Technology Upgradation Fund Scheme

1. Is there any scheme for modernization and technology upgradation in the textile sector?

a) The Indian textiles industry does not have the same technological edge as the textile industry in developed countries. This is mainly in the weaving and processing segments.
b) The Technology Upgradation Fund Scheme (TUFS), which is the "flagship" Scheme of the Ministry of Textiles, is the scheme for modernisation and technology upgradation in the textile sector.
c) This Scheme aims at making available funds to the domestic textile industry for technology upgradation of existing units as well as to set up new units with state-of-the-art technology so that its viability and competitiveness in the domestic as well as international markets may enhance.

2. Why is the need of modernization of the India Textile Industry?

Multi Fiber Agreement (MFA) has been integrated into WTO package. As per Agreement on Textile and Clothing (ATC), from 1st January, 2005 the quota has been removed in respect of exports from India to any where in the world. Such change will increase competition not only in the international market, but also in the domestic market. To meet the challenges the industry is required to become competitive, cost effective and quality oriented. Though industry is gearing itself for this challenge, but simultaneous help and assistance is required from Government of India particularly for modernization of industry.

3. When was TUFS launched and what is its currency period?

The Technology Upgradation Fund Scheme (TUFS) was launched on 01.04.1999 for 5 years. It was subsequently extended up to 31.3.2007. The Scheme has been restructured w.e.f. 28.4.2011 and approved upto 31.03.2012.

4. What are the salient features of the Technology Upgradation Fund Scheme (TUFS)?

a) It is a Plan Scheme.
b) It aims at providing capital for modernization of Indian textile industry at international interest rate.
c) Technology levels are benchmarked in terms of specified machinery.
d) Segments such as spinning, cotton ginning & pressing, silk reeling & twisting wool scouring, combing and carpet industry, synthetic filament yarn texturising, crimping and twisting, Viscose Filament Yarn (VFY) / Viscose Staple Fibre (VSF), weaving/knitting, fabric embroidery and technical textiles including non-wovens, garment, design studio, made-up manufacturing, processing of fibres, yarns, fabrics, garments and made-ups and the jute industry are eligible to avail subsidy under this Scheme for their technology upgradation requirements.
e) Investments in common infrastructure or facilities by an industry association, trust or co-operative society and other investments specified are also eligible for funding under the scheme.

f) 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.
g) Improved metal frame hand looms used by the handloom weavers have also been covered under the scheme.
h) With effect from 28.4.2011, Restructured TUFS has been approved with the enhanced 11th Plan allocation under TUFS from Rs. 8000 crore to Rs. 15404 crore. The Restructured TUFS ensure focus of interventions on hitherto slow growing sectors like weaving, encouragement to forward integration and tighter administrative controls and monitoring of the scheme. This subsidy is expected to leverage sectoral investment shares of 26% for spinning, 13% for weaving, 21% for processing, 8% for garmenting and 32% for others (including composite projects, technical textiles, silk, jute etc). The Restructured TUFS is expected to trigger additional investments of over Rs. 46,900 crore during the balance period of the 11th Five Year Plan.
i) Repayment period has been modified to 7 years including 2 years of moratorium/ implementation.

5. What are the eligibility conditions under the Scheme?

Any textile unit, which is eligible as per the normal lending norms of the concerned financial institutions and fulfils the benchmark criteria of the scheme, can avail of funds under the Scheme. However, the following types of units are eligible under the scheme.

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 in an integrated manner as specified in the scheme.
5. Textile/Jute units with 100% foreign equity.

6. What type of textile machinery is eligible under the Scheme?

a) Only new machinery, which has been listed under the Scheme, is eligible. However, imported second hand shuttleless powerlooms with a minimum residual life of 10 years by the eligible applicant unit subject to maximum expired life (vintage) of 10 years as reckoned from the year of manufacture and with the value cap of Rs. 8.00 lakh per machine are permitted.
b) Balancing equipment or equipment required for de-bottlenecking the production process will also be eligible for funding
c) Waste reduction equipment or devices will be eligible for funding
d) Eligibility of any other textile machinery equal to or higher than the benchmarked technology not listed under the scheme or developed in the course of the operation of TUFS will be, suo motto, or, on reference, specifically determined by the Government.
e) The size of technologically upgraded facilities of an existing unit or size of the new unit must be of a Minimum Economic Size (MES). MES for eligible segments of the industry should be any unit which is financially viable as per viability analysis of the financial institutions or banks. The MES for the cotton ring spinning will be decided by the IMSC.

f) Machinery eligible for one segment is eligible for other segments/activity also unless its eligibility is specifically restricted for a particular segment.

g) Investments such as energy saving devices, effluent treatment plant, in-house R&D, IT including ERP, TQM including adoption of ISO/BIS standards, CPP etc are eligible for benefits of the Scheme only upto 25% of the cost of machinery.

h) Investments like land, factory building, pre-operative expenses and margin money for working capital are eligible for benefits of the scheme for apparel and handloom sectors only upto the 50% of the cost of machinery and equipment.

