

Office of the Development Commissioner (Handicrafts)

Government of India, Ministry of Textiles,

West Block 7, R.K.Puram,

New Delhi-110066

Scheme Guidelines for 'Technology Upgradation for Individual Exporters' under Comprehensive Handicraft Cluster Development Scheme (CHCDS) in Jodhpur Handicraft Megacluster, Rajasthan

1. Introduction

- 1.1. The Mega Cluster approach is a drive to scale up the infrastructural and production chain at Handicrafts clusters which have remained unorganized and have not kept pace with the modernization and development that have been taken place so far. The proposed programme is expected to support the upgradation of infrastructural facilities coupled with market linkages and product diversification. With this background, Comprehensive Handicrafts Cluster Development scheme (CHCDS) has been launched.
- 1.2. Jodhpur and its adjoining areas of Barmer are one of the leading centres for handicrafts production in the country. The Handicraft Mega Cluster covering Jodhpur and Barmer has a long tradition of diverse handicrafts and over the years has emerged as a major hub for the exports of handcrafted hardwood & metal furniture, home decoration and accessories and textile based furnishings and made-ups. The handicrafts exports from the Megacluster contribute over 10% of the total handicrafts exports in the country. The handicraft industry provides employment to more than 30,000 artisans in Jodhpur. There are over 300 small and medium exporters in the area who are engaged in the production of wooden & iron handicraft products and have been exporting to the major world markets in USA, U.K, Germany, Canada, Italy, France etc.

2. Scheme Objectives & Coverage

- 2.1. *Objective of Technology Upgradation for Individual Exporters:* The scheme therefore aims to promote technological upgradation keeping in mind the objective of enhancing the competitiveness of the cluster vis-a-vis competitors in global markets who already accrue the benefits of producing at a more sophisticated and advanced scale.
- 2.2. The objective of this intervention is to increase the technical capacity of micro & small exporters in the cluster, leading to improvement in the quality and volume of production from these exporters leading to increase in employment in the cluster.
- 2.3. **It is proposed to support 20 individual exporters and manufacturers of wooden and iron handicraft products in the Jodhpur Megacluster for technology upgradation with a maximum grant assistance of Rs 30 lakhs or 30% of the total cost of equipment and machinery, whichever is lower.**
- 2.4. *Eligible Components under the Scheme*
 - a) The scheme allows flexibility in project planning with special emphasis on technology upgradation through procurement and installation of specialized equipments and machinery for creating enabling infrastructure for improvement in

the quality and volume of production of the exporters/ manufacturers in the Jodhpur Megacluster. The machinery and equipments could be both imported & manufactured locally.

- b) **To avail financial assistance under this scheme, the applicant will have to set up state-of-art facilities for the following manufacturing processes:**
- **Seasoning and Treatment of Wood**
 - **Planing of wood**
 - **Jointing of Wood**
 - **Sizing of Wood**
 - **Tenonering/Mortising of Wood**
 - **Assembly**
 - **Finishing of final product**

3. Eligible Organizations/Entities

3.1. Funding for Technology Upgradation under Jodhpur Megacluster can be availed by registered entities such as Partnership/Proprietorship Firms, Companies, Corporations, etc. with business interest in manufacturing and production of wooden and iron handicraft products, and located within Jodhpur Megacluster.

3.2. The proposals have to meet the following basic eligibility criteria under the scheme:

- a) Applicants should have minimum 3 years of experience duly supported by audited books of accounts
- b) Average Sales turnover of Rs 2 crores in the past 3 financial years
- c) Should have minimum 50 artisans engaged while submission of application
- d) The net worth of the applicant should be at least 1.5 times of the total cost of project applied for. The details of net worth calculation are enclosed as Annexure 1.
- e) Availing term loan from the Bank / Financial Institutions (FI) for an amount not less than 30% of the project cost, with a minimum re-payment period including moratorium of atleast three (3) years
 - i. In-principle or final term loan sanction letter along with a detailed appraisal note from the Bank / FI should be submitted with the proposal.
 - ii. The date of sanction of term loan should not be earlier than the date of issue of EoI.
- f) Land documents should be registered in the name of the applicant (sale deed/lease deed). In case of lease deed, the lease period should not be less than 20 years.
- g) The applicant will have to set up the production facility comprising of equipments and machinery as mentioned in para 2.4 above.
- h) Not more than one application from the same applicant / company will be entertained.

