

GOVERNMENT OF INDIA
MINISTRY OF TEXTILES
OFFICE OF THE TEXTILE COMMISSIONER
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(2001-2002 Series)

Sub : ***Operational Guidelines for Credit Linked Capital Subsidy under Technology Upgradation Fund Scheme (CLCS-TUFS) for Small Scale Textile and Jute Industries as approved by IMSC in its 11th meeting held on 15th Feb., 2002.***

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1. Government has decided to provide an option to the Small Scale Textile and Jute Industries to avail of either 12% Credit Linked Capital Subsidy or the existing 5% interest reimbursement under the Technology Upgradation Fund Scheme (TUFS).
2. The proposed option would be extended to the small scale Textile and Jute industries of the following segments, which are already covered under TUFS, viz.:
 - a) Cotton ginning and pressing.
 - b) Textile industry covering :-
 - i) Silk reeling and twisting.
 - ii) Wool scouring and combing.

- iii) Synthetic filament yarn texturing, crimping and twisting.
- iv) Spinning.
- v) Viscose Filament Yarn (VFY) and Viscose Staple Fibre (VSF).
- 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.

3. CLCS-TUFS will be in operation from 1st January 2002 to March 31, 2004. 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.
4. Technology and other norms of TUFS are equally applicable to CLCS-TUFS cases for determining the eligibility under the scheme.
5. Subject to the norms prescribed under TUFS, the definition of Small Scale Industry for the Textile and Jute sectors, would be as defined by the Department of Industrial Policy and promotion, Ministry of Commerce and Industry, Government of India, for such Small Scale Industries. However, SSI registration is not a pre-requisite for availing of assistance under CLCS-TUFS.
6. Capital Subsidy under the CLCS-TUFS shall be available only for such projects where term loans have been sanctioned by the nodal agencies and its co-opted Primary Lending Institutions (PLIs).
7. The 12% Capital subsidy will be worked out on the eligible investment amount under TUFS and would be released to the beneficiary unit on pro-rata basis along with disbursement of loan sanctioned for technology upgradation. A hypothetical example of M/s. ABC Ltd. for working out the capital subsidy is given below :

M/s. ABC Ltd.

(Rs. in lakh)

Cost of Project		Source of finance	
Land	10.00	Capital	24.60
Building	20.00	Subsidy	8.40
Plant & Machinery	60.00	Term loan	67.00
Pre-operative expenses	3.00	Total	100.00
Working Capital margin	7.00		

Total	100.00
Eligible Investment under TUFS -	70.00
Subsidy @ 12%	8.40

8. To prevent misutilisation of capital subsidy and to provide an incentive for repayment, the capital subsidy will be treated as a non-interest bearing term loan by the bank/FIs. The repayment schedule of the term loan however will be worked out excluding the subsidy amount and subsidy will be adjusted against the term loan account of the beneficiary after a lock in period of three years on a pro-rata basis in terms of release of capital subsidy. There is no apparent or real financial loss to the borrower since the countervailing concession is extended to the loan amount. The loan account of hypothetical case of M/s. ABC Ltd. is at **Annex-I**.
9. It is expected that a industrial unit availing of Capital subsidy should at least function for a minimum period of three years from the date of disbursement of capital subsidy. In case unit goes out of production prior to lock in period of three years (except in cases where the unit remains out of production for short period, not exceeding three months due to causes beyond its control such as shortage of raw material, power etc.), the industrial unit shall be liable to refund to the Government Capital Subsidy availed of along with interest to be charged from the date of disbursal to the date of refund. The rate of interest shall be the prime lending rate of PLI concerned at the time of invoking this penal clause. The bank/FI will take all necessary steps to recover the capital subsidy and interest thereto from the industrial unit and refund the same to the Govt.
10. In case it is found that Capital Subsidy from the Government has been availed of on the basis of any false information, the industrial unit shall be liable to refund the Government Capital Subsidy availed of along with interest to be charged from the date of disbursal to the date of refund. The rate of interest shall be the prime landing rate of PLIs concerned at the time of invoking this penal clause. The bank/FI will take all necessary steps to recover the capital subsidy and interest thereto from the industrial unit and refund the same to the Govt.
11. All the co-opted PLIs will have to execute a General Agreement with SIDBI for availing of capital subsidy under the scheme, irrespective of the fact whether re-finance from SIDBI is availed of by them or not.
12. After sanction of the assistance, eligible PLIs will get an Agreement executed by the small scale unit concerned on behalf of Government of India. A copy of the draft agreement to be executed by the eligible PLIs with the SSI unit is at **Annex-II**.
13. For the purpose of releasing capital subsidy on due dates, funds in the nature of advance money would be placed by the nodal agencies with the PLIs. The quantum of such advance money would be arrived at based on the subsidy forecast to be submitted by the PLIs, on quarterly basis to SIDBI/IFCI. The replenishment of funds to the PLIs would depend on the utilisation of funds released earlier. In other

