

Frequently Asked Questions on Technology Upgradation Fund Scheme (TUFS)

1. Q : Where will I get details of the TUFS?

Ans : The guidelines of old TUF Scheme (01-04-1999 to 31-03-2007) and the modified TUF Scheme (01-04-2007 to 31-03-2012) are available on the website of the Office of the Textile Commissioner, i.e., www.txcindia.com. Circulars issued under the Scheme are also available on the website.

2. Q : What are the benefits available under TUFS?

Ans : Benefits available under the modified TUFS scheme (1.4.2007 to 31.3.2012) are as follows

- 5% interest reimbursement of the normal interest charged by the lending agency on Rupee Term Loan (RTL). However for spinning machinery the reimbursement will be four percentage points

or

- 5% exchange fluctuation (interest & repayment) from the base rate on Foreign Currency Loan (FCL). However, for spinning machinery the coverage will be 4%.

or

- 15% Margin Money Subsidy (MMS) for Small Scale Industry (SSI) sector.

or

- 20% Margin Money Subsidy (MMS) for powerloom sector.

or

- 5% interest reimbursement plus 10% capital subsidy for specified processing machinery, specified technical textile machinery and garmenting machineries.

3. Q : Whom can I contact to know the formalities involved under the Scheme ?

Ans : You may get all details about the Scheme from your lending agency. In case of further information you can also contact TUF Cell of lending agency. The addresses of the TUF Cell of lending agencies are given on the website of the Office of the Textile Commissioner separately. You may also contact TUF Cell of the Office of the Textile Commissioner, 4th Floor, 'C' wing, 48, New Marine Lines, Mumbai – 400 020 or its regional offices in case of any difficulty.

- In a nutshell, while submitting your application to the branch of the eligible lending agency you may mention in your application to cover it under TUF. The bank will sanction your application and submit the details in prescribed formats to their TUF Cell for determining the eligibility. If it is a nodal agency / nodal bank, they will determine the eligibility themselves and lodge the claim for subsidy with Office of the Textile Commissioner. If it is co-opted prime lending institution (PLI), they will forward it to their respective nodal agency for determining the eligibility.

4. Q : Which are the nodal agencies, nodal banks and co-opted PLIs under TUF ?

Ans :

- There are three nodal agencies under the scheme for different segments. IDBI Bank for Non-SSI sector , Small Industries Development Bank of India(SIDBI) for SSI Sector of textile industry and Industrial Financial Corporation of India Ltd. (IFCI) for jute industry. The nodal agencies determine the eligibility of their co-opted PLIs also in addition to their direct cases.
- There are 36 nodal banks under TUF. The nodal banks determine the eligibility of their directly assisted cases.
- The list of co-opted PLIs of IDBI Bank, SIDBI and IFCI are available on the website of this office i.e., www.txcindia.com.

5. **Q : Whether pending co-option as prime lending institution (PLI) of Nodal Agency, any Bank including Co-operative Bank can apply for 5% interest reimbursement subsidy under TUFS to Nodal Agency, if TUFS compatible projects are sanctioned by the Bank**

Ans : Only co-opted PLIs of nodal agencies under TUFS can apply for subsidy under TUFS.

6. **Q : If I don't take loan from the bank will I be eligible for capital subsidy ?**

Ans : It is a credit linked Scheme. Therefore entrepreneur has to take term loan from the eligible lending agencies for installation of benchmarked machinery to become eligible for TUFS benefit. However the capital subsidy is worked out on the eligible investment amount.

7. **Q : Whether there is any ceiling on capital and subsidy amount for availing benefit under 15% Credit Linked Capital Subsidy (CLCS)/Margin Money Subsidy (MMS) under TUFS ?**

Ans :

- **Under erstwhile TUFS (1.4.1999 to 31.3.2007) :** CLCS –TUFS was introduced from 1.1.2002 with 12% capital subsidy. This was increased to 15% from 13th January, 2005. The capital subsidy was available on the eligible investment amount under TUFS. The units are permitted to make new investment (eligible under TUFS) upto Rs. 1 crore or till the unit reaches SSI limit whichever is higher. Subsidy amount may be worked out accordingly.
- **Under modified TUFS (1.4.2007 to 31.3.2012) :** The eligibility of the SSI unit is subject to a capital ceiling of Rs.200 lakh and ceiling on margin money subsidy of Rs.15 lakh.

8. **Q : Which segments are covered under TUFS ?**

Ans : The scheme covers all the segments of the textile industry except manufacturing of synthetic fibre and filament yarn.

9. **Q : Whether only Rupee Term Loan (RTL) is permitted or Foreign Currency Loan (FCL) also permitted ?**

Ans : FCL availed from eligible lending agency under TUFS is eligible for benefits under TUFS for exchange rate fluctuation or forward cover premium limited to 5% except for spinning machinery, the coverage is 4%.

