position to consider the proposal with investment between Rs.1 crore and Rs. 3 crore.**

The relaxation in prudential norms and co-option of more banks by IDBI will improve the access of the TUFS to the different segments of the textile industry.

(Smt.Shashi Singh)
Director.

To:-

1. **Secretaries (Textiles) of all states.**
2. **All nodal agencies and 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 points 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 & TAMC.
3. Shri Y.P.Singh, Director, Ministry of Textiles, New Delhi.

(Smt.Shashi Singh)
Director.