words, advance money would be replenished, after adjusting the balance amount, if any, with the PLI concerned at the end of each quarter. It will be the responsibility of H.O. of each PLI to ensure that the subsidy amount is released as per the guidelines under the scheme and furnish a certificate to the effect, before seeking replenishment of funds. Further, the PLIs will have to indicate the name of a nodal officer, who will coordinate release of subsidy and also arrange to furnish data invariably on quarterly basis to SIDBI/IFCI. The SIDBI/IFCI will issue the necessary guidelines to their co-opted PLIs in this regard.

(Smt Shashi Singh)

(Director)

To: -

1. Secretaries (Textiles) of all states
2. All PLIs 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. Jute Commissioner
12. Member-Secretary, Central Silk Board

13. Director General , NIFT
14. 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.

Copy for information to:

1. All members of IMSC & TAMC.
2. Shri Sudhir Bhargava, Joint Secretary, Ministry of Textiles, New Delhi.
3. Shri P. K. Gera, Director, Ministry of Textiles, New Delhi.

(Smt. Shashi Singh)

Director

M/s. ABC Ltd.

Project Cost : Rs.1,00,000

Source of Finance :

(a) Promoters contribution : Rs. 24,600

(b) Bank finance (Term Loan)

(i) Non-interest bearing (subsidy) : Rs. 8,400

(ii) Term loan (interest bearing) : Rs. 67,000

Total : Rs.1,00,000

Repayment : Full repayment in 32 instalments of Rs.2093.75 per quarter after moratorium period of 2 years.

Rate of Interest : 11% at quarterly rest

Interest to be charged excluding subsidy component which would be kept in SL sundry suspense which carries no interest. No interest is to be charged for the corresponding loan amount to the extent of subsidy.

Assumptions :

1. The subsidy is claimed before disbursement of the loan and kept in Non-interest bearing suspense account.
2. Loan including capital subsidy is disbursed in ondumpsum.
3. Subsidy is adjusted after the lock in period of three years to the loan account.
4. All instalments are paid on due date and the loan is closed.
5. Interest is paid by the borrower as and when falls due.

The loan account of the borrower would appear as given at overleaf:

Interest worked out excluding subsidy component of Rs.8,400.00

(in Rupees)

Year/Quarter		Total loan amount	Interest bearing loan amount	Principal amount repaid	Interest repaid	Total amount repaid	Interest purpose liability	Total liability
I	1	75400.00	67000.00				67000.00	75400.00
	2				1842.50	1842.50	67000.00	75400.00
	3				1842.50	1842.50	67000.00	75400.00
	4				1842.50	1842.50	67000.00	75400.00
II	5				1842.50	1842.50	67000.00	75400.00
	6				1842.50	1842.50	67000.00	75400.00
	7				1842.50	1842.50	67000.00	75400.00
	8				1842.50	1842.50	67000.00	75400.00
III	9			2093.75	1842.50	3936.25	64906.25	73306.25
	10			2093.75	1784.92	3878.67	62812.50	71212.50
	11			2093.75	1727.34	3821.09	60718.75	69118.75
	12		(i)	2093.75	1669.77	3763.52	58625.00	67025.00
IV	13		(ii)	8400.00 *	0.00	8400.00	58625.00	58625.00
	14			2093.75	1612.19	3705.94	56531.25	56531.25
	15			2093.75	1554.61	3648.36	54437.50	54437.50
	16			2093.75	1497.03	3590.78	52343.75	52343.75
V	17			2093.75	1439.45	3533.20	50250.00	50250.00
	18			2093.75	1381.88	3475.63	48156.25	48156.25
	19			2093.75	1324.30	3418.05	46062.50	46062.50
	20			2093.75	1266.72	3360.47	43968.75	43968.75
VI	21			2093.75	1209.14	3302.89	41875.00	41875.00
	22			2093.75	1151.56	3245.31	39781.25	39781.25
	23			2093.75	1093.98	3187.73	37687.50	37687.50
	24			2093.75	1036.41	3130.16	35593.75	35593.75
VII	25			2093.75	978.83	3072.58	33500.00	33500.00
	26			2093.75	921.25	3015.00	31406.25	31406.25
	27			2093.75	863.67	2957.42	29312.50	29312.50
	28			2093.75	806.09	2899.84	27218.75	27218.75
VIII	29			2093.75	748.52	2842.27	25125.00	25125.00
	30			2093.75	690.94	2784.69	23031.25	23031.25
	31			2093.75	633.36	2727.11	20937.50	20937.50
	32			2093.75	575.78	2669.53	18843.75	18843.75
IX	33			2093.75	518.20	2611.95	16750.00	16750.00
	34			2093.75	460.63	2554.38	14656.25	14656.25
	35			2093.75	403.05	2496.80	12562.50	12562.50
	36			2093.75	345.47	2439.22	10468.75	10468.75
X	37			2093.75	287.89	2381.64	8375.00	8375.00
	38			2093.75	230.31	2324.06	6281.25	6281.25
	39			2093.75	172.73	2266.48	4187.50	4187.50
	40			2093.75	115.16	2208.91	2093.75	2093.75
				2093.75	57.58	2151.33	0.00	0.00
		67000.00	75400.00	43298.75	118698.75			

