

NASHIKIYA SAHAKARI VIKAS NIGAM
(NATIONAL COOPERATIVE DEVELOPMENT CORPORATION)
(TEXTILE DIVISION)

Gram :- COPCORP
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4, Siri Institutional Areas
Hauz Khas, New Delhi-110016.

No.NCDC: 1-1/87-Text

Dated :- 15.3.2000.

To,

1. The Secretary -in- charge of Cooperation,
Of Haryana, Karnataka, M.P., Punjab and Rajasthan.
2. The Secretary (Textiles)
Government of Maharashtra.
3. The Secretary in charge of Industries,
Govt. Of Andra Pradesh, Gujarat, Orissa and Tamilnadu.

Sub :- Centrally Sponsored Scheme for Cotton Growes Cooperative Spinning Mills extension in the scope of the scheme to provide assistance for Rehabilitation of sick Cotton Growers Coop. Spinning Mills reg.

Sir,

As you are aware, the National Cooperative Development Corporation has been implementing a Centrally Sponsored Scheme, since 1974-75, to provide investment loan to State Government for share capital participation in the establishment of new and expansion/modernisation of existing cotton growers cooperative spinning mills. Further NCDC extended and enlarged from 1996-97, the scope of the scheme to cover:-

- i) Assistance in the form of term loan to the existing growers, cooperative spinning mills for modernisation/diversification and expansion.
- ii) Allowing expansion of the existing capacity beyond 25000 spindles.

Margin money assistance to the existing Growers Cooperative Spinning Mills has also been brought within the ambit of the scheme. *ambit*

2. Due to reasons beyond control of the mill management like steep hike in cotton price incommensurate with yarn sales realisation, demand recession, sharp increase in the cost of input and other manufacturing and administrative overheads large number of spinning mills have become sick. In the cooperative sector ~~substantial number of cotton Growers Cooperative Spinning Mills have become~~

sick/are on the verge of sickness. For facilitating rehabilitation of sick/potentially sick industrial undertaking, at the instance of Government of India, the BIFR (Board of Industrial and Financial Reconstruction) has been constituted. However, the industrial undertaking organised in the cooperative sector are not covered under purview of BIFR. NCDC also did not have a scheme for rehabilitation/revival of sick cooperative spinning mills. Accordingly a scheme for revival of sick cooperative spinning mills under the Centrally Sponsored scheme for financial assistance to Growers Cooperative Spinning Mills has been formulated.

3. The rehabilitation scheme will be in the form of a package to be implemented subject to the willingness and participation of all the parties concerned jointly and several i.e. The State Government, NCDC, Financing Institutions including banks providing working capital and the beneficiary cooperative etc. The package will be considered /worked out on a case to case basis. However, the members would be required to meet, from their own resources, 5% of the rehabilitation cost. The package would broadly comprise of the following :-

- i) Term loan and investment loan through the State Government for modernisation, balancing equipments and expansion of capacity to minimum viable size, margin money and for amortisation of higher interest liabilities.
- ii) The financing Institutions may reschedule the loan, provide concession in interest, reduction in interest rate, waive penal interest/other penalties, additional margin/money working capital, special terms of repayment, provision of ways and means advance etc.
- iii) The State Government to provide guarantee for fresh loan, convert loan into equity, provide additional equity contribution, reschedule recovery, write off interest reduce interest rate, exempt from/deferment of charges, taxes, penalties, duties or provision of any other reliefs/concessions.
- iv) Norms/terms and conditions on various issues including induction of professional management, to be adhered to by the State Government/financing institution/Units/its employees.

4. The Central Government is expected to meet the funding at a concessional rate of interest through NCDC. The State Government and other participants would be required to make special allocation for meeting various components of the packages. If concessional finance/subsidy is made available by the Central Government, NCDC may lower the interest rate appropriately and pass on the subsidy accordingly.

