

ANNEXURE – I**G.O.(MS) NO.166, HHTK (C2) DEPARTMENT, DATED:09.12.2024****Guidelines for 6% Interest Subvention Scheme for Technology
Upgradation of Spinning Sector in Tamil Nadu:**

In the Budget speech 2024–2025, an announcement has been made as follows:

Investment in modern technologies in the spinning sector is imperative to make Tamil Nadu the leading State in this field. In pursuit of this goal, "the Government will introduce a special scheme for technological upgradation by providing interest subvention at 6 percent, at an estimated cost of Rs.500 crore, over the next 10 years".

Tamil Nadu accounts for 1/3 of the Textile business size in India. State boasts of 45% of the country's spinning capacity. However, out of 19 million spindles installed in the ring frame spinning mills in the state, more than 12 million are above 15 years old. Similarly, large number of rotors in the Open End spinning mills in Tamil Nadu are above 15 years old. These spindles and rotors requires technology upgradation/modernization to improve productivity and cost competitiveness.

Therefore, the State Government has come forward to support the industry by providing 6% interest subvention to encourage the Spinning mills to upgrade the machinery and technology. The interest subvention is proposed as a one time measure to all more the 15 year old machineries and spares in the existing spinning mills. In order to calculate the age of 15 years, only the machineries and spares purchased before the announcement of the scheme in the Tamil Nadu Government budget for the year 2024–2025 shall be eligible for benefit under the scheme.

To implement the above scheme, the following guidelines are issued:

1. Period of operation of the scheme:

The scheme shall be operational from 2024 to 2033.

2. Description of the scheme:

Scheme for Technology upgradation shall mean obtaining of bank loan to procure and deploy machinery and spares of certain specifications in the Ring Frame, Open End Spinning Mills and Airjet Spinning Mills as approved by the Technical Evaluation and Monitoring Committee.

3. Interest Subvention:

Interest subvention shall mean refund of 6% of the total interest charged by a banker on the loan extended to a spinning mill for technology upgradation. For example, if a Bank charges interest on a loan extended @ 10% per annum, the mill owner shall bear 4% of the interest while the Government shall pay 6%.

4. Eligibility:

- i) All ring spinning Open–End Spinning Mills and Airjet Spinning Mills registered under either the Indian Companies Act or the Indian Partnership Act, located in Tamil Nadu shall be eligible for benefit under the scheme.
- ii) Only the machineries and spares in the spindles and the rotors having age of 15 years or more shall be eligible for benefit under the scheme.
- iii) The loans or the portion of the loan obtained to procure the spares and machineries as approved by the Technical Committee alone shall be eligible.
- iv) A spinning mill can avail benefit under the scheme only once.
- v) The spares and machineries purchased only after the issuance of these guidelines shall be eligible for benefit under the scheme and the purchase date shall mean the date mentioned on the commercial invoice.
- vi) The year of make, year of manufacture, and number embossed by the manufacturer on the machine or spare shall be indicated and verified.
- vii) Machinery purchased directly from the manufacturers or their authorised agents alone shall be considered for benefits under this scheme.
- viii) Second–hand machinery shall not be considered for granting interest subvention under the scheme.
- ix) The list of eligible bench–marked machines and spares are notified in the annexure. Any changes shall be proposed to the Government.
- x) Interest reimbursement of 6% may be made available for a period of 5 years including maximum of 2 years of implementation /moratorium period.

The implementation and moratorium period will be considered from the date of initial disbursement of loan.

xi) Those units who has availed any subsidy / assistance from State Government under any other schemes for the same project / expansion /modernization is not applicable.

xii) Those units who has availed bank loan / applied for bank loan after the date of issue of Government Order only be eligible.

5. Norms for Interest Subsidy:

Every eligible individual entity will be paid an interest subsidy under the scheme as per the rates indicated below:

S. No	Segment	Rate of Interest subsidy	Eligible Period
1.	Ring Spinning	6%	5 years
2.	Open-end spinning	6%	5 years
3.	Air Jet / Electro Spinning	6%	5 years

6. Eligible Ceiling :

The Ceiling on Interest subsidy will be as follows.

Ring Spinning	50% of the installed spindles subject to a maximum of 25000 spindles per unit.
OE Spinning Sector / Rotor kits	Rotor kits and spares upto 50% of the installed capacity in the mills.
Ring frame to Air Jet / Electro Spinning	upgradation of ring frame to Air Jet / Electro Spinning. 50% of the installed ring frame.