10. **Q : Whether External Commercial Borrowing (ECB) is permitted under TUFS ?**

Ans : ECB availed from overseas branch of an Indian bank / foreign bank having Indian branch (being co-opted PLI) is eligible for incentive prescribed for foreign currency loan under the Scheme.

11. **Q : Whether second hand machinery is eligible under TUFS ?**

Ans :

- Under erstwhile TUFS (1.4.1999 to 31.3.2007), many machines were covered. The details are given on our website. However, in the modified TUFS, only 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 with value cap of Rs. 8 lakh per machine and 10 years vintage and with a residual life of minimum 10 years is permitted.

12. **Q : How can I ascertain that my TUFS subsidy has been claimed by my bank?**

Ans : The information pertaining to details of TUFS beneficiaries are available on the web link 'TUFS beneficiary' on the website of the Office of the Textile Commissioner i.e. www.txcindia.com. The details can be accessed by selecting the formats (format 1 for 5%, format 2 for 10% and format 3 for 15%) , bank name, quarter ended & year and search for the name of the TUFS beneficiary from the report generated.

13. Q : How do I know whether my bank has received funds from the Government ?

Ans : The information pertaining to details of funds sanctioned by MOT are available on the web link '[Latest Fund Sanctioned by MOT to Lending agencies](#)' on the website of the Office of the Textile Commissioner i.e. www.txcindia.com.

14. With respect to Para 6 (vii) of GR on modified TUFS which states that the Scheme will provide interest subsidy/capital subsidy/Margin Money subsidy on the basic value of the machineries,

i. Q: Whether tax component represents sales tax / Value Added Tax(VAT) only?

Ans: The tax component represents excise duty, sales tax / VAT etc. including all state and central taxes wherever applicable

ii. Q: In case of imported machines, one has to incur custom duty, Counter - vailing Duty (CVD) and other duties. Whether such duties are to be included for computing the price of the machines?

Ans : In the case of imported machinery Cost, Insurance and Freight (CIF) price of the machine has to be considered. The import duties etc. are to be excluded for computing the price of the machines

iii. Q: Freight, clearing, insurance charges are incurred to bring the machines to the factory / place of installation. Whether such charges are includable or not?

Ans : Freight, clearing charges, insurance charges are not includible for computing the price of the machines.

iv. Q: Whether erection cost is included for the purpose of interest subsidy or not?

Ans : Erection cost is not eligible under TUFS, therefore not included for the purpose of interest subsidy.

- 15. Q: Clarification on eligibility for 10% capital subsidy under TUFS where loan has been sanctioned on 10th January, 2007, while the date of commercial production of first machine installed is 10th April, 2007?**

Ans: For determining the eligibility for capital subsidy for the eligible specified machinery the cut off date will be date of commencement of commercial production irrespective of the date of the sanction of the loan. The date of commencement of commercial production shall be certified by Chartered Engineer and Chartered Accountant.

- 16. Q: Other Investments stated at Para 3.3. 2) of the GR on modified TUFS will be eligible upto 25% of the cost of these Other Investments or 25% of the cost of main plant and machinery?**

Ans : Other Investments stated at Para 3.3. 2) of GR on modified TUFS will be eligible upto 25% of the cost of the main eligible machinery covered under various Annexures of GR on TUFS.

- 17. Q :Whether under consortium financing format T3 and due diligence certificate submitted through branches to the lead bank are acceptable under TUFS?**

Ans : Since branches sanction the loans and have full details of the term loan account, it is in order that T 3 and due diligence certificate issued by branches are accepted in such cases. Lead bank can however request the branches to send it through TUFS Cell of the respective banks.

- 18. Q: Whether machines imported only from European countries are permissible under TUFS?**

Ans : Under the scheme there is no restriction that machines imported only from European countries are permissible under TUFS. Machines eligible under TUFS can be imported from any country or can be sourced indigenously.

19. Q: Whether unit is eligible to avail the benefit of both the subsidies i.e. subsidy provided by the State Government and also the subsidy under TUFS ?

Ans : As per Para 3.9 of the GR on modified TUFS textile / jute units are permitted to avail of benefits of other schemes, in addition to TUFS, unless specifically provided otherwise.

20. Q : Whether unit engaged in processing of yarn, fabric and knit fabric, after availing 15% Credit Linked Capital Subsidy(CLCS)/Margin Money Subsidy (MMS) –TUFS and graduating to non-SSI category, can avail 5% interest reimbursement and 10% capital subsidy ?

Ans : It is clarified that after availing 15% CLCS-TUFS, for further investment unit can avail of 5% interest reimbursement plus 10% capital subsidy for specified processing machinery, provided the project is TUFS compatible.

