Circular No.53/2015 March 6, 2015

ALL MEMBER MILLS:

Sub: Meeting with BJP President at Coimbatore on 5th March, 2015- reg

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Mr.M.Senthilkumar, Deputy Chairman of the Association, Mr.Ashwin Chandran, Committee Member and Dr K Selvaraju, Secretary General met Shri Amit Shah, President, Bharatiya Janata Party during his visit to Coimbatore on 5th March, 2015 and submitted a memorandum to him. A copy of the memorandum submitted is reproduced below for the information of the member mills.

A power point presentation giving details on textile industry, particularly about the current scenario, issues relating to foreign trade policy were also submitted and a soft copy of the same is attached for the information of the member mills.

Encl: D.SURESH ANANDA KUMAR
Rm Secretary

MEMORANDUM SUBMITTED TO SHRI AMIT SHAH, PRESIDENT, BHARATIYA JANATA PARTY, DURING HIS VISIT TO COIMBATORE ON MARCH 5, 2015

Respected Sir,

We are extremely thankful to your goodselves for giving us an appointment to highlight the measures need to be taken to make Indian textile industry the true clothier of the world.

Our Association (SIMA) is 81 years old and it is the single largest employers' organization representing the entire textile value chain right from cotton research and development to garments/ made-ups /technical textiles in the country and plays a lead role in all policy making committees at State and Central level pertaining to the textile industry. We have more than 550 member mills in our fold that are scattered in all the five Southern States of the country and also in few States upcountry.

The predominantly cotton based Indian textile industry providing jobs to over 105 million people and fetching over US $ 42 billion forex earnings, is the largest manufacturing sector and backbone of the national economy. Apart from meeting one of the basic needs of the people (clothing), it also exports over 1/3rd of its production. This is the only industry which has complete value chain and capable of ensuring inclusive growth. This industry can achieve 25% to 30% growth rates in exports and 15% to 20% growth rates in the domestic market and create three to five million new jobs per year for the rural masses of the Nation if right policies are in place.

We highly appreciate the Union Government under the dynamic leadership of Shri Narendra Modi ji for making the Nation highly vibrant and globally visible in a short span of nine months.

We are extremely thankful to the Government for continuing the optional excise duty for cotton textiles and clothing products in the Union Budget 2015-16 as pleaded by us in the pre-budget memorandum.

Sir, consequent to the liberalization policy announced during 1991, the government announced numerous schemes to make the Indian textile industry globally competitive and grab the global textiles and clothing trade opportunities. The country had been lagging behind in technology when compared to its competing countries and the wafer thin margin of the industry coupled with huge interest rates prevented it from keeping pace with the growing technology. Therefore, the previous NDA government under the leadership of Shri Atal Bihari Vajpayee launched the Technology Upgradation Fund Scheme (TUFS) on April 1, 1999 to facilitate the textile industry to meet the challenges of the quota free globalized trade. The scheme was aimed at providing timely access and adequate capital at internationally comparable rates of interest to enable the textile industry to upgrade its technology level.

The scheme initially provided 5% interest subsidy to offset the high cost funding prevailed in India and make the textile industry financially viable. Later the scheme was modified several times and currently the interest subsidy rate varies between 2% and 6% depending upon the sector focused for Technology Upgradation. In addition, capital subsidy to the tune of 10% to 15% and also margin money subsidy to the tune of 30% is provided for thrust areas and MSMEs respectively.

The scheme attracted Rs. 2,07,747 crores investment from 1.4.1999 to 28.6.2010 and continued till 31st March 2007 without any break. The modified scheme was announced later with effect from 1.4.2007 and continued unhindered till 28.6.2010. The scheme again was launched in restructured form for the period from 28.4.2011 to 31.3.2012 and was extended up to 31.3.2013. Under R-TUFS, loans worth Rs. 21,953 crores have been sanctioned. The scheme was extended further upto 12th five year plan period (1.4.2012 to 31.3.2017) in Revised Restructured form (RR-TUFS) with effect from 1st April 2013. Under this scheme, loans worth Rs.13,255.00 crores have been sanctioned as on 03.02.2015.

The open ended Technology Upgradation Fund Scheme progressed without any hurdle till the end of the 10th five year plan period. The Office of the Textile Commissioner acted as a single window facility and therefore all the beneficiaries were able to avail TUF benefit without any difficulty. Since the scheme is basically reimbursement of a portion of interest and capital, the industry is availing the benefit after fully paying the dues to the banks. The banks are not affected in the reimbursement process and therefore the banks often make serious mistakes. However, Textile Commissioner's office could manage all these problems as long as it was functioning as a single window. When the modified scheme was announced from the beginning of the 11th five year plan period, the Ministry of Textiles brought a two tier system and all the problems were referred to Inter-Ministerial Steering Committee (IMSC) and hence, the problems have accumulated and got complicated during the last five years.

