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# **Technology Upgradation Fund Scheme (TUFS) for Textile Sector**

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## **Technology Upgradation Fund Scheme (TUFS) for Textile Sector**

Indian Textiles Industry has an overwhelming presence in the economic life of the country. It contributes about 14% to the industrial production, 4% to the GDP and 11% to the country's export earnings. The textile sector is the second largest provider of employment after agriculture.

The major sub-sectors that comprise the textile sector include the organized Cotton/Man-Made Fibre Textiles Mill Industry, the Man-Made Fibre/Filament Yarn Industry, the Wool and Woollen Textiles Industry, the Sericulture and Silk Textiles Industry, Handlooms, Handicrafts, the Jute and Jute Textiles Industry, and Textiles Exports.

During the year 2013-14, the Ministry of Textiles has given the required policy and financial support to the sector through its various schemes and as a result, there has been a significant improvement in textiles production inspite of slowdown in demand, high raw material prices etc. As per the Index of Industrial Production data (IIP) (Base: 2004 – 05) =100) during the year 2013 – 14 (Apr – Mar), Textiles and Wearing apparel; dressing and dyeing of fur have registered a growth rates of 4.2% and 22.6% respectively over the corresponding period of the previous year<sup>1</sup>.

The various schemes run by the Government to encourage textile industry during the last decade in the country are as under:-

- (i). Technology Upgradation Fund Scheme;
- (ii). Restructured Technology Upgradation Fund Scheme;
- (iii). Scheme for Integrated Textile Park;
- (iv). Group Insurance Scheme for Powerlooms Sector;
- (v). Group Workshed Scheme for Powerloom Sector;
- (vi). Integrated Scheme for Powerloom Sector Development;
- (vii). Schemes for Technical Textiles;
- (viii). Catalytic Development Programme;
- (ix). Integrated Handlooms Development Scheme;
- (x). Marketing & Export Promotion Scheme;
- (xi). Diversified Handloom Development Scheme;
- (xii). Mill Gate Price Scheme;

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<sup>1</sup> India, Ministry of Textiles, Annual Report 2013-14, p. 3

- (xiii). Handloom Weavers' Comprehensive Welfare Scheme; and
- (xiv). Revival, Reform and Restructuring Package for handloom Sector<sup>2</sup>.

## **TECHNOLOGY UPGRADATION FUND SCHEME**

The Indian textiles industry does not have the same technological edge as the textile industry in developed countries specially in the weaving and processing segments<sup>3</sup>. Therefore, in order to facilitate modernization / technology upgradation of textiles mills, Government had launched Technology Upgradation Fund Scheme (TUFS) for Textile and Jute Industries on 1.4.1999 for a period of 5 years which was subsequently extended up to 31.3.2007. It is a "flagship" scheme of the Ministry of Textiles. The scheme was continued in modified form w.e.f. 01.04.2007 to 28.06.2010. The objective of the TUF Scheme is to leverage investments in technology upgradation with a special emphasis on balanced development across the value chain<sup>4</sup> This Scheme aims at making available funds to the domestic textile industry of existing units as well as to set up new units with state-of-the-art technology so that its viability and comprehensiveness in the domestic as well as international markets may enhance<sup>5</sup>.

The scheme is administered through 3 nodal agencies, 36 nodal banks and 108 co-opted Postal Life Insurance (PLIs). The scheme since inception has propelled investment of more than Rs. 243721 Crores. An amount of Rs. 16315.80 crore has been released towards subsidy under the Scheme as on 31.01.2013<sup>6</sup>.

## **SALIENT FEATURES OF THE TUF**

- 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 texturing, crimping and twisting, Viscose Filaments Yarn (VFY)/ Viscose Staple Fibre (VSF), weaving/knitting,

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<sup>2</sup> Lok Sabha Unstarred Question No. 48 dated 5.8.2013

<sup>3</sup> [www.ministryoftextiles.gov.in/faq\\_tuf.pdf](http://www.ministryoftextiles.gov.in/faq_tuf.pdf)

<sup>4</sup> Lok Sabha Unstarred Question No. 48 dated 5.8.2013

<sup>5</sup> [www.ministryoftextiles.gov.in/faq\\_tuf.pdf](http://www.ministryoftextiles.gov.in/faq_tuf.pdf)

<sup>6</sup> India, Ministry of Textiles, Annual Report 2012-13, p. 23

fabric embroidery and technical 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<sup>7</sup>.