7. What is the Scope of the scheme?

The following segments of the textile and jute industry are covered under the Scheme:

a) Cotton ginning and pressing

b) Textile industry covering:-

- Silk reeling and twisting
- Wool scouring and combing and carpet industry
- Synthetic filament yarn texturising, crimping and twisting
- Spinning
- Viscose Staple Fibre (VSF) and Viscose Filament Yarn (VFY)
- Weaving, knitting and fabric embroidery
- Technical textiles including non-wovens,
- Garment/design studio/made-up manufacturing
- Processing of fibres, yarns, fabrics, garments and made-ups

c) Jute industry

8. Which are Nodal Agencies and Nodal Banks under the Scheme?

The nodal agencies under the scheme for different segments are as follows:-

(i) Industrial Development Bank of India Limited (IDBI) – Textile Industry (excluding SSI Sector)

(ii) Small Industries Development Bank of India (SIDBI) – SSI Textile Sectors

(iii) Industrial Finance Corporation of India (IFCI) – Jute Industry

Nodal Banks are: -

(i) State Bank of India (SBI)

(ii) Export-Import Bank of India (EXIM BANK)

(iii) Punjab National Bank(PNB)

(iv) Union Bank of India(UBI)

(v) Bank of Baroda(BoB)

(vi) Canara Bank (CB)

(vii) Bank of India(BoI)

(viii) Central Bank of India (CBI)

(ix) Andhra Bank(AB)

(x) Indian Overseas Bank(IOB)
(xi) ICICI Bank
(xii) National Cooperative Development Corporation(NCDC)
(xiii) Indian Bank (IB)
(xiv) Allahabad Bank
(xv) Bank of Maharashtra
(xvi) Corporation Bank
(xvii) Dena Bank
(xviii) Oriental Bank of Commerce
(xix) Punjab & Sind Bank
(xx) Syndicate Bank
(xxi) UCO Bank
(xxii) United Bank of India
(xxiii) Vijaya Bank
(xxiv) Rajasthan State Investment Corporation (RIICO)
(xxv) Axis Bank
(xxvi) IING Vysya Bank Ltd.
(xxvii) Karur Vysya Bank Ltd.,
(xxviii) South Indian Bank Ltd.
(xxix) Tamilnadu Mercantile Bank Ltd.
(xxx) Catholic Syrian Bank Ltd.
(xxxi) Federal bank Ltd;
(xxxii) Indusind Bank
(xxxiii) Jammu & Kashmir Bank Ltd
(xxxiv) Karnataka Bank Ltd
(xxxv) Kumbakonam City Union Bank
(xxxvi) Laxmi Vilas Bank Ltd.

9. Which are Co-opted Agencies under the Scheme?

In order to provide a network of financial organisations for sanction and disbursement of loan so as to have a wider reach to the industry in the country, the nodal agencies(IDBI, SIDBI and IFCI) have co-opted various institutions such as All India Financial Institutions, Scheduled Commercial Banks, Co-operative banks, State Finance Corporations, State Industrial Development Corporations, National Cooperative Development Corporations etc.

10. How are loans under the Scheme sanctioned?

Loans under the scheme are extended by the nodal agencies/co-opted institutions to the identified segments of the industry for the projects in conformity with the scheme and financial norms of the Financial Institutions concerned. The Government funding is limited to interest reimbursement or capital/margin money subsidy on a project of technology upgradation in conformity with the scheme.

11. What are the incentives available under the Scheme?

(i) The Scheme mainly provides for reimbursement of 5% (4% in respect new standalone/replacement/modernization of spinning machinery) interest charged by the financial institutions/banks for technology upgradation projects.

