RFC/P&G-1213
RFC / LA – 476

RAJASTHAN FINANCIAL CORPORATION
(LOANS SECTION)

Udyog Bhawan,
Tilak Marg,
JAIPUR-302005.

Ref. No.RFC/ LA-15(6)/1980 **Dated: 04.01.2008**

PG CIRCULAR

Reg : Re-introduction of Technology Upgradation Fund Scheme (TUFS)

The Ministry of Textile, Govt. of India vide their circular dated 4.4.2007 had informed that the Technology Upgradation Fund Scheme (TUFS) has been kept in abeyance for sanction of any fresh loans w.e.f. 1.4.2007 till the finalization of modifications and issuance of instructions in this regard and accordingly the TUFS scheme was kept in abeyance by the Corporation as per the directions issued vide circular No. RFC/P&G/ 1174 dated 26.04.2007.

Now, a resolution dated 1.11.2007 issued by the Ministry of Textile, Govt. of India has been downloaded from their Website and it indicates that the Technology Upgradation Fund Scheme has been re-introduced with certain modifications and the scheme shall be in operation from 1.11.2007 to 31.3.2012.

The Corporation has played an important role in processing the cases under this scheme. Thus, the field offices are directed to contact the prospective entrepreneurs and fetch maximum business under this scheme in order to boost up the business inflow in SME sector. The salient features of the revised scheme are as under:

1	The scheme will continue to provide a reimbursement of five percentage points on the interest charged by the lending agency on a project of technology upgradation in conformity with the Scheme. However, for the spinning machinery the reimbursement will be four percentage points.
2	The scheme will continue to provide cover for foreign exchange rate fluctuation not exceeding 5%. However, for the spinning machinery the coverage will be 4%.
3	The Scheme will now provide an additional option to the power-looms units to avail of 20% Margin Money Subsidy under TUFS in lieu of 5% interest reimbursement on investment in TUF compatible specified machinery subject to a capital ceiling of Rs. 200.00 lakh and ceiling on margin money subsidy Rs. 20.00 lakh. A minimum of 15% equity contribution from beneficiaries will be ensured.
4	The Scheme will now provide 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. 200.00 lakh and ceiling on

	margin money subsidy Rs. 15.00 lakh. A minimum of 15% equity contribution from beneficiaries will be ensured.
5	The Scheme will continue to provide 5% interest reimbursement plus 10% capital subsidy for specified processing machinery.
6	The Scheme will now provide 5% interest reimbursement plus 10% capital subsidy for specified machinery required in manufacture of technical textiles and garmenting machineries. (However, the units which have taken the sanction prior to 31.03.2007 but not started the commercial production, to be certified by Chartered Engineer and Chartered Accountant, will be covered under the modified Scheme).
7	The Scheme will now provide interest subsidy/ capital subsidy/ Margin Money subsidy on the basic value of the machineries and exclude the tax component for the purpose of valuation in view of the decision for non- subsidizing the taxes.
8	The Scheme will provide 25% capital subsidy on purchase of the new machinery and equipments for the pre-loom and post-loom operations, handlooms/ up-gradation of handlooms and testing & Quality Control equipments, for handloom production units.
9	As per para 3.2(2) of the existing Scheme, certain imported second hand machinery have been permitted. The entire range of imported second hand machinery will now be ineligible under the Scheme for any benefit except automatic shuttleless looms with the value cap of Rs. 8.00 lakh per machine and 10 years vintage and with a residual life of minimum 10 years.
10	Other 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. (including non-conventional sources) as mentioned in Para 3.3(2) of the existing Scheme will now be eligible for benefits of the Scheme only upto 25% of the cost of machinery.
11	For a specific thrust to garmenting, machineries for CAD, CAM and design studios and likes will be included in the separate heading of the guidelines of the scheme with a financial cap to be determined by the Inter Ministerial steering Committee (IMSC) under the Chairmanship of Secretary(Textiles).
12	Investments like land, factory building, pre-operative expenses and margin money for working capital will now be ineligible for benefit of reimbursement under the scheme except meant for apparel sector and handloom with existing 50% cap. In case apparel unit is engaged in other activity, the eligible investment under this head will only be related to plant and machinery eligible for manufacturing of apparel.
13	The applicability of the modified provisions of the Scheme will be reckoned with the date from sanction of bank loan or commercial production, whichever is later. The date of indenting of machineries or procurement or import or delivery shall be immaterial to decide the applicability of the Scheme.