## **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:

- I. Existing unit with or without expansion and new units.
- II. Existing units can modernise and / or expand with the state-of-the-art technology.
- III. New units must set up their entire facilities only with the appropriate eligible technology.
- IV. A unit can undertake one or more activities in an integrated manner as specified in the scheme.
- V. Textile/Jute units with 100% foreign equity<sup>8</sup>

## **PROGRESS OF TUFs**

The progress of TUFs is steadily going up which is evident from the data given at following tables.

20% Credit Linked Capital Subsidy Scheme under CLCS-TUFs for power loom units had

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<sup>7</sup> [www.ministryoftextiles.gov.in/faq\\_tuf.pdf](http://www.ministryoftextiles.gov.in/faq_tuf.pdf)

<sup>8</sup> *Ibid*

been launched on 6<sup>th</sup> November 2003. Under the scheme, Rs. 282.09 crores has been disbursed to 3568 cases as on 31.01.2013<sup>9</sup>:

**Table 1**

Sr. No	Year	No. of units	Amount of subsidy released (Rs. in crore)
1	2003- 2004	004	00.10
2	2004-2005	150	06.00
3	2005-2006	368	23.00
4	2006-2007	958	68.89
5.	2007-2008	436	35.92
6	2008-2009	404	32.48
7	2009-2010	363	30.57
8	2010-11	233	17.72
9	2011-12	120	12.94
10	2012-13 (As on 31.01.2013)	7	0.38
11	2012-13 (As on 31.01.2013)	349	42.71
	<b>TOTAL</b>	<b>3568</b>	<b>282.09</b>

**Table -2**

(Rs. in crore)

Period	Received		Sanctioned			Disbursed		
	No. of applications	Project Cost	No. of applications	Project Cost	Amount	No. of applications	Amount	Subsidy
1999-2000	407	5771	309	5074	2421	179	746	1
2000-2001	719	6296	616	4380	2090	494	1863	70
2001-2002	472	1900	444	1320	630	401	804	198.89
2002-2003	494	1835	456	1438	839	411	931	202.59
2003-2004	867	3356	884	3289	1341	814	856	249.06
2004-2005	986	7941	986	7349	2990	801	1757	283.60
2005-2006	1086	16194	1078	15032	6776	993	3962	485
2006-2007	12336	61063	12589	66233	29073	13168	26605	823.92
2007-2008	2408	21254	2260	19917	8058	2207	6854	1143.37
2008-2009 (P)	6113	56542	6072	55707	24007	6111	21826	2632.00
2009-2010	2384	28005	2352	27611	6612	2361	8140	2886
2010-11 (Upto June 2010)	256	397	256	397	254	240	282	2759.00**
2011-12	-	-	-	-	-	-	-	2934.55
2012-13 (up to 31.01.2013)	-	-	-	-	-	-	-	1240.26
<b>Total (As on 28.06.2010)</b>	<b>28528</b>	<b>210554</b>	<b>28302</b>	<b>207747</b>	<b>85091</b>	<b>28180</b>	<b>74627</b>	<b>15909.27</b>

- As per records of MOT and latest information may be available with MOT.

\*\* : Pertains to 2010-11

## MAJOR BENEFICIARIES

Gujarat, Tamilnadu, Punjab, Maharashtra and Rajasthan are the major beneficiary 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 indicated below:

<sup>9</sup> India, Ministry of Textiles, Annual Report 2012-13, pp. 24-25

**Table-3<sup>10</sup>***(Rs. 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
<b>Total</b>	<b>28302</b>	<b>85091</b>	<b>28180</b>	<b>74627</b>

**PHYSICAL PROGRESS**

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

**Table-4<sup>11</sup>**

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
<b>Total</b>	<b>28302</b>	<b>85091</b>	<b>28180</b>	<b>74627</b>

An independent evaluation of the Scheme by a professional consultant, M/S CRISIL, has revealed that TUFSS 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. 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 that the subsidy outgo is not open ended and has a definite cap.