Coverage of Units:-

5. Growers Cooperative Spinning Mills assisted by NCDC which have becomes sick may be considered with the following criteria:-

- D) Only those spinning mills which has been assisted by NCDC and where NCDC's assistance is Rs.5.00 crore and above will be considered under the scheme.
- II) The mills should have mill member linkage and should give preference for procurement of cotton from its grower members.
- III) For the purpose of considering any mill as sick, any one of the following should hold true:-
 A) The mill has been incurring cash losses continuously for the last 3 years.
 B) The mill is having accumulated losses leaving net worth negative;
- IV) The mill must not be closed for more than 2 years.
- V) Mills more than 10 years old will be considered for assistance towards revival including modernisation and those less than 10 years old will be considered only for revival.
- VI) The Government of the State in the which the mill is located should recommend the proposal along with a commitment to convert the outstanding loans. If any, into equity and waiver of interest.
- VII) Funds for revival would be routed through the State Government.
- VIII) In case of the cooperatives registered under the Multi State Cooperative Societies Act. Either one or more of the State Government (s) may route the assistance provided by NCDC.

6. Period of Loan :- The period of loan may depend on the type of assistance /repaying capacity of the unit on case to case basis, subject to maximum period of 10 years including moratorium, if any.

7. On being satisfied that the applicant cooperative fulfills the criteria for availing assistance under the scheme, the corporation would appoint a committee comprising of the officials of the concerned State Government, Financing Institutions involved, if any, and the society etc. The Committee would study the proposal in detail and, if found potentially viable, chalk out a package which will cover all aspects.

8. Enabling Committee :- A high powered committee comprising senior level representatives on State Government/financing institutions/management of the society would be set up to closely monitor implementation of the sanctioned package and recommend measure for speedy implementation.

9. The State Govt. Shall ensure timely provision of funds by instuting special arrangements including commensurate delegation of financial and administrative power to the appropriate authority in the State Government.

10. The State/UT Government may circulate the details of the scheme to the existing Cotton Growers Cooperative Spinning Mills in the State/UT. get suitable proposals formulated for availing assistance under the scheme and forward them to

NCDC for consideration at the earliest. It is also requested that adequate bid provisions be made wherever required for availing of the assistance from NCDC under the scheme.

Yours faithfully,
sd/-
(D.K.Chatterjee)

Copy to :-

1. The Secretary (A&C), Dept. Of A&C,
Ministry of Agriculture, Govt. Of India,
Krishi Bhavan, New Delhi.
2. The Joint Secretary, Ministry of Textiles,
Udyog Bhavan, New Delhi.
3. The Textile Commissioner, Ministry of Textiles,
P.B.No. 11500, Mumbai-400 020.
4. The Director of Handlooms & Textiles,
Andhra Pradesh, Karnataka, Maharashtra, M.P.,
Orissa, Tamilnadu.
5. The Registrar of Co-operative Societies,
Andhra Pradesh, Karnataka, Maharashtra, Tamilnadu,
Gujrat, Haryana, Punjab and Rajasthan.
6. The Commissioner of Textiles,
Govt. Of Karnataka.
7. The Director of Small Scale & Cottage Industries, Gujrat.

RASHRTIYA SAHAKARI VIKAS NIGAM
National Cooperative Development Corporation

D.No.NCDC/20-4/2000-Tex
3rd July,2000.

Dear Shri Joshi,

Please refer to your letter No.Sootagi-1200/CR-145/Tex.dated 26th June,2000 regarding financial assistance to the recommended Spinning Mills in the State Pattern of assistance and other terms and conditions applicable to the various categories is as under :-

1.NEW MILLS:-

NCDC's existing schemes for setting up of new spinning mills permits to provide investment loan to the State Government for equity participation in such projects only after term loan is tied up with the Financing institutions. The Corporation does not provide term loan assistance for establishment of new cooperative spinning mills.

NCDC provides investment loan to units proposed with around 25000 spindles since any capacity substantially less than that does not prove to be economically viable.