Further, the maximum subvention one enterprise / beneficiary can avail under this scheme shall be capped at Rs.3 Crore & for Air Jet / Electro Spinning it shall be Rs.5 Cr.

7. Coverage of Investment:

- Refund of the interest subvention shall commence only after satisfactory installation/ commissioning of the approved machinery and spares and commencement of production as certified by the regional Deputy Director of Textiles.

- Under the scheme, 60% of funds shall be allocated towards modernization of Ring frame spinning mills, 15% towards ring frames to Air Jet / Electro Spinning and the remaining 25% of the funds shall be allocated for modernizing Open-end spinning Rotor kits. In case of non availability of sufficient application in one category in a year, funds can be transferred to the other category with the approval of Government.

8. Financial Norms:

Loans from all public and private sector banks registered as financial corporations and Non-Banking Financial Company (NBFC) registered with RBI are eligible for interest subvention under the scheme. Foreign Currency Loans availed from overseas branches of Indian Banks or foreign banks having Indian branches will be eligible for benefits under this scheme.

However, the loan account should be operational from the Indian branch to make it possible to transfer the Subsidy amount in Indian Rupees into the loan account of the applicant in the Indian Branch.

9. Period of Term Loan under this scheme:

Interest reimbursement of 6% will be available for a maximum of 5 years or the actual period of loan repayment whichever is less. The interest reimbursement will be calculated from the date of initial loan disbursement including interest charged during the moratorium period even though the refund shall commence from the actual date of commissioning of the machineries and the spares and commencement of the commercial production.

In case of the unit not functioning for a minimum period of 7 years from the date of commissioning of the machineries and the spares, the amount paid towards the refund of the interest subvention shall be recovered with penal interest of 2%.

10. Implementation Mechanism:

The scheme will be executed/implemented by the Director of Textiles through its Regional offices.

11. Procedure to avail 6% Interest subvention :

11.1 A dedicated web portal be set up, applicants will apply online for sanction of subvention or with the sanction letters from the banks. Banks can enter the sanction details. Textiles Department Officials will enter the approval details.

11.2 Regional Deputy Director, Textiles shall scrutinize the documents submitted and inspect the applicant units to ascertain satisfactory installation of the Modernization machineries and spares before forwarding the application to the office of the Director of Textiles.

11.3 The Technical Committee formed by the Government under the Chairmanship of the Director of Textiles shall examine the details submitted by the applicant entity and the inspection report submitted by the concerned Regional Deputy Director of Textiles and grant approval to the eligible machinery and spare components of each applicant unit for extending interest subvention on the loan amount obtained. The loan amount calculated for the eligible machinery and spares alone shall be considered for the grant of interest subvention.

11.4 The subvention fund release shall be implemented through IFHRMS by presenting bills in treasury for direct transfer of interest subvention in the loan accounts.

11.5 Fund release shall be as per the loan sanctions issued by the banks and subvention claims approved based on the loan instalments repaid promptly by the beneficiary enterprise. In other words, the unit shall not fail in the payment of loan instalments.

12. The following Committees are constituted to implement the scheme effectively.

a) Technical Committee:

The Technical Committee will have the following composition of members.

S.No.	Name of the Officials / Representatives	Designation
1.	Director, Department of Textiles.	Chairman
2.	Representative of Finance Department.	Member
3.	Joint Director (Textiles) Office of the Director of Textiles, Chennai.	Convener
4.	Representative of ICDIC	Member
5.	Representative of the SLBC	Member
6.	Representative of SITRA	Member
7.	Anna University, Textile Department (Spinning Division) Head of the Department/Representative	Member

Terms of Reference:

1. The Committee shall identify the machinery and spares intended for Technological upgradation.
2. The Committee shall also examine, inspect, and technically evaluate the performance of the accessories and attachments of machines and spares identified for modernization.
3. The eligible bench marked machinery and spares will be updated and specified annually.

b) State Level Approval Committee:

The State Approval Committee will be constituted under the Chairmanship of Chief Secretary and Committee will have the following members.

S.No	Name of the Officials / Representatives	Designation
1.	Chief Secretary to Government	Chairman
2.	Principal Secretary to Government, Finance Department.	Member
3.	Secretary to Government, Handlooms, Handicrafts, Textiles and Khadi Department.	Member
4.	Secretary to Government, Micro, Small and Medium Enterprises Department.	Member
5.	Director, Department of Textiles,	Convener