<sup>10</sup> [www.ministryoftextiles.gov.in/faq/faq\\_tuf.pdf](http://www.ministryoftextiles.gov.in/faq/faq_tuf.pdf)

<sup>11</sup> *Ibid*

## Restructured TUF S Scheme

The Restructured TUF Scheme (RTUFS) was launched w.e.f. 28/04/2011 to 31/03/2012 with an overall subsidy cap of Rs. 1972 crores from the date of the Resolution up to 31.03.2012, which was expected to leverage an investment of Rs.46,900 crore, with sectoral investment shares of 26% for spinning, 13% for weaving, 21% for processing, 8% for garmenting and 32% for others. The Ministry of Textiles in accordance with Ministry of Finance, Department of Expenditure, Plan Finance – II Division clarificatory O.M. NO.1(3)/P.F.II/2011 dated 23.4.2012 allowed extension of R-TUFS into the first year of 12th Plan to the extent of availability of unutilized subsidy cap.

The Restructured TUF S and its continuation in the 12th Plan has attracted an investment of Rs.37,655 crores as per the details in the UID application and continue leveraging investments in technology upgradation in the Textile sector to enable them to face global competition with focus on balanced development across the value chain by (a) addressing the issues of fragmentation and promoting forward integration; (b) promoting investments with smaller investment in MSME sectors; (c) introduction of a Hire Purchase Financing Model for weaving sector<sup>12</sup>. Segment-wise progress of Restructured TUF S as on 30.10.2012 is given in the following table:

(Rs. in crore)

Category	No. of Application	Project Cost	Sanctioned Loan amount	Loan under TUF S	CAP for Project Cost	Subsidy for All	CAP for Subsidy Amount	Subsidy claimed	
								No. of Applications	Amount
Spinning	286	9749.57	6030.64	5471.16	12194.00	1113.45	210.00	249	83.21
Weaving	782	2544.11	1909.83	1842.46	6097.00	502.65	225.00	615	88.52
Processing	405	4319.65	2017.38	1918.52	9849.00	568.06	424.00	338	78.44
Garmenting	452	782.47	506.83	449.05	3752.00	115.74	200.00	401	39.27
Others	1650	18578.53	10383.11	9493.04	15008.00	2528.88	799.00	1510	341.54
<b>Total</b>	<b>3575</b>	<b>35974.32</b>	<b>20848.80</b>	<b>19174.24</b>	<b>46900.00</b>	<b>4828.78</b>	<b>1858.00</b>	<b>3113</b>	<b>360.98</b>

State-wise details of subsidy released by Ministry of Textiles during theyear 2012-13 and 2013-14 under RTUFS (Position as on 31.07.2013) is shown in **Annexure-I**.

<sup>12</sup> [www.ministryoftextiles.gov.in/policy](http://www.ministryoftextiles.gov.in/policy)

The Scheme has been evaluated thrice in 2003, 2006 and 2010 respectively. All evaluations found the scheme beneficial for the textile industry and recommended its continuation. These evaluations have found Improvement in Quality, Turn over, Productivity, Profitability, Exports etc., and a decline in cost, wastage, maintenance and labour costs etc. The Scheme was last reviewed by the Expenditure Finance Committee in March 2013 and it was recommended to continue the scheme in the 12th Five Year Plan. A subsidy of approximately Rs. 19,000 crore has been disbursed against an investment of approximately Rs. 2,60,000 crore attracted under TUFs since 1999.

### **Revised Restructured TUFs Scheme**

The scheme has been revised and restructured. The Revised Restructured TUFs (RR-TUFs) is being implemented w.e.f. 1st April, 2012. So far, term loans of Rs. 7,745.35 crore have been sanctioned under RR-TUFs.

The salient features including financial and operational parameters of the RR-TUFs in respect of loans sanctioned under the scheme are as follows:

- (i). The total subsidy outflow to stand alone spinning sector has been kept at 26% of the plan allocation (i.e., Rs.11952.80 crore) including committed liabilities of spinning Sector of erstwhile/ modified TUFs, RTUFs and fresh sanctions in the 12th Plan period.
- (ii). A pilot project has also been envisaged under the powerloom sector which aims at providing subsidy for developing infrastructure, common facilities, and construction of factory buildings and for shuttleless looms on Hire Purchase basis, to improve their quality and production and to face the competition from domestic market as well as export market.
- (iii). 10% of the approved outlay for new sanctions has been earmarked for Micro, Small and Medium Enterprises (MSME).
- (iv). In case of stand-alone spinning sector, a volume cap of Rs. 250 crore is applied on project cost for new sanctions for individual spinning units<sup>13</sup>.
- (v). The subsidy benefits under **TUFs for 12th Plan** would be as follows:
  - a) **Stand alone spinning units** – 2% Interest Reimbursement (IR) for new stand alone / replacement / modernization of spinning machinery.
  - b) For units having spinning capacity with forward integration having matching capacity in weaving/ knitting/processing/garmenting – 5% IR.