Spinning mills which have completed project upto 25000 spindles without state participation, NCDC may provide investment loan for equity participation of the State Government.

In this context, it may be mentioned that in case of open and Spinning Mills 2500 to 3500 rotors (depend upon average count) are equivalent to 25000 spindles.

II.MODERNISATION

The objective of the scheme will be encourage the existing units to overcome the backlog of modernisation and adopt improved and updated technology and methods of production and prevent technological obsolescence . The modernisation would broadly cover.

- I) Upgradation of process, technology and product-mix.
- ii) Renovation or replacement of plant and machinery.
- iii) Acquisition of balancing machinery for fuller and effective utilisation of Installed capacity.
- iv) Product diversification for export orientation.
- V) Energy saving.

The applicant cooperative eligible for modernisation assistance has to be in operation for at least 7 years. This condition may be relaxed in certain special cases depending upon the need of particular unit.

In order to ensure the national use of limited resources, the assistance under the scheme will be need bases and phased over a period of time. Assistance will be extended depending upon the applicant cooperatives financial strength (with positive net worth) post operallenal performanc, cooperative linkage and past credit record in repayment of loans etc.

The applicant cooperative shall prepare specific project report indicating both physical and financial requirement for modernisation and the proposal for assistance will have to establish the need for modernisation and benefits that accure by way of reduction in the unit cost of production, technology improvement, improve productivity both in terms of quality and quantity, better profitability etc. This will, among other, also include the benefits that will accure to the members.

III. EXPANSION :-

The objective of the assistance under the scheme in case of Growers Cooperative Spinning Mill will be encourage the existing units to help the cotton growers to fetch remunerative prices for their produce and in case of weavers Cooperative Spinning Mills to sugment and meet the existing gap in quality yarn supplied to the weaver members and their cooperatives, derive benefits by way of economy of scale and product diversification.

Assistance will be extended on selective basis depending upon the applicant cooperative financial strength (with positive net worth) past operational performance, cooperative linkages and past credit records in repayment of earlier loans. Phased capacity build up will be encouraged to ensure adequate and timely tie up of the required resources.

IV. REHABILITATION OF SICK SPINNING MILLS

a) Cooperative Spinning Mills organised by Growers

The scheme for rehabilitation of sick Growers' Cooperative Spinning Mills does not have a specific pattern, is need based and in the form of a package. In order to avail assistance under the scheme, the applicant mills should meet certain eligibility criteria stipulated in the scheme. A copy of the scheme is enclosed for ready reference.

b) Cooperative Spinning Mills organised by Weavers.

At present, there is no scheme for providing financial assistance for revival/rehabilitation of weavers spinning mills. These mills can avail assistance for

modernisation/expansion and margin money assistance only after their networth has been made positive by the State Govt. possibly converting the outstanding loan into equity/waiver of interest, etc., and other such measures.

2. The pattern of assistance for various purposes is enclosed at Table I to IV.

3. I hope the above information will serve your purpose.

with regards,

Yours sincerely,

sd/-
(A.Ramnathan)

Shri Jagdish Joshi,
Principal Secretary (Textiles),
Cooperation & Textile Deptt.,
Manrtalaya Annexe,
MUMBAI-400 032.

TABLE I

**COTTON GROWERS' COOPERATIVE SPINNING MILLS UNDER
CENTRALLY SPONSORED SCHEME**

(Percentage of block cost)

LEAST DEV/UNDER DEV. STATES/UTS.

From NCDC to S/G From S/G to Socy
ESTABLISHMENT OF NEW MILLS

30% of the project cost or 70% of the share capital contribution by the S/Govt. Whichever is less, as loan.

(7.5% Members contribution)

OTHER STATES/UTS

From NCDC to S/G From S/G to Socy.

20% of the project cost or 50% of the share capital contribution by the S/Govt. Whichever is less, as loan.