4. Funding Pattern

4.1. The following funding pattern for Technology Upgradation for Individual Exporters component is as below:

#	Project Component	Scheme Funding		IA Share
		CHCDS Funding	Financial Limit-CHCDS Funding	
1	Technology	30% of the total	Subject to	Minimum 70% of

	Upgradation for Individual Exporters	cost of equipment and machinery	maximum grant assistance of Rs 30 lakhs	the total cost of equipment and machinery
--	--------------------------------------	---------------------------------	---	---

- 4.2. The above sharing pattern towards the cost of project does not include the cost of land and civil works, required for plant expansion or establishment of machinery.
- 4.3. The entire cost of land and civil works, required for plant expansion or establishment of machinery shall be borne by IA.
- 4.4. Installation charges will be restricted to 10% of the cost of the machines with a max. ceiling of Rs. 10 Lakhs

5. Release of Funds

- 5.1. The funding assistance under CHCDS towards Technology Upgradation for Individual Exporters shall be released as a one-time reimbursement, on eligible investment, only after satisfactory installation/commissioning and commencement of production.
- 5.2. Benefits under scheme shall be available only if the eligible machinery and equipments are purchased by availing term loan.
- 5.3. The applicant shall be required to submit the following documents along with the request for release of the eligible and approved grant-in-aid within 18 months from the date of issue of the approval letter:-
 - a) Chartered Accountant (CA) certificate- Latest certificate of actual expenditure on the project along with means of finance in the prescribed format duly certified by Chartered Accountant (CA) and countersigned by the applicant, which should establish that 100% of the promoter’s contribution, 100% of the term loan and 100% of the sanctioned grant-in-aid has been utilized in the project. Details of unsecured loan (along with PAN numbers of lenders), if any, duly certified by Chartered Accountant and countersigned by the applicant to be furnished.
 - b) Certificate from Chartered Engineer (Civil) for technical civil works indicating item wise progress on approved components, cost, quantity, and manufacturers/suppliers duly countersigned by the applicant.
 - c) Certificate from Chartered Engineer (Mechanical) for Plant and Machinery indicating item wise progress, cost, quantity, and manufacturers/suppliers duly countersigned by the applicant.
 - d) Certificate from the concerned bank/ financial institution which has sanctioned term loan for the project, certifying that:-
 - i. It has disbursed 100% of the term loan of the total sanctioned term loan;
 - e) Bank Statement(s) –Certified bank statements of all accounts from where payments are received and made till date of completion of 100% of the project cost as per implementation schedule and highlighting payments (including advance payments) made to suppliers/vendors/contractors.
 - f) Major invoices/receipts from suppliers/vendors (on eligible project expenditure incurred so far).

- g) Declaration of completion of the project and start of commercial operation, to be furnished in form of the following documents:
 - i. 'Consent to Establish (CTE)'- issued by the State Pollution Control Board
 - ii. 'Consent to Operate (CTO)'- issued by the Town Planning Authority
 - iii. 'Commissioning Report' issued by Chartered Engineer (Mechanical)
- h) Display of information prominently on the front of the project building/production area stating that the "Project is assisted by the O/o Development Commissioner-Handicrafts, Ministry of Textiles, Government of India".
- i) Any other condition which may be specified by O/o. Development Commissioner-handicrafts from time-to-time.

6. Implementation Schedule and Penalty

- 6.1. The implementation schedule for the project would be 18 months from the date of issue of the approval letter/sanction order for the financial assistance. No extension of time for implementation of the project will be given. In exceptional circumstances, for the reasons beyond the control of the promoter(s), the implementation period may be extended with the approval of the O/o DC Handicrafts.
- 6.2. In event of no progress is reported in the sanctioned project beyond 6 months for the date of issue of the approval letter/sanction order, the O/o DC Handicrafts reserves the right to withdraw approval accorded to the applicant.
- 6.3. In case of failure to operate the project for at least three years after commencement of commercial operation, the beneficiary shall return the entire grant-in-aid with interest @ 10% per annum.
- 6.4. In case of the failure of the beneficiary to refund the grant-in-aid amount with interest, in the event of non-implementation of the project as approved and / or utilization of the grant for purposes other than on the approved components, the due amount shall be recovered as an arrear of land revenue as per the relevant law in force.
- 6.5. In case of any dispute arising out of interpretation of any of the terms and conditions as contained in the Scheme Guidelines and/or Approval Letter, the interpretation and decision there on of O/o DC Handicrafts shall be final and binding.
- 6.6. The O/o DC Handicrafts may seek any clarification and/ or any document/ information at any stage of the project. The O/o DC Handicrafts reserves the right to modify the Scheme Guidelines or any other terms and conditions as contained herein.
- 6.7. If at any point of time, it comes to the notice of the O/o DC Handicrafts that the grant has been availed by manipulation/ concealment of information/ facts, the same shall be withdrawn immediately and the amount, if any, released shall be refunded along with interest at the rate of 10% per annum.
- 6.8. The assets created wholly or substantially out of the Government Grant shall not be disposed-off or encumbered or utilized for purposes other than those for which the grant has been sanctioned, without obtaining the prior approval of the O/o DC Handicrafts. In case of non-compliance of this condition, the beneficiary will be liable to

