

GUIDELINES

FOR

SETTING UP OF

HANDLOOM PARKS

1. Background:

- 1.1 Scheme for Integrated Textile Parks (SITP) was first launched in 2005 and extended till March, 2017 to provide the industry with world class state of the art infrastructure facilities for setting up their textile units. The scheme facilitates textile units to meet international environmental and social standards. The scheme targets industrial clusters/locations with high growth potential, which require strategic interventions by way of providing world-class infrastructure support. The main objective is to provide infrastructure facilities for setting up textile units in potential growth areas matching with the international social and environmental standards.
- 1.2 Handloom Weaving is one of the largest economic activities after agriculture providing livelihood to nearly 28 lakh households, of which 87% are located in rural areas. The total employment by this sector is almost 43 lakh. Handloom fabric attracts huge interest due to its unique designs, exquisite artistic value and traditions involved at each different location known for handlooms. Handlooms also attract interest from designers as they provide flexibility, versatility and diversity in creating new designs and unique patterns. A key feature of the handloom sector with particular relevance to the country is the potential for creating and sustaining employment with minimum investment. Further, livelihoods are created in rural areas at the homes of the weavers which prevents migration to the urban areas.
- 1.3 Two Handloom Parks have been so far sanctioned under SITP, one at Pochampally, Telangana has been established in which SPV owns the whole project and another one at Kancheepuram, Tamil Nadu is being set up in which SPV will own the common infrastructure and facilities while production will done by the 20 master weavers in workshed with 10 looms each. Handloom Parks are considered as necessary intervention to build supply chain for serving bulk orders and export markets. From the learnings of the PHP, it is found that Handloom Park should not be heavy debt driven and the optimum capacity for setting up of Handloom Park should be 200 looms.
- 1.4 Demands have been raised from various States for setting up of Handloom Parks. Development of optimal sized handloom parks which can be the hubs for production of quality material according to the delivery schedule demanded by bulk buyers such as exporters and garment manufacturers has been proposed in new Textile Policy also. Increased funding is required in case of Handloom Parks.

2. Scope:

- 2.1 Handloom Park will have the following components:
 - a) Land
 - b) Common Infrastructure: Site development, compound wall, Roads ,water supply, electrical infrastructure, effluent treatment etc.
 - c) Buildings for common facilities: Admin Block, Design centre(including equipments), marketing support system, pre-weaving and post-weaving activities etc.
 - d) Buildings for Weaving Block
 - e) Equipments for common facilities: dyeing equipment with ETP, Pre-weaving machinery, Post-weaving machinery and stitching machines.

- f) Margin money for Working Capital, Project management cost, DPR, survey etc.
- 2.2 The total Project Cost for the purpose of Handloom Park includes the cost on accounts components listed under a, b, c, d, e and f in cases where SPV is floated by State Government. The State Governments may provide land as a part of its equity contribution and the cost of land would be part of project cost. Individual units in the park will not have to bear any cost towards the land and building and will be bearing only the cost for looms and accessories.
- 2.3 The total Project Cost for the purpose of Handloom Park includes the cost on accounts components listed under b, c, d, e and f in cases of SPV floated by private handloom entrepreneurs. The cost of land would not be part of the project cost. SPV will bring land from its own sources. Such promoters should undertake to set up all individual units in the park and also contribute the cost for installing looms and accessories.
- 2.4 Weaving Blocks construction should be kept frugal but robust by using pre-fab material or locally available good quality material to optimize the cost. Weaving blocks would be constructed in two phases. The second phase would be taken up as and when weaving activities start in the weaving blocks of first phase.
- 2.5 The following will be the tentative breakup of cost component wise for a Handloom Park with 200 looms:

S. No.	Component	Amount (Rs. in Lakh)
1	Common Infrastructure	215.00
	Site Development	215.00
	Compound wall	
	Roads	
	Water Supply	
	Electrical Infrastructure	
	Sewerage treatment	
2	Buildings for common facilities	144.00
	Pre-weaving and post-weaving activities	84.50
	Design Centre(including equipments)	6.50
	Marketing support system	15.00
	Admin Block	38.00
3	Buildings for weaving Block	480.00
4	Equipments for common facilities	82.00
	Dyeing equipment with ETP	50.00
	Pre-weaving machinery	12.00
	Post-weaving machinery	12.00
	Stitching Machines	8.00
5	Others	195.00
	Margin money	50.00

	Project management cost, DPR, survey	145.00
	TOTAL	1116.00

3. Funding pattern and provisions:

- 3.1 The total project cost shall be funded through a mix of equity/grant from the Ministry of Textiles, State Government, State Industrial Development Corporation, Industry and Loan from Banks/Financial Institutions.
- 3.2 The Government of India funding upto 70% of project cost would be admissible. The rest 30% of project cost may be funded by State Government or arranged by SPV or a combination of both.
- 3.3 The following will be the funding structure from Ministry of Textiles:

S. No.	Component	Amount (Rs. in Lakh)	Funding Under NHDP	Remarks
1	Common Infrastructure	215.00	86.00	40%
2	Buildings for common facilities	144.00	57.60	40%
3	Buildings for weaving Block	480.00	384.00	80%
4	Equipments for common facilities	82.00	73.80	90%
5	Margin Money, Project Management Cost, DPR, Survey	195.00	195.00	100%
	TOTAL	1116.00	796.40	71%

- 3.4 The cost of looms will be borne by the entrepreneurs who will set up weaving units in the Parks. However, looms and accessories may be provided under normal scheme of handloom sector in case of individual weavers, self-help groups or small entrepreneurs having family members as weavers.
- 3.5 Funding of SPV contribution may be a combination of debt and equity.
- 3.6 Professional management of the park will be an essential component and should be complied with by SPV.

4. Implementation Structure:

- 4.1 Industry Associations/Groups of Entrepreneurs would be the main promoters of the Handloom Park. There would be a Special Purpose Vehicle (SPV) for each Handloom Park. SPV may include local weavers, representative of State and Central Government and other handloom stakeholders. SPV shall invariably be a Corporate Body registered under the Companies Act. Any different structure for the SPV requires the approval of the Project Approval Committee.
- 4.2 The SPVs would be the focal points for implementation of the Scheme, playing the following role:
- The SPV would conceptualize, formulate, achieve financial closures, implementing and manage the infrastructure.
 - The SPV would procure land, cost of which shall not be built into project cost.

- iii. After developing the infrastructure, SPV would allocate sites to industry for setting up units.
 - iv. SPV would also facilitate securing bank finance required for setting up units in park.
 - v. SPV would be responsible for maintaining the utilities and infrastructure created for park by collecting service and user charges.
 - vi. The SPV has to be so structured as to be self-sustained with a positive revenue stream.
 - vii. The SPV will enter into an agreement with the MoT for timely completion of Park and proper utilization of Government grants.
 - viii. SPV would appoint contractors/consultants in a fair and transparent manner. In order to ensure timely completion of the project, SPV will obtain appropriate performance guarantee from consultants/contractors.
- 4.3 Project Management Consultants (PMCs) appointed by Ministry of Textiles, for implementation of parks under SITP will also be the PMCs for Handloom Parks. The functions of PMCs will be the same as defined by SITP scheme guidelines and fee will also be released as per SITP scheme guidelines.
- 4.4 The eligible SPVs are required to submit project proposal through Project Management Consultants (PMCs) empanelled for SITP by Ministry of Textiles.
- 4.5 The project proposal shall be formulated after conducting a diagnostic study of the requirements of common facility and infrastructure in the specified location and based on demand and potentiality.
- 4.6 Project Scrutiny Committee (PSC): The project proposals shall be considered and appraised by the Project Scrutiny Committee formed under SITP. Development Commissioner (Handlooms) shall also be the member of the PSC.
- 4.7 Project Approval Committee (PAC): The recommendations of Project Scrutiny Committee shall be considered and approved by Project Approval Committee formed under SITP. Development Commissioner (Handlooms) shall also be the member of the PAC.
- 4.8 **Role of State Government**
The role of the State Government is envisaged in the following areas:
- i. Providing all the requisite clearance, wherever needed, for setting up the park and providing the necessary assistance for power, water and other utilities to the park.
 - ii. Assist in identification and procurement of suitable land.
 - iii. The State Government agencies like Infrastructure/Industrial Development Corporations may also participate in the projects by way of subscribing to the equity of SPV or by providing grants.
 - iv. Providing flexible and conducive labour environment and consider special facilities like exemption of stamp duty etc. for the units located in the park.
 - v. Dovetailing of other related schemes for overall effectiveness and efficiency of the project.
 - vi. In order to facilitate proper coordination, State Government would be requested to participate in the scheme through signing of an agreement with the Ministry of Textiles on facilitating provisions of land, power supply, water supply and statutory clearances for projects sanctioned to the state under the scheme. The

State Government would also be requested to participate in the SPV through the nomination of a representative on the Board of the SPV.