* - Subsidy adjusted in loan account.

Total amount paid as under :

No. of instalment at Rs.2093.75 each	: 32 quarters	= Rs. 67,000.00
Total interest paid	:	= Rs. 43,298.75
Total	:	= Rs.1,10,298.75

Annex - II

(To be stamped as an Agreement)

Agreement for availing of Credit Linked Capital Subsidy under
Technology Upgradation Fund Scheme (CLCS-TUFS) for
Small Scale Textile and Jute Industries

This Agreement made at _____ on this _____ day of _____ in the
year _____ between M/s _____ a
public / private Limited Company/ proprietary concern, incorporated under the Companies Act of
1956 and having its Registered Office at _____ and being an industrial concern
hereinafter called the Beneficiary (which expression shall unless repugnant to the context or
meaning thereof include its successors and assigns) of the One part;;

OR

FOR PARTNERSHIP FIRM

(i) Shri _____ son of _____ age _____ years residing at _____
(ii) Shri _____ son of _____ age _____ years residing at _____
(iii) Shri _____ son of _____ age _____ years residing at _____ carrying on business in partnership in the firm name and style of _____ and having their office at _____ (hereinafter referred to as 'Beneficiary' which expression shall, unless it be repugnant to the subject or context thereof, include its/his/her/their legal representatives, heirs, administrators, successors and assigns) of the One part.

AND

_____ (hereinafter referred to as the financing institution/Bank) [which expression shall unless repugnant to the context or meaning thereof include its successors and assigns] of the Other part.

WHEREAS

1. Government of India has appointed Small Industries Development Bank of India (SIDBI), **Industrial Financial Corporation of India (FCI)** as Nodal Agencies (hereinafter referred to as the Agents) for channelising Credit Linked Capital Subsidy for Technology Upgradation of the Small Scale **Textile and Jute** Industries under **Technology Upgradation Fund Scheme (TUFS)** of Ministry of **Textiles**, Govt. of India (hereinafter referred to as the Scheme) and permitting the financial institution / Bank under the Scheme for claiming capital subsidy on the term loan sanctioned and disbursed by the financing institution/bank to the beneficiary.

2. The beneficiary has requested the financing Institution/ Bank for providing assistance under the Scheme to the extent of Rs. _____ (Rupees _____ only) for setting up a project under small scale industries, which the financing Institution / Bank has agreed to lend in proportion to the **eligible** investment made or to be made in purchase of machineries **under TUFS** by the Beneficiary as per the terms and conditions provided in the Agreement executed between the financing institution / Bank and the Beneficiary.

3. The Agent has agreed to act as nodal agency for Government of India for channelising disbursement of capital subsidy sanctioned to the Beneficiary by the financing institution/ Bank, and the parties hereto desire to enter into an agreement for the said purpose, being these presents providing for the terms hereinafter appearing.