14	On loans sanctioned during 1.4.1999 and 31.3. 2007, the then existing parameters and guidelines will apply.
15	**Scope of the scheme: The Scheme will continue to cover the following segments:**
a)	Cotton ginning and pressing.
b)	Textile industry covering:
	Silk reeling and twisting.
	Wool scouring, combing and carpet industry.
	Synthetic filament yarn texturing, 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.
16	**Definition of technology upgradation:**
	Technology Upgradation would mean induction of state-of-the-art or near-state-of-the-art technology. But in the widely varying mosaic of technology obtaining in the Indian textile industry, at least a significant step up from the present technology level to a substantially higher one for such trailing segments would be essential. Accordingly, technology levels are benchmarked in terms of specified machinery for each sector of the textile industry. Machinery with technology levels lower than that specified will not be permitted for funding under the TUF Scheme.
17	**Eligible machinery:** Installation of the specified machinery in a new unit or in an existing unit by way of replacement of existing machinery and / or expansion will be eligible for coverage under TUF scheme for the following:
a)	Cotton ginning and pressing.
b)	Textile industry covering:
	Silk reeling and twisting.
	Wool scouring, combing and carpet industry.
	Synthetic filament yarn texturing, 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.
	Jute industry.
c)	Energy saving and process control equipments for various sectors.
d)	Machinery eligible under 20% margin money subsidy (MMS- TUFS) for powerloom sector.
e)	Machinery eligible under 10% capital subsidy for processing sector.
f)	Machinery eligible under 10% capital subsidy for technical textiles.
g)	Machinery eligible under 10% capital subsidy for garment sector.

h)	Machinery eligible under 10% capital subsidy for CAD, CAM and design studio.
18	**General eligibility conditions (type of units):**
a)	Existing unit with or without expansion and new units.
b)	Existing units can modernize and/ or expand with the appropriate eligible technology.
c)	New units must set up their entire facilities only with the appropriate eligible technology.
d)	A unit can undertake one or more activities listed at scope of the scheme hereinbefore under the scheme.
e)	Textile/ jute units with 100% foreign equity.
19	**Type of textile machinery eligible:**
a)	Under the TUF scheme, generally only new machinery will be permitted.
b)	However, the following imported second hand machinery are also eligible under TUFS:
	Air jet, projectile, rapier and waterjet shuttleless looms fitted with or without electronic jacquard/ electronic dobby and with or without high speed direct beam warper with creel and/ or sectional warping machine with auto stop and tension control of upto 10 years' vintage and with a residual life of minimum 10 years and with the value cap of Rs. 8.00 lakh per machine. Electronic dobby or jacquard on stand alone basis of upto 10 years' vintage and with a residual life of minimum 10 years and with the value cap of Rs. 1.00 lakh or Rs. 2.00 lakh per machine respectively.
c)	A certificate from a Chartered Engineer of the exporting country certifying the vintage and residual life of the imported second hand machinery just be furnished to the lending agency at the appropriate time as determined by the lending agency. Such a certificate is compulsory for any import of eligible second hand machinery under this scheme irrespective of the value of such import.
d)	Balancing equipment or equipment required for de-bottlenecking the production process will also be eligible for funding under TUFS.
e)	Waste reduction equipment or devices will be eligible for funding under the TUFS.
f)	Eligibility of any other textile machinery equal to or higher than the benchmarked technology not listed in the annexures or developed in the course of the operation of TUFS will be, suo motu or on reference, specifically determined by the Technical Advisory-cum-Monitoring Committee (TAMC) to be constituted by the Government.
g)	The size of the 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.
h)	Machinery eligible for one segment is eligible for other segments/ activity also unless its eligibility is specifically restricted for a particular segment.

20	**Other investments eligible:**
a)	The following investments for apparel sector and handloom sector will also be eligible to the extent necessary for the plant and equipment to be installed for Technology Upgradation and the total of such investments will not normally exceed 50% of the total investment in such plant and machinery:
i)	Land and factory building including renovation of factory building and electrical installations;
ii)	Preliminary and pre-operative expenses.
iii)	Margin money required for working capital, specifically required for the technology upgradation.
b)	Investments in the installation of the following facilities including necessary equipment will be eligible only upto 25% of the cost of machinery:
i)	Energy saving devices
ii)	Effluent Treatment Plant (ETP) (except if it is a part of processing plant)
iii)	Water treatment plant for captive industrial use
iv)	In-house R & D including design studio
v)	Information technology including Enterprise Resource Planning (ERP)
vi)	Total quality management (TQM) including adoption of appropriate ISO/ BIS standards. (Lab versions of machinery approved for commercial production purposes under TUFS are eligible).
vii)	Captive power plant (including non- conventional sources) of the units availing of TUFS loan.
viii)	Husk Fired Boiler accompanying textile modernization/ expansion are eligible.
c)	Investment in the acquisition of technical know how including expenses on training and payment of fees to the foreign technicians.
d)	Lending in excess of the limits prescribed above in respect of the items included in subparas (a) and (b) of this para shall attract the normal lending rates.

All concerned are advised to take a note of above and ensure compliance.

(B.N. Sharma)
Chairman & Managing Director

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2. All BOs/ SOs.
3. GM(WZ) Jodhpur
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