(ii) In addition, the Scheme provides coverage of exchange rate fluctuation not exceeding 5% (4% in respect of spinning machinery) points per annum in respect of foreign currency loans instead of 5% interest support

(iii) The Scheme provides an additional option to the powerlooms units to avail of 20% Margin Money subsidy in lieu of 5% interest reimbursement on investment in TUF compatible specified machinery subject to a capital ceiling of Rs. 500 lakh and ceiling on subsidy Rs.60 lakh.

(iv) The Scheme provides 15% Margin Money subsidy for SSI textile and jute sector in lieu of 5% interest reimbursement on investment in TUF compatible specified machinery subject to a capital ceiling of Rs. 500 lakh and ceiling on subsidy Rs.45 lakh.

(v) The Scheme provides 5% interest reimbursement plus 10% capital subsidy for specified processing machinery excluding CETP, garmenting machinery and machinery required in manufacture of technical textiles.

(vi) The Scheme provides 25% capital subsidy on purchase of the new machinery and equipments for the pre-loom & post-loom operations, handlooms/up-gradation of handlooms and testing & Quality Control equipments, for handloom production units.

(vii) The Scheme provides Interest subsidy/capital subsidy/Margin Money subsidy only on the basic value of the machineries.

(viii) The Scheme provides 5% Interest subsidy or 25% capital subsidy on benchmarked machinery at par with handloom sector.

12. What is the thrust of TUFS?

Enhanced subsidy for weaving, processing, technical textiles and garmenting segments which have great potential for employment generation as well as value addition.

13. What is the Monitoring Mechanism for TUFS?

Stage I of Monitoring Process:

(a) An online registration system for each eligible application has been introduced by the Textiles Commissioner, Mumbai. Applications has been processed on a first come first served basis subject to eligibility;

(b) Nodal agencies/ nodal banks/ co-opted PLIs have been required to submit information online. On receipt of the loan application, the Textiles Commissioner Mumbai pre-authorize the loan application for further consideration by the Bank and issue a unique ID number;

(c) Any application sanctioned by the Bank without the pre authorization ID number by the Textiles Commissioner, Mumbai has not been eligible for release of subsidies from the TUFS scheme.

(d) The Textiles Commissioner will stop pre authorization as soon as the available subsidy cap is reached.

Stage II of the Monitoring Process:

The Inter Ministerial Steering Committee chaired by Secretary Textiles intensively reviews the scheme and ensure compliance of the overall subsidy cap.

14. What are the funds allotted under the Budget for the year 2011-12 for this Scheme?

There is an allocation of Rs. 3100 crore during the current year (2011-12).

15. What is the progress under the Scheme?

As on June 30, 2010, a total of 28528 applications were received under the Scheme with a project cost of Rs. 210554 crore. 28302 applications with a project cost of Rs. 207747 crore were sanctioned for a loan amount of Rs. 85091 crore.

16. What is the year wise progress of the TUFS?

The year-wise progress under the TUFS is as follows:-

(Rs. in Crore)

Period	Received		Sanctioned			Disbursed		
	No. of applications	Project Cost	No. of applications	Project Cost	Amount	No. of applications	Amount	Subsidy
1999-00	407	5771	309	5074	2421	179	746	1.00
2000-01	719	6296	616	4380	2090	494	1863	70.00
2001-02	472	1900	444	1320	630	401	804	198.89
2002-03	494	1835	456	1438	839	411	931	202.59
2003-04	867	3356	884	3289	1341	814	856	249.06
2004-05	986	7941	986	7349	2990	801	1757	283.61
2005-06	1086	16194	1078	15032	6776	993	3962	485.00
2006-07	12336	61063	12589	66233	29073	13168	26605	823.92
2007-08	2408	21254	2260	19917	8058	2207	6854	1143.37
2008-09	6113	56542	6072	55707	24007	6111	21826	2632.00
2009-10	2384	28005	2352	27611	6612	2361	8140	2886.03
2010-11	256	397	256	397	254	240	282	2784.18
As on 28.6.2010 (P)	28528	210554	28302	207747	85091	28180	74627	12361.618

17. Which are the thrust segments under TUFS?

Processing, Garmenting and weaving have been identified as thrust segments under TUFS and progress under these segments as on 28.6.2010 is as follows:-

	Sanctioned		**Disbursed**	
Segment	No of	Amount	No of	Amount

	applications	(in crores)	applications	(in crores)
Spinning	3320	28360	3309	25519
Processing	2236	8177	2222	6839
Garmenting	1982	4205	1950	3755
Weaving	3959	6773	3944	5697
All Segments	**28302**	**85091**	**28180**	**74627**