NOW THESE PRESENTS WITNESS AND IT IS HEREBY AGREED BY AND BETWEEN THE PARTIES HERETO AS FOLLOWS:-

1. The beneficiary, hereby, covenants :

a) That the Beneficiary will comply with and faithfully observe all the terms and conditions of the said Scheme and also all the subsequent amendments and modifications and additions thereto together with the conditions of the sanction of the said financial assistance.

b) That the Beneficiary will allow the officers of the Agent and / or the Government of India or any other person or persons authorised, by the Agent or by Government of India or by the **Technology Advisory-cum-Monitoring Committee (TAMC) / Inter-Ministerial Steering Committee (IMSC)** to inspect the work for which the capital subsidy has been granted and also the machines, plant appliances, tools, equipments, etc., for the procuring of which the subsidy has been granted and will furnish such information concerning the machines, plant, implements, etc., for procuring of which the capital subsidy has been granted or concerning the matters connected with the capital subsidy or incidental thereto as the Agent or the **TAMC/IMSC** or their nominees may, from time to time require.

c) That the Beneficiary will not change the place or location of the industrial unit entirely or partly, nor enter into partnership with any one, or change its constitution by merger, amalgamation or in any manner nor the Beneficiary will effect disposal of fixed capital investment without the express prior permission of the Agent in writing.

2. It is further hereby agreed and declared by and between the parties thereto, that in any of the following cases namely,

a) where the Beneficiary has obtained the capital subsidy by misrepresentation as to an essential fact, or by furnishing of false information; or,

b) **where the industrial unit goes out of production within three years from the date of disbursement of capital subsidy except in cases where the unit remains out of production for short periods not exceeding three months due to reasons beyond its control such as shortage of raw material / power etc.; or**

c) where the Beneficiary fails to furnish the prescribed statement or information which it is called upon to furnish.

If the Beneficiary commits breach of any one of the covenants herein contained or of the terms and conditions of the Scheme as amended from time to time, the Beneficiary shall refund the same forthwith to the financing institution / bank together with interest at the then prevailing prime lending rate of financing institution/bank. **The bank/FI shall take all steps for recovery of the capital subsidy to the Beneficiary as it is provided by the Agent and all the expenses incurred by the bank/FIs/Agents for recovery shall also be recoverable from the beneficiary. The capital subsidy along with interest so recovered shall be transferred to the Govt.**

3. The interpretation/clarification/decision of agent or **TAMC/IMSC** regarding the eligibility, subsidy and any other benefits of an unit/borrower under the scheme, either before or after release of the loan facility by the financing institution/bank shall be binding on the beneficiary and the beneficiary will not raise any objection either against agent or bank/financing institution.

4. It is hereby further agreed and declared that the stamp duty chargeable on these presents

shall be paid and borne by the Beneficiary and that the Beneficiary will also be liable to bear the expenses, if any, incurred by enforcing the terms and conditions of these presents.

IN WITNESS WHERE OF the Beneficiary has caused its common seal to be affixed hereto and to a duplicate hereof on the day, month and year first hereinabove written and Bank has caused these presents and the said duplicate to be executed by the hand of Shri _____ (*Name & Designation*) of Bank, as hereinafter appearing.

THE COMMON SEAL OF _____ LIMITED has pursuant to the Resolution of its Board of Directors passed in that behalf on the _____ day of _____ hereunto been affixed in the presence of Shri _____ and Shri _____ Shri _____, Director who have signed these presents in token thereof and Shri _____ Secretary* / Authorised* person who has signed / countersigned the same in token thereof

SIGNED AND DELIVERED BY the withinnamed Bank
by the hand of Shri _____
(*Name & Designation*), an authorised official of Bank.

OR

IN WITNESS WHEREOF the partners of the Beneficiary have set their respective hands hereto and to a duplicate hereof on the day, month and year first hereinabove written and Bank has caused these presents and the said duplicate to be executed by the hand of Shri _____ (*Name & Designation*) of Bank, as hereinafter appearing.

1) SIGNED AND DELIVERED BY the withinnamed Shri _____, Partner of _____, the withinnamed Partnership Firm.

2) SIGNED AND DELIVERED BY the withinnamed Shri _____

_____, Partner of _____, the
withinnamed Partnership Firm.

Signed and delivered by

the within named _____

By the hand of Shri _____

In pursuance to the Board Resolution dated and common seal has been affixed in presence of
Shri _____ who has signed in token thereof.

Signed and delivered by the within named FI / NSIC / Bank / SFC* by the hand of Shri
_____ authorised official.

(*whichever is applicable)

**NOTE : Relevant Board Resolution authorising the person(s) to execute the document on
behalf of the Beneficiary has to be submitted with the Agreement.**