refund the grant with interest @ 10% per annum. In case of the failure of the promoter(s) to refund the grant-in-aid amount with interest, the due amount shall be recovered as an arrear of land revenue as per the relevant law in force.

- 6.9. User charges/hiring rates of the facilities created under the project will be placed in the public domain by uploading the same on the website of the project/organization. A copy of the same will also be made available to the O/o DC Handicrafts.
- 6.10. The beneficiary should be required not to sell the subsidized machinery (machineries procured out of GIA released) atleast for 5 (five) years.**
- 6.11. It is expected that the unit should atleast function for a minimum period of three (3) years. To monitor the functioning of the unit for three years the lending Bank / Financial Institution should keep the minimum re-payment period including moratorium atleast three (3) years.
- 6.12. In addition to the above, the beneficiary(s) of the completed projects will submit the following documents every year to the O/o DC Handicrafts for next three (3) years from the date of release of the approved grant:-
- a) Audited Annual Financial Statement of the entity showing balance sheet, profit & loss account, schedule and notes to accounts of the project.
 - b) Percentage capacity utilization of the upgraded production facilities.

7. Documents required for submission of application

7.1. Following documents are required to be submitted with the application:

- a) Detailed Project Report (DPR) in the prescribed template as at Annexure 2.
- b) In-principle or Final term loan sanction from the Bank/ Financial Institution.
- c) Certificate of incorporation/ registration of the applicant firm, Memorandum and Articles of Association in case of Company/ Bye laws of the Society, Co-operative, Self Help Group/ Registered partnership deed, etc.
- d) Bio-data/background/ experience of the project applicant(s).
- e) Annual reports and Audited Financial Statement of Accounts of the applicant firm/company/proprietorship/ partnership, etc. for last three years.
- f) Self attested English/ Hindi version of land documents in support of land title in the name of the applicant or land lease, duly registered with the competent authority for not less than the period of 20 years.
- g) Quotations from the suppliers of Plant & Machinery and equipment, etc. for the project.

8. Selection of Proposals for Financial Assistance

- 8.1. All proposals received against EoI will be scrutinized to ascertain prima-facie eligibility and Proposals found eligible will further be appraised/ evaluated by the O/o Development Commissioner (Handicrafts) for selection.
- 8.2. The proposals found prima facie eligible based on the basic eligibility criteria mentioned in para 3 above will be evaluated as per the following assessment criteria:
- a) Availability of appropriate land for setting up the proposed machinery and equipments
 - b) Credit-worthiness/ net worth of the applicant

- c) Term loan sanctioned by bank/FI for the proposed project
- d) No of artisans engaged by the applicant
- e) Overall experience in manufacturing and production of wooden and iron handicraft products
- f) Proposed investment in machinery and equipment

9. General terms

- 9.1. The O/o DC Handicrafts shall have the final say regarding eligibility or otherwise of the proposals and selection of proposals for grant-in-aid.
- 9.2. An annual audit will be conducted for all the completed projects by Competent Authority suggested government body
- 9.3. Submission of false information or concealment of information by IA shall attract penalty and / or legal action as decided by Competent Authority.

10. Procedure for Submission of Expression of Interest (EOI)

- 10.1. One sealed envelope continuing the Application/Proposal along with the supporting documents mentioned in para 7.1 above in CD along with two hard copies of the same duly sealed for submission to: The Development Commissioner (Handicrafts), Ministry of Textiles, Government of India, West Block-7, R. K. Puram, New Delhi-110 066. Tel: 011-26191569, Fax: 011-26163085. The envelope should be clearly marked '**Application for Technology Upgradation for Individual Exporters under Jodhpur Megacluster Scheme**'.
- 10.2. **The last date of submission of EOI, in sealed envelopes, to this office is _____ latest by 15.00 hrs, along with all supporting documents.**

11. Rights of Ministry of Textiles

- 11.1. The Ministry of Textiles reserves the right to accept / reject the proposals received without assigning any reasons whatsoever, or may call for any additional information / clarification, if so required.