(10% members contribution)

MODERNISATION OF EXISTING MILLS

Term Loan	60.50	60.00	60.00	60.00
Investment	32.50	32.50	30.00	30.00
Loan	-----	-----	-----	-----
	92.00	92.50	90.00	90.00
	-----	-----	-----	-----

(7.5% members' contribution)

(10% members' contribution)

TABLE II

HANDLOOM WEAVERS' COOPERATIVE SPINNING MILLS
UNDER CENTRAL SECTOR SCHEME

(Percentage of block cost)

LEAST DEV/UNDER DEV. STATES/UTS.
From NCDC to S/G From S/G to Socy
ESTABLISHMENT OF NEW MILLS

Up to 75% of the States share capital contribution of 33.75% of the project cost as loan whichever is less, as loan

Share capital contribution to the extent of 50% of the project cost less stipulated members equity which should not be less than 5% of project cost.

OTHER STATES/UTS
From NCDC to S/G From S/G to Socy.

Up to 50% of the States share capital contribution of 22.50 % of the project cost as loan whichever is less.

Share capital contribution to the extent of 50% of the project cost less stipulated members equity which should not be less than 5% of project cost.

MODERNISATION OF EXISTING MILLS

Loan	90%	80%	90%	80%
Share capital	--	20%	-	20%
		(Inclusive of 10% S/G's own resources)		(Inclusive of 10% S/G's own resources)
		----- 100% -----		----- 100% -----

EXPANSION OF EXISTING MILLS

Loan	86.25%	60%	77.50%	60%
Share capital	--	35%	-	35%
		(Inclusive of 8.75% S/G's own resources)		(Inclusive of 17.50% S/G's own resources)
		----- 95% -----		----- 95% -----
		(5% members contribution)		(5% members contribution)

TABLE III

POWERLOOM WEAVERS COOPERATIVE SPINNING MILLS UNDER CORPORATION SPONSORED SCHEME

(Percentage of block cost)

LEAST DEV/UNDER DEV. STATES/UTS.
From NCDC to S/G From S/G to Socy
ESTABLISHMENT OF NEW MILLS

30% of the project cost or 70% of the share capital contribution by the S/Govt. Whichever is less, as loan.

42.5% loan

DEVELOPED STATES/UTS
From NCDC to S/G From S/G to Socy.

20% of the project cost or 50% of the share capital contribution by the S/Govt. Whichever is less, as loan.

40% share capital

MODERNISATION OF EXISTING MILLS

Loan	87.5%	80%	87.5%	80%
Share capital	--	15%	-	15%
		(Inclusive of 7.50% S/G's own resources)		(Inclusive of 7.50% S/G's own resources)
Society	--	5%	--	5%

EXPANSION OF EXISTING MILLS

Loan	82.75%	60%	75%	60%
Share capital	--	32.50%	-	30%
		(Inclusive of 9.75% S/G's own resources)		(Inclusive of 15% S/G's own resources)
Society		7.50%		10%

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TABLE IV

**MARGIN MONEY ASSISTANCE TO COOPERATIVE SPINNING MILLS
AND STATE COTTON FEDERATIONS**

<u>SCHEME</u>	<u>FROM NCDC TO STATE GOVT.</u>	<u>FROM STATE GOVT. TO SOCY.</u>
1. Central Sector Scheme- Weavers Coop. Spng. Mills.	100% of Margin Money Requirement	100% as share capital or long term lons.
2. Centrally Sponsored Scheme- Gowers Coop. Spng. Mills and State Cotton Fedns.	-do-	-do-
3. Corporation Sponsored Scheme- Powerloom Weavers Spng. Mills.	-do-	-do-

If it is loan the Interest rate should not be higher than that charged by NCDC to State Govt.

Note : The pattern is uniformly applicable to least/under developed and cooperatively developed States.

(C: Scheme Textile Folder/Spinning Folder)

Terms and conditions in respect of
Government Share Capital Contribution to
Cooperative Spinning Mills

GOVERNMENT OF MAHARASHTRA
Co-operative and Textile Department
Resolution No. SOOTGI 1197/CR 193/Tex-1,
Mantralaya Annexe,
Mumbai-400 032.

