

Scheme Guidelines for Additional Grant for Apparel Manufacturing Units

under Scheme for Integrated Textile Park (SITP)

I. Background

- (a) Integrated greenfield textile parks have been set up under the flagship Scheme of Ministry of Textiles namely “Scheme for Integrated Textile Parks” (SITP) aimed at creating world-class infrastructure for Textile Industry
- (b) In order to provide a fillip to the Apparel Manufacturing Industry and generate additional employment, particularly for women, the Finance Minister in his Budget speech of 2013-14 has announced an additional grant upto Rs 10 crore per Park, for apparel manufacturing units within the parks upto Rs 50 Crore.
- (c) This additional support to apparel manufacturing units is expected to generate direct employment upto 4,000 persons in each park, by leveraging the infrastructure already created in the parks
- (d) This additional support would be available during the 12th Five Year Plan
- (e) The following are the guidelines, under which the additional assistance upto Rs 10 crores per park, for promoting investments in apparel manufacturing, would be provided

II. Eligibility criteria for Assistance

To set up Apparel Manufacturing units in SITPs the following eligibility criteria is laid down.

- (a) The assistance would be available to the Special Purpose Vehicle (SPV) companies of the approved textile parks under SITP which have operationalised 25% of the approved units till 31st March, 2013.

- (b) This grant shall be available for setting up of only additional infrastructure required for apparel and ancillary units, as permissible under the current guidelines of SITP (except for procurement of land) in the Park. The eligible components of the project include (i) **Factory Buildings** for apparel manufacturing units (ii) **Common facilities** like crèches, Working women hostel, canteen etc. Common Infrastructure for only the additional facilities created would be sanctioned.
- (c) The SPVs should leverage the common infrastructure already created in the park and the grant shall be available for setting up additional manufacturing units which would capitalize on the existing infrastructure.
- (d) SPVs would be encouraged to build some extra area under production for providing plug and play infrastructure to be given on rental/hire purchase model to be approved by PAC on a case to case basis.
- (e) The SPVs should set up a minimum of 3 apparel manufacturing units including ancillary units in the Park. The proposed apparel manufacturing units may be set up within the existing park and /or by way of acquiring additional land in contiguity with the existing park.
- (f) The assistance of GoI would be limited to 40% of the proposed project cost, not exceeding Rs 10 crores for each park. Thus SPVs intending to avail Rs 10 crores of grant assistance, would need to invest Rs 15 crores (through equity/loans/other sources) in the ratio of 40:60. SPVs to upfront bring in 10% of their proposed contribution in escrow account.
- (g) The eligible SPVs wishing to avail this additional grant, are required to submit project proposal through empanelled PMCs, for consideration by the Ministry of Textiles. Such proposals should provide the following details:

- i. Details of proposed apparel manufacturing unit(s): area, capacity, product type etc
- ii. Details of support infrastructure like power, water, workers' hostel & factory building etc. additionally required for new facilities.
- iii. Estimated project cost and proposed funding
- iv. Estimated impact in terms of employment and investment
- v. Proposed timelines for implementation of the project

(h) The proposals shall be scrutinized by Project Scrutiny Committee and approved by Project Approval Committee of the SITP

(i) The additional grant is proposed for (i) Factory building and (ii) Support Infrastructure/ Facilities and is for creating additionality in these components, wherever required and is over the above the 'factory building' and 'support infrastructure' that has been approved in the DPR of the existing Parks.

III. Funding Pattern of GoI assistance

The release of the GoI assistance shall be on the lines, similar to SITP guidelines for 12th Five Year Plan

1st Installment:

- i. 1st installment representing 10% of the total GoI share will be paid to the SPV subject to SPV furnishing a Bank Guarantee of equal amount to the Ministry and fulfillment of following criteria:-
 - (a) Establishment of escrow account in a nationalized bank (In case the escrow account already opened for SITP is operational, the same would suffice the purpose, provided it is active)
 - (b) Recommendation of PMC

(c) DPR for establishing additional apparel manufacturing units and support infrastructure, duly validated by PMC, and approved by Project Approval Committee (PAC)

2nd Installment

2nd installment representing 15% of the total GOI share will be paid to the SPV subject to SPV incurring their proportionate contribution (i.e. 25% of the total SPV share from all the sources) of the grant released and fulfillment of following criteria:-

- (a) Utilisation Certificate for the 1st Installment
- (b) Sanction Letter for loan Component, in case SPV is taking term loans
- (c) Award of contracts worth equivalent to at least 30% of the additional project cost
- (d) Availability of all statutory clearances necessary for commencement of the project as certified by PMC, including water and electricity
- (e) Detail of equity contribution.

3rd Installment

25% of the total GOI share after the utilisation of the 2nd installment and after the proportionate expenditure (i.e. 50% of the total SPV share from all the sources) has been incurred by the SPV. Utilisation Certificate (UC) of the 2nd Installment shall be submitted by the SPV at the time of making claim for the 3rd Installment

4th Installment

25% of the total GOI share after the utilisation of the 3rd installment and after the proportionate expenditure (i.e. 75% of the total SPV share from all the sources) has

been incurred by the SPV. Utilisation Certificate (UC) of the 3rd Instalment shall be submitted by the SPV at the time of making claim for the 4th Instalment

Final Installment

25% of the total GOI share will be released after 100% of the proposed unit starts their production. The UC of the 4th Installment shall also be submitted by the SPV at the time of making claim for the final Installment

Interest, if any earned on the GOI grant will be returned/adjusted while claiming the instalment. A certificate from the Bank shall be submitted alongwith the claim

IV. Role of SPV

The SPVs shall be responsible for the following, on the lines similar to SITP Guidelines

- (a) Arranging land for additional apparel manufacturing units and support infrastructure. The cost of which shall not be built into project cost
- (b) Mobilizing the balance funds for completion of the Park through a mix of Equity and Term loans
- (c) Obtaining statutory clearances
- (d) SPV would appoint contractors/consultants in a fair and transparent manner, in order to ensure timely completion of the project.
- (e) The SPV will enter into an agreement with the MoT for timely completion of project and proper utilization of Government grants

V. Role of PMC

- (a) The PMC will be responsible for the speedy implementation of the Projects in a transparent and professional manner and would play similar role as provided in

the scheme guidelines of SITP. Salient features of the role of PMC are as follows:

- i. Due diligence, preparation/appraisal of the proposal for setting up apparel manufacturing units
- ii. Recommending the proposal to Ministry of Textiles for consideration
- iii. Assisting the SPV in obtaining statutory clearances
- iv. Monitoring the implementation and submit periodical progress to Ministry of Textiles

(b) PMCs shall be provided fee for their services, by Ministry of Textiles as per the agreement in force. PMCs shall not be permitted to provide Technical Services to the SPVs

(VI) These guidelines are in addition to the existing guidelines of SITP. In so far as interpretation of any of the provision of these guidelines, the decision of the Project Approval Committee (PAC) shall be final. The PAC is also empowered to put in place detailed operating procedures and supplementary rules for implementation of the scheme guidelines.