5 Release of Funds:

5.1 The following schedule will be adopted for release of GOI assistance to the SPV:

i. **Ist Installment**

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 fulfilling of the following criteria:-

- a) Establishment of SPV.
- b) Inclusion of one representatives of Government of India and one representative of the PMC on the Board of Directors.
- c) Land to be in the possession of SPV.
- d) Issuances of shares by SPV to members in proportion of area allocable to them.
- e) Execution of share holders' agreement.
- f) Establishment of escrow account in a nationalized bank.
- g) Recommendation of PMC, and approved by Project Approval Committee

ii. **IInd Installment**

2nd instalment 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 fulfilment of following criteria

- a) Utilisation Certificate for the 1st Installment
- b) Details of equity contribution
- c) Sanction Letter for loan Component, in case SPV is taking term loans.
- d) Award of contracts worth equivalent to at least 30% of the total project cost excluding the land cost.
- e) Availability of all statutory clearances necessary for commencement of the project as certified by PMC, including water and electricity.
- f) The Bank Guarantee given by SPV will be returned upon sanction of 2nd Installment of grant by the Ministry.
- g) Interest, if any earned on the GOI grant will be returned/adjusted while claiming the installment. A certificate from the Bank shall be submitted alongwith the claim.

iii. **IIIrd Installment**

3rd instalment representing 25% of the total GOI share shall be released after the utilization of the 2nd installment and after the proportionate expenditure (i.e. 50% of the total SPV share from the sources) has been incurred by the SPV. Utilization Certificate (UC) of the 2nd Installment shall be submitted by the SPV at the time of making claim for the 3rd Installment. ***Interest, if any earned on the GOI grant will be returned/adjusted while claiming the installment. A certificate from the Bank shall be submitted alongwith the claim.***

iv. **IVth Installment**

4th installment representing 25% of the total GOI share after the utilization 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. Utilization Certificate (UC) of the 3rd Installment shall be submitted by the SPV at the time of making claim for the 4th Installment. ***Interest, if any earned on the GOI grant will be returned/adjusted while claiming the installment. A certificate from the Bank shall be submitted alongwith the claim.***

v. **Vth Installment**

5th installment representing 25% of the total GOI share will be released after successful completion of the project and after 33% of the units in ITP (or a higher percentages determined by PAC for successful completion of the specific project) starts their production. Utilization Certificate (UC) of the 4th Installment shall 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 installment. A certificate from the Bank shall be Submitted alongwith the claim.***

5.2 The SPV would forward their claims to the MOT after verification by PMC supported by documents such as Utilization Certificate in the format of GFR 19A, Pre-Receipt Bill, Surety Bond etc., as required under the relevant rules.

5.3 Separate account shall be kept by SPV for the funds released by GOI, which shall be subject to audit by the Comptroller & Auditor General of India.

5.4 In the event of an SPV withdrawing from executing a project before completion of the project, the SPV should immediately return the Government assistance together with interest accrued. Payment of penal interest by the SPV shall be decided by the Project Approval Committee (PAC) on case to case basis. Any revision in the period of implementation must have the approval of the PAC. In case of delays in implementation of the project beyond the agreed time schedule as approved by PAC. The Ministry of Textiles shall have the right to impose penalties on the SPV as given below:

- i. Delay of upto 3 months in the completion of the project would reduce the grant amount by 1%
- ii. Further delay in the implementation of the project would reduce the grant amount by an additional 1% for every 1 month of delay
- iii. In the event of project implementation getting delays beyond 12 months, then the PAC could consider closure of the project at the current level of grant assistance and cancel the balance undrawn grant amount
- iv. In the event the grant amount is reduced as indicated above, the SPV should meet the Consequent gap through its own sources.
- v. If it is found that the Grant has been utilized by the SPV for non eligible components of the project, MOT shall have the right to levy penalties on the SPV as may be decided by the PAC.
- vi. In the event the project is cancelled by PAC for any reason whatsoever then the SPV shall immediately return the Government assistance together with the interest accrued thereon, if any. Payment of penal interest by the SPV @ 10% or

as decided by the Project Approval Committee (PAC) on case to case basis to be returned by the SPV.

vii. The decision of the PAC would be final and binding on the SPV.

5.5 In event of termination of project, misutilisation of the grant or unjustified untoward delay in completion of the Park the SPV will be liable to return the grant with interest thereon and/or penalty as decided by the PAC and MoT shall be within its rights to recover the moneys as arrear of land revenue.

5.6 User charges would be fixed for various facilities and services by SPV. There shall be full recovery of Operational & maintenance (O&M) costs through user charges.

5.7 The recovery by way of lease rentals shall accrue to the SPV for plough back for future expansion.

6. Project implementation period:

6.1 The project to be completed within 2 years from date of release of first instalment.

7. Project Monitoring and Evaluation:

7.1 The Ministry of Textiles (MOT) will periodically review the progress of the projects under the Scheme. PMC would devise a suitable monitoring and evaluation system and shall furnish monthly reports/returns to MOT. A Monitoring Committee headed by Secretary (Textiles), and Joint Secretary (SITP), Development Commissioner (Handlooms), Director (SITP), ADC (Handlooms) as members will be monitoring the projects.

8. District Level Coordination Committee:

8.1 In addition to the above, a District Level Coordination Committee may be formulated under chairpersonship of District Collector with representatives from Ministry of Textiles and other stakeholders for coordinating and monitoring the progress of the park