18. Which are major beneficiary states under the TUFS?

Gujarat, Tamilnadu, Punjab, Maharashtra and Rajasthan are the major states having availed of assistance under TUFS in terms of amount sanctioned and disbursed. The details from 01.4.1999 to 28.6.2010 are as under:

(` crore)

State	Sanctioned		Disbursed	
	No. of applications	Amount	No. of applications	Amount
Maharashtra	2070	18974.96	2059	16770.72
Tamilnadu	6089	22666.22	6083	20448.68
Punjab	2934	15507.65	2926	11321.01
Rajasthan	1109	5808.75	1109	5306.48
Gujarat	13155	8314.40	13152	6902.46
Others	2945	13818.87	2851	13877.22
Total	**28302**	**85091**	**28180**	**74627**

19. What is the physical progress in respect of SSI/non-SSI wise?

Physical progress in terms of number of units sanctioned and disbursed is higher in SSI segment. However, in terms of amount sanctioned and disbursed, the same is much higher in non-SSI segment from 01.4.1999 to 28.6.2010 follows:-

Segment	**Sanctioned**		**Disbursed**	
	No. of applications	Amount	No. of applications	Amount
Non-SSI	8366	78208.58	8344	68521.70
SSI	19936	6882.26	19836	6104.87
Total	**28302**	**85091**	**28180**	**74627**

21. What is the Budget Allocation and year wise release of funds towards reimbursement of interest/ capital subsidy?

Budget Allocation and year wise release of funds towards reimbursement of interest/ capital subsidy under the TUFS is as follows:-

(` in Crore)

Financial Year	Budget Provision	Amount released to Nodal Agencies			Amount released to additional nodal agencies	O/o TXC (20% Capital Subsidy)	Total amount released
		IDBI	SIDBI	IFCI			
1999-00	1.00	0.75	0.23	0.02			1.00
2000-01	70.00	67.84	2.096	0.064			70.00
2001-02	200.00	168.08	30.674	0.14			198.89
2002-03	220.00	172.00	30.00	0.59			202.59
2003-04	250.00	199.00	48.00	1.97		0.09	249.06
2004-05	284.00	220.83	54.244	2.53		6.00	283.61
2005-06	485.00	244.34	67.3	1.86	151.5	20.00	485.00
2006-07	835.00	214.29	62.65	7.98	479.14	59.86	823.92
2007-08	1143.37	274.28	108.63	0	715.40	45.06	1143.37
2008-09	2632.00	635.02	829.01	0	1127.97	32.48	2632.00
2009-10	2890.00	391.13	62.52	2.95	2383.40	46.00	2886.03
2010-11	2786.68	186.38	70.96	0.89	2500.78	25.17	2784.18
2011-12	2980.00	239.71	14.90	0	2208.00	25.69	2488.30
Total	**14777.05**	**3013.65**	**1381.214**	**18.994**	**9566.19**	**260.35**	**14247.95**

22. Progress of 20% Capital Subsidy Scheme (CLCS@20%) for Power loom Units

The Capital Subsidy Scheme for Powerloom units had been introduced in the year 2003-04. The progress under this Scheme is as follows:-

(Amount in Rs. crore)

Year	Received		Sanctioned		Disbursed	
	No. of applications	Amount (cost of machinery)	No. of applications	Amount of Subsidy	No. of applications	Amount of Subsidy
2003-04	004	0.48	004	00.10	004	00.10
2004-05	323	83.86	150	06.00	150	06.00
2005-06	564	201.03	368	23.00	368	23.00
2006-07	863	353.23	953	68.90	827	59.86
Against backlog of 2006-07	--	--	--	--	131	09.03
2007-08	470	184.09	436	35.92	436	35.92
2008-09	470	233.73	455	37.95	404	32.48
2009-10	301	133.53	364	30.59	363	30.57
2010-11	361	182.20	243	18.73	233	17.72
2011-12 (As on	175	74.46	136	9.63	117	8.59

30.11.11)						
Total	**3531**	**1446.61**	**3109**	**230.82**	**3033**	**223.27**

Segment-wise progress of Restructured TUFS as on 10.01.2012

(Rs. crore)