1. Loans sanctioned prior to 12th Plan Period (1st April 2012)

There are several cases where UID applications submitted to the Textile Commissioner within the prescribed last date of 16th July 2012 with sanctions availed from lending agencies before April 2012 could not be cleared under R-TUFS due to the lack of balance in sectoral caps. These categories of standalone spinning or "others" cover composite upgradation including weaving, processing and technical textiles in which the Government is making concerted efforts to attract investments and improve value addition. Since RR-TUFS has been in effect from 1st April 2013, all the cases awaiting UID allocations are affected. As the mills have already made payments, we request your goodselves to kindly recommend to make all such cases eligible for subsidy at least as per RR-TUFS.

2. Loans sanctioned after 1st April 2014 and having the project cap issue

There are a few mills that got the loans sanctioned after 1st April 2014 and are awaiting UID allocations due to investment cap of Rs.250 crores for the standalone spinning mills. The investment cap fixed for standalone spinning mills under RR-TUF could be given only prospective effect and UID number to all the loans and benefits for the entire project could be extended without any limit since investments had already been made. Such mills have been hoping for 4% interest subsidy. At least 2% subsidy could be extended to facilitate competitiveness on the cost of funding.

3. Clearance of partial claims (issue of committed liabilities)

A large number of mills are getting only a partial amount for each quarter due to the difference in the committed liability and actual claims. Since there is a delay in the project implementation period due to market fluctuations, delay in machinery delivery, financial condition of the individual unit, etc., the difference in the committed liability and actual claims cannot be avoided. It may be noted that interest subsidy is claimed every quarter only after making the payment. Often, the banks also make mistakes while claiming funds. All such cases need to be considered favourably and the benefits be extended on time.

4. Left out Pending Cases

When IMSC cleared a large number of pending cases during 2012-13, over 100 cases were left out as the banks did not furnish the details on time. Now, the Office of the Textile Commissioner has updated the data for all the left out cases and adequate funds could be allotted to clear all such cases.

5. Blackout Period

The TUF Scheme was kept in abeyance during 29.06.10 to 27.04.11 for want of funds. The scheme was suspended abruptly without prior notice. The textile projects which were in pipeline could not be stopped instantly. When the scheme was reopened, these cases had not been considered though originally MoT was indicating that there would not be any break in the TUF benefit period. As the scheme is vogue from 1st April 1999 onwards and now extended upto 31st March 2017, the benefits could be extended to the affected cases to have a level playing field and also to sustain the financial viability of the affected cases.

Sir, recently, the Textile Ministry has identified three third party agencies to audit and give recommendations regarding the performance of the current scheme, fund requirement for blackout period and left out cases and also the fund requirement for the committed liabilities. It is essential to implement the scheme on a time bound manner and allocate necessary funds on a war footing as the affected units are already heading towards sickness.

Sir, under the TUF Scheme, the mills make investments, repay the principal amount and the interest as per schedule and they claim the subsidy after every quarter only after making the payments. Therefore, there is no possibility of misuse of funds and no such cases had ever been reported. In a nutshell, the scheme has to be seamless as it was till 2007 to ensure a sustained growth rate and health of the industry. Several hundreds of mills in Andhra Pradesh, Telengana and Tamil Nadu would become sick if this benefit is not extended as these States are already facing the perennial problem of power shortage since 2007.

Sir, the Union Budget 2015-16 has allocated only Rs.1520 crores for Technology Upgradation Fund Scheme that would be adequate only for the last three pending quarters of the year 2014-15. The existing TUF scheme needs a further allotment of Rs.2000 crores to cover the financial year 2015-16. In addition, the Ministry of Textiles had recommended to allocate Rs.3000 crores to clear the long pending subsidies stated above (blackout period, left out cases and committed liabilities) with effect from 1st April 2007 to save the investments of around Rs.65,000 crores, which had already been made, from becoming NPAs.

We request your goodselves to kindly recommend to the Hon'ble Finance Minister to allocate Rs.2000 crores for the existing scheme to meet the fund requirement for the year 2015-16 and also Rs.3000 crores to meet the pending subsidies of TUFS with effect from 1st April 2007 to sustain the financial viability of all the projects already implemented and in operation. Sir, we also humbly submit that sustaining the viability of the existing manufacturing facilities in the Nation is also equally important to achieve the "Make in India" vision of the Hon'ble Prime Minister.

Thanking you,

Yours faithfully,
Sd/-x-x-x-
(M SENTHILKUMAR)
Deputy Chairman