21. Q : Whether 15% Credit Linked Capital Subsidy(CLCS)/Margin Money Subsidy (MMS)-TUFS can be claimed after claiming 20% CLCS/MMS-TUFS ?

Ans : Subsequent to availing of assistance under 20% CLCS units are not eligible again for 15% CLCS/MMS-TUFS. They can avail of 5% interest reimbursement for their subsequent expansion proposals.

22. Q : Whether Letter of Credit (LC) financing is eligible under TUFS ?

Ans: LC financing is not covered under TUFS. However, subsequent to its conversion to Rupee Term Loan / Foreign Currency Loan, the loan will be eligible for TUFS incentives.

- 23. Q : Eligibility of term loan sanctioned prior to 31.3.2007 for investment in main plant and machinery and term loan sanctioned after 31.3.2007 for second phase investment in Captive Power Plant under TUFS.**

Ans : Loan sanctioned prior to 31.03.2007 will be covered under erstwhile TUFS and loan sanctioned after 31.03.2007 will be treated as a second phase investment and covered under modified TUFS as per conditions specified in modified TUFS.

- 24. Q : What are the reference dates to be reckoned to work out vintage life of a machine?**

Ans : (1) Date of manufacture and (2) date of bill of entry are the two reference dates to be reckoned to work out vintage life of a machine. The formula being – date of bill of entry minus date of manufacture.

- 25. Q : In case date of manufacture is mentioned to be 1998, then what date to be reckoned as date of manufacture for working out vintage life ?**

Ans : 01-Jan-98 will be reckoned as date of manufacture to work out vintage life of a machine.

- 26. Q : How many takeovers of loans are permitted under TUFS ?**

Ans : 3 takeovers of loans are permitted under TUFS.

- 27. Q : What is the Minimum Economic Size (MES) for existing spinning units under TUFS?**

Ans : The MES for existing spinning units has been removed from 19th January, 2009. The existing spinning units may be covered under TUFS for modernisation / expansion subject to the TUFS norms of scrapping of old and obsolete spindles (as per TUFS norms, ring frames older than 15 years and backup machinery / equipment older than 20 years should invariably be scrapped).

28. Q : A unit approached a bank for Rupee Term Loan (RTL) in June 2005, after completion of the project in May 2005, by availing Suppliers' Credit for the machinery imported. Entire RTL is disbursed directly to be machinery suppliers by the bank after the credit period is complete. Whether such a RTL, sanctioned after completion of the project, can be covered under TUFS?

Ans : Yes, as the entire RTL has been directly disbursed to the machinery suppliers i.e. it not being in the nature of reimbursement of expenditure already incurred, such a RTL is eligible for the TUFS-benefits.

29. Q : A unit has been sanctioned Rupee Term Loan (RTL) in consortium comprising of 3 banks. While the unit is performing asset (PA) in the books of two banks, it turns non performing asset (NPA) with the third bank, mainly for working capital (WC) related problems. The third bank requests the first two banks not to make interest reimbursement to the unit in view of the company's overdues with the third bank. What do the two banks do?

Ans: The first two banks may make interest reimbursement to the company as the company's account is not having overdues in their books

30. Q : A unit approached a bank for Rupee Term Loan (RTL) in January 2005. It started implementing the project from February 2005. The project is complete in April 2005. The RTL is sanctioned in May 2005 by way of reimbursement of expenditure already incurred by the company. Whether the RTL is eligible to be covered under TUFS?

Ans: Yes, as the approach date is earlier than start date of the project (i.e. the date from which expenditure on the project has commenced)

31. Q : A unit has slipped into non performing asset (NPA) category. As per extant norms under TUFS, the TUFS-benefits have been stopped to it till the time it remains under NPA category. After it comes out of NPA category, it requests for restoration of the TUFS-benefits for earlier period also in r/o which it has not been paid the TUFS-benefits. What is the TUFS-eligibility angle, in this case?

Ans : The TUFS-benefits in respect of NPA-period are not permitted to be restored even after the unit turns performing asset.

32. Q : If I make default in repayment of loan for two quarters, whether my interest reimbursement will be stopped ?

Ans : Interest reimbursement will be stopped if the borrower becomes defaulter in the repayment of the loan for two quarters. However, if the repayment is resumed and default also made good within six quarters from the initial default, then the interest reimbursement will be restored covering the amount and period of default.

33. Q : If I restructure/ reschedule my loan whether benefit under TUFS will be continued ?

Ans : Interest reimbursement under TUFS would continue to be available during any extended / rescheduled period of repayment of loan not exceeding a maximum period of 10 years including two years of implementation and moratorium period, if such re-scheduling is accepted by the concerned nodal agency / co-opted agency.