24th March, 1999.

- READ :
- 1) Government Resolution, Agriculture and Cooperation
Department No. SPM 1181/23551/8-C, dated the
30th January, 1992.
 - 2) Government Resolution, Cooperation and Textiles Department
No. Sootagi 1190/15474/CR276/TEX-1, dated the 1st June,
1992.

RESOLUTION: In modification of terms and conditions laid down in Government Resolution No Sootgi 1190/15474/CR 276/Tex 1, dated the 1st June 1992 Government is pleased to fix the revised terms and conditions for share capital contribution to the Cooperative Spinning Mills as indicated in the accompaniment to this Resolution.

By order in the name of the
Governor of Maharashtra.

sd/-

(J K MAGARE)

Under Secretary to Government.

To
The Director, Handlooms, Powerlooms and Textiles, Nagpur.
The Commissioner for Cooperation and Registrar of Cooperative Societies,
Maharashtra State, Plune.
The Divisional Joint Registrar of Cooperative Societies,
~~Mumbai/Pune/Nagpur/Aurangabad/Nasik/Amravati.~~
The Regional Deputy Director of Handlooms, Powerlooms and Textiles,
Mumbai/Nagpur/Solapur/Aurangabad.
All District Deputy Registrars of Cooperative Societies.

The Technical Director, Maharashtra State Cooperative Spinning Mills Federation
Limitd, Vakil House, Sprot Road, Ballard Estate, Mumbai- 38.

All Cooperative Spinning Mills (Under production and Under Erection).

The Accountant General-I, Maharashtra, Mumbai.

The Accountant General-II, Maharashtra, Nagpur.

The pay and Accounts Officer, Mumbai.

The Resident Audits Officer, Mumbai.

The Finance Department (BUD-2).

All India Federation of Coöperative Spinning Mills Ltd, Mumbai, 14 Murzeban
Road, Mumbai-1.

The Planning Department.

The Director of Insurance, M.S.Shaskiya Kuti No. 6 & 7, Free press Jurnal Marg.
Mumbai- 400 021.

Appointment to Government Resolution Cooperation and Textiles Department No. Sootgi /1197/CR 193 /Tex 1, dated the 24th March 1999.

Terms and conditions in respect of Government Share Capital contribution to the Cooperative Spinning Mills sanctioned in 8th Five year plan.

The Cooperative Spinning Mill will have to finalise the specifications of the plant and machinery and terms and conditions for the supply thereof from the suppliers of the machinery, in consultation with the State Advisory Committee for Cooperative Spinning Mills in regard to the placing of orders for the plant and machinery or as directed by the Director of Handlooms, Powerlooms and Cooperative Textiles, Maharashtra State, Nagpur.

The Mill shall abide by the production pattern prescribed in the Cotton Textiles Control or any other order of the Central and /or State Government issued from time to time.

The State Government reserved its right to finally approve the location and define the area of operation of the mill.

The Spinning Mill shall create a special class of fully paid up shares known as " Redeemable Preference Shares " which shall be issued to the Government of Maharashtra. These shares shall be redeemable after 20 years from the date of contribution or earlier if the General Meeting of the Spinning Mills so desires, and shall have preferential right as to return of capital in winding up.

The Mill shall credit to the Consolidated Fund of the state on or before 31st March of every year 1/15th of the total share capital contribution by Government to the mill, commencing from the financial year in which falls the date of completion of a period of 5 years from the commencement of commercial production or the date on which the last installment of Government share capital was paid, whichever is later. The Mill should be very punctual in crediting the annual contribution to the Consolidated Fund so that the redemption of the Government share capital can take place after all the 15 installments are so credited. IN case of failure by a cooperative spinning mill to credit amounts as specified above to the consolidated Fund of the State and to pay dividend declare so far to Government a penal interest @ 12% p.a. will be charged. The Director Handlooms, Powerlooms and Textiles shall initiate appropriate action against the spinning mill.