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<sup>13</sup> Lok Sabha Starred Question No. 322 dated 31.7.2014

**c) Weaving –**

- (i) 6% Interest Reimbursement (IR) and 15% capital subsidy on brand new shuttleless looms or 30% Margin Money Subsidy (MMS) on brand new shuttleless looms for powerloom sector;
- (ii) 2% IR or 8% MMS on second hand imported shuttleless looms with 10 years vintage and with a residual life of minimum 10 years;
- (iii) For 30% MMS – capital ceiling caps of RS. 5 crore and subsidy cap of Rs. 1.5 crore would be adhered to for encouraging adequate investments by the MSME sector.

- d) **Processing –** 5% IR and 10% capital subsidy for specified processing machinery. Common Effluent Treatment Plant (CETP)/Effluent Treatment Plant (ETP) will not be considered for support under TUFs.
- e) **Garmenting –** 5% IR and 10% capital subsidy on specified machinery for garmenting units.
- f) **Technical Textiles (including non-wovens) –** 5% IR and 10% capital subsidy on specified machinery required in manufacture on technical textiles.
- g) **Handloom and silk sector –** 5% IR or 30% capital subsidy on benchmarked machinery.
- h) **MSMEs including jute sector –** 5% IR or 15% MMS– subsidy ceiling to be Rs. 75 lakh<sup>14</sup>.

## **Conclusion**

In short, the TUF Scheme provides for interest reimbursement/capital subsidy/Margin Money subsidy and has been devised to bridge the gap between the cost of interest and the capital component to ease up the working capital requirement and to reduce the transaction cost, etc. TUFs is not a region specific scheme, it is entirely demand driven and the design of the scheme is non-discriminatory. So, this Scheme is an important tool to infuse financial support to the textiles industry and help it capitalize on the vibrant and expanding global and domestic markets, through technology upgradation, cost effectiveness, quality production, efficiency and global competitiveness<sup>15</sup>.

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<sup>14</sup> [www.ministryoftextiles.gov.in/policy](http://www.ministryoftextiles.gov.in/policy)

<sup>15</sup> India, Ministry of Textiles, Annual Report 2012-13, p. 23

**State-wise details of subsidy released by MOT during the year  
2012-13 and 2013-14 under RTUFS (Position as on 31.07.2013)**

State Name	2012-13		2013-14	
	No. of Cases	Subsidy Released (Rs. In Cr.)	No. of Cases	Subsidy Released (Rs. In Cr.)
ANDHRA PRADESH	165	20.67	45	6.04
ASSAM	4	0.15	0	0.00
BIHAR	2	0.09	0	0.00
CHANDIGARH	19	1.82	2	0.29
CHATTISGARH	1	0.02	2	0.34
DADRA & NAGAR	70	23.22	12	4.05
DAMAN & DIU	22	3.60	4	0.36
DELHI	71	11.48	15	3.48
GUJARAT	2855	179.70	279	25.60
HARYANA	184	14.75	37	2.39
HIMACHAL PRADESH	56	2.80	6	1.27
JAMMU & KASHMIR	5	0.22	0	0.00
KARNATAKA	77	22.19	12	6.23
KERALA	25	0.53	5	0.10
MADHYA PRADESH	119	22.96	25	7.72
MAHARASHTRA	496	74.10	119	15.67
ORISSA	4	0.50	0	0.00
PONDICHERY	7	0.29	0	0.00
PUNJAB	780	81.89	108	19.80
RAJASTHAN	263	35.42	76	10.83
TAMIL NADU	702	34.79	157	11.51
UTTAR PRADESH	85	7.04	32	5.30
UTTARANCHAL	8	0.41	3	2.66
WEST BENGAL	107	10.98	26	4.35
<b>Grand Total</b>	<b>6127</b>	<b>549.62</b>	<b>965</b>	<b>128.01</b>

Source: Lok Sabha Unstarred Question No 48 dated 5.8.2013