Segment	**No. of Applications**	**Project Cost**	**Amount of loan eligible**	**Subsidy requirement upto 31.3.2012**
Spinning	59	4310.69	2553.63	26.70
Weaving	56	445.04	280.02	13.57
Processing	30	189.03	122.01	13.48
Garmenting	27	195.68	121.50	11.54
Others				
Composite	6	616.69	367.34	22.05
Multi Activity	25	2149.28	1057.99	22.60
Embroidery	148	57.78	37.47	6.45
Technical Textiles	19	258.07	160.83	14.77
Wool	2	2.65	1.94	0.36
Non-wovens	2	0.70	0.48	0.09
Made –up Mnufacturing	1	.012	0.03	0.02
Mfg. VFY/VSF	1	0.34	0.25	0.05
Cotton Ginning & Pressing	1	0.74	0.20	0.03
Knitting	7	9.70	6.37	0.64
Synthetic yarn twisting	34	257.15	193.24	4.98
Total	**418**	**8493.66**	**4903.28**	**137.32**

23. What made the Government to approve continuation of TUFS in the Eleventh Plan period?

Or,

What are the contributions of TUFS for the textiles sector?

In spite of a strong and diversified fibre and production base, for various historical reasons, the Indian textiles industry has suffered from severe technological obsolescence and lack of economies of scale. The **Technology Upgradation Fund Scheme (TUFS)**, which was introduced in April 1999, has helped overcome this technological disadvantage to some extent. It has also helped in the transition from a quantitatively restricted textiles trade to market-driven global merchandise. It has infused an investment climate in the textiles sector and, in its operational life span TUFS has propelled investment of ` 2,07,747 crore so far.

(ii) The Scheme neutralises the global disadvantages faced by the Indian textiles industry in the field of power, transactional costs and other additional costs borne by the industry due to poor infrastructure. The Scheme is crucial to achieve the creation of a higher level of infrastructure to modernize the textiles sector. 75% of the beneficiaries under TUFS are from the SME sector. It is also crucial to all the inter-connecting sectors such as spinning, weaving, knitting, processing and garmenting. The Scheme spans all the segments of the textiles industry and also extends to the jute and handlooms sub-sectors.

(iii) An independent evaluation of the Scheme by a professional consultant, M/S CRISIL, has revealed that TUFS has facilitated an increase in productivity; cost and waste reduction; and improved quality across the value chain. However, the gains made have varied across segments, with the processing and powerloom sectors emerging as major areas of concern.

To ensure optimum value addition across the value chain, the evaluation study recommended that TUFS maybe completely restructured to channelize investments towards hitherto low focus areas.

(iv) Based on the findings of the evaluation study, Government took a policy decision to completely restructure the Scheme, to channelize investments in hitherto low investment segments to facilitate a balanced growth across the value chain; and to ensure the subsidy outgo is not open ended and has a definite cap. Accordingly, the existing scheme was discontinued and new sanctions under the Scheme were stopped from 29.6.2010 under intimation to all the lending agencies.

(v) The objective of the Restructured Scheme is to leverage investments in technology upgradation in the Textiles and Jute Industry, with a special emphasis on balanced development across the value chain. The major objectives of the Restructured TUFS scheme are as follows:- (a) Address the issues of fragmentation and promote forward integration by providing 5% IR for spinning units with matching capacity in weaving/knitting/processing/ garmenting; (b) promoting investments in sectors with low investment like processing; (c) reducing the repayment period to 7 years with 2 years moratorium to promote financial efficiency; (d) Technology upgradation in weaving by providing higher capital subsidy for establishment of new shuttle less looms. This would help to reduce and eventually phase out secondhand looms (e)Ensuring greater participation of SSI units by increasing the limits under this category; (f)The eligibility of restructured/ rescheduled cases to be restricted to initial loan repayment schedule and ballooning of subsidy in rescheduled cases to be avoided (f) revamped scheme to be structured in such a way that the subsidy out go is not open ended and has a definite cap of Rs. 1972 crores.; (g) Greater administrative and monitoring controls to be introduced with pre-authorization of all eligible claims by the Textiles Commissioner Mumbai, before approvals and intensive monitoring by the Inter Ministerial Steering Committee Chaired by Secretary Textiles.

24. Why the TUFS is not implemented effectively in NER?

TUFS is not a region specific scheme. The Scheme is entirely demand driven. The design of the scheme is non-discriminatory and all inclusive. There is no cap on projects under the scheme. The scheme in spite of being investor friendly has not able to attract investment, as the North Eastern Region is not a textile activity region. There is neither easy availability of raw materials nor markets exist for sale of production.

******