6. The Government shall have right to issue necessary instructions in the public interest as regards sale of yarn that may be produced by the mill and the mill shall be bound to comply with such instructions.
7. The mill shall issue share certificates for the shares issued to Government within a period of 6 months from the date of receipt of Government share capital contribution failing which the entire amount of share capital would be liable to be called back.
8. The mill shall not issue any debenture or contract any loans or otherwise para-wise exercise its borrowing power except with the previous sanction of the registering authority.
9. The mill shall not declare dividend in excess of 4% p.a. Government share capital is redeemed. However, the Government may allow the mill to declare dividend at a rate exceeding 4% even before the Government share capital is fully refunded.
10. The Mill shall credit into Government, on the amount invested in the share capital of the mill, within a period of 3 months from the date of declaration of the dividend under intimation to the Director, Handlooms Powerlooms and Textiles and the District Deputy Registrar, Cooperative Societies of the District. The dividend due but not credited to Government till the date of the order shall also be credited forthwith.
11. The mill shall not refund any portion of the share capital of its members, unless the share capital subscribed by Government is fully repaid, without prior approval of the registering authority.
Provided however, that in the case of a member society which is subsequently taken in to liquidation, the share capital can be refunded earlier subject to such terms and conditions as the registering authority may lay down.
12. The Mill shall not invest its funds in the shares of other institutions Cooperative or other than cooperative without permission of the registering authority.
13. All the appointments of the employees of the mill in posts carrying basic pay of Rs.2500/- or total emoluments of Rs. 4000/- and above shall be subject to the approval of the registering authority. ~~The appointment of the Chief Executives or the mill such as Managing Director, Spinning Master, Engineer and Secretary and the terms of such appointments shall however, be subject to prior approval of the registering authority.~~

14. The mill shall reserve, for backward class candidates, post to the extent of the percentage of the total strength of employees as may be fixed by Government from time to time. The terms backward class shall consist of four sections as given in Government Resolution, General administration Department No. BCC1064/111-J, dated the 8th April, 1975, or any other directive that will be issued from time to time.
15. The appointment of the labor and the staff of the mill as provided in the project report shall not be exceeded without prior permission of the registering authority.
16. The advice of various committees formed or that will be formed by Government shall be strictly adhered to by the mill.
17. The mill shall have to become a member of the federal or State body as designated by the registering authority and abide by guidelines issued by that body from time to time.
18. The mill shall abide by such terms and conditions as would be issued by the registering authority, from time to time for better running of the mill.
19. If required by the Accountant General, Maharashtra the accounts with all relevant papers of the mill will be produced for inspection by him.
20. Registering authority shall have the right to direct the mill to invest its surplus funds in organisation that may be established for the development of agro bases industries in the cooperative fold and the mill shall abide by such directives.
21. The mill will merge in to another mill or permit other mill to be merged into it, if so directed by the registering authority.
22. Breach of any of these conditions will entitled Government to call back the share capital and the mill shall have to repay the same.
23. The mill shall amend its bye-laws, so as to give effect to these conditions, before utilising Government share capital.
24. The cooperative spinning mills shall place its entire General Insurance Business with the Directorate of Insurance , Maharashtra State, Government barracks No. 8 & 6, Free Press Journal Marg, Mumbai-400 021 only and

with no other Insurance Company right from the marine storage-cum-Erection Insurance Policy required during the erection of the soot girni.

While entering into a contract with the suppliers for supply of machinery and erection of spinning mills, the soot girni should incorporate a condition in the contract that the Marine cum- storage-cum-Erection Insurance Policy be taken out by the suppliers from the Government of Insurance fund, Maharashtra State, Government Barracks, No. 8 & 6, Free Press Journal Marg, Mumbai-400 021 only and from no other insurance company.