12. Court Jurisdiction

- 12.1. This shall be subject to the exclusive jurisdiction of courts at Delhi/New Delhi

13. Miscellaneous

- 13.1. In case any further clarification or information is required following may be contacted:
 - Assistant Director (Megacluster), Office of the Development Commissioner (Handicrafts), Ministry of Textiles, Government of India, West Block-7, R. K. Puram, New Delhi-110 066. Tel: 011-26177790, Fax: 011-26163085, email : dchejs@nic.in, mailtodch@gmail.com
 - Mr Saurabh Dey, IL&FS Clusters, 2nd Floor, NTBCL Building, DND Flyway, Noida-201301. Tel: 0120-2459200, 09650560598, Fax: 0120-2459201, email:Saurabh.Dey@ilfsindia.com

Annexure 1- Details for Net worth Calculation

The net worth of applicant shall be calculated as follows:-

i. **In respect of Limited Companies:**

The net worth will be ascertained based on the paid-up share capital of the company and reserves created out of profits.

Revaluation reserves only in respect of land & building may be considered for ascertaining the net worth, which will be based on circle rates duly supported by circle rate notification. Such revaluation reserves shall also be reflected in forward going balance sheet of the company.

Share application money would be considered towards calculation of net worth provided the same has been converted into Paid up Capital within stipulated time as per Companies Act but, in any case, it should be converted into paid up capital before the approval is accorded to the project by the Ministry.

Loans and advances given to group companies/ related concerns/ individuals will not be considered towards computation of net worth.

A latest provisional balance sheet duly certified by the Statutory Auditor of the Company needs to be submitted for ascertaining the network.

ii. **In respect of Proprietorship/ Partnership firms, etc.**

The net worth of all entities other than companies will be ascertained on the basis of latest balance sheet of individual proprietor/partner(s) i.e. assets minus all liabilities, duly certified by the Chartered Accountant (CA). Following components would be considered towards net worth:-

Assets include cash, current value of investments, land and building (supported by valuation report at circle rate, circle rate notification and land ownership documents), Bonds, cash value of life insurance, current total balance of savings, current or fixed deposit accounts.

The aforementioned network components need to be supported by relevant documentation.

Shares of unlisted companies will be considered at face value for net worth and shares of listed companies will be considered based on the average market price of the share for a period of 6 months prior to date of submission of proposal.

Applicant may also include gold reserves, in form of jewellery and bullion, being currently held for computation of net worth.

Assets such as car, , antiques, etc. would not be considered for network.

Loans and advances given to group companies/related concerns/individuals will also not be considered towards computation of net worth.

The applicant(s) will have to give a self-certification regarding the details of the encumbrance of the property submitted by them towards the network.

Annexure 2- DRP format

A. Project Proposal:

- a) Executive Summary
- b) Applicant's composition and members' background
- c) Proposed Activities
- d) Manpower planning(including organization chart)
- e) Technological Considerations (e.g. selection of lab equipments & Production machinery, miscellaneous fixed assets details, etc.)
- f) Infrastructure details (e.g. land and site description, civil engineering and structural works details)
- g) Marketing and Liaison Plan
- h) Project Cost detailing
- i) Recurring expense detailing (for at least 5 years)
- j) Expected Revenue generation (for at least 5 years)
- k) Financial appraisal (Profit & loss statement, balance sheet, cash flow for 5 years, break even period, return on equity, etc.)
- l) Requirement of statutory clearances
- m) Project Implementation schedule
- n) Deliverables with objectively measurable targets (wherever possible)

- o) Benefits to cluster

B. Project Financials:

- a) Proposed Means of Finance:
 1. IA's share
 2. Funds required under CHCDS

C. Attachments to be furnished

1. Memorandum & article of association of Applicant
2. Ownership details of Applicants:
 - a. Incorporation details and documents
 - b. Registration Certificate with local Central Excise authority
 - c. Income Tax return for last financial year along with PAN number
 - d. Sales tax / VAT payment receipts for last financial year
 - e. Annual Report (latest financial year)
 - f. Audited financial statements (for last 3 financial years)
 - g. Any other document establishing the credential of the applicants
3. Certificate by a technical expert verifying / vetting the technical feasibility of the project

Note: The approval committee reserves the right to ask for any other supporting documents pertaining to the project report, if required
