

Guidelines for Integrated Development of Leather Sector sub-scheme of Indian Footwear, Leather & Accessories Development Programme

1. Objective

The present sub-scheme is aimed at enabling tanneries, footwear, footwear components, leather goods and accessories, leather garments, harness & saddlery manufacturing units to upgrade themselves leading to productive gains, right-sizing of capacity, cost cutting, design and development and employment generation including simultaneously encouraging entrepreneurs to diversify and set up new units in the areas as specified.

2. Eligibility Criteria

2.1 All existing units in the Leather, Footwear and Accessories industry including tanneries, leather goods, saddlery, leather footwear, non-leather footwear and footwear component sector having cash profits for 2 years, undertaking viable and bankable programmes on technology up-gradation on or after 1st January, 2016 are eligible for assistance. With a view to attract investment into the sector, the assistance for establishment of new units would also be provided. Assistance to units would be considered only if the project is appraised to be bankable and viable by bank providing loan in case of loan cases and by bank in which the unit has a working capital account in case of self- finance case.

2.2 Application for assistance under IDLS sub-scheme will be considered only if they are accompanied by the EPFO registration details of their existing employees, pre investment, along with plan for minimum employment generation, post investment as in para-2.5 below.

2.3 Modernization programmes of the units funded by Scheduled bank of the applicant as well as those programmes undertaken by existing manufacturing units from their own resources will be eligible for assistance.

2.4 Financial assistance under the Scheme shall be considered for such projects in which the loan has been sanctioned by Banks/FIs or required funds have been made available and machinery has been purchased for installation under the present guidelines. The assistance would not be provided for second hand machinery as the scheme is essentially to support the modernization and technology upgradation of the units.

2.5 The expansion projects in manufacturing units or setting up of new manufacturing units should lead to:

- (i) Minimum 250 new jobs for every Rs. 1 crore investment in Footwear / Garment / Saddlery unit or on pro rata basis depending upon the level of investment;

- (ii) Minimum 350 new jobs for every Rs. 5 crore investment in Tannery Unit or on pro rata basis depending upon the level of investment;
- (iii) Minimum 150 new jobs for every Rs. 1 crore investment in Component / Accessory Unit or on pro rata basis depending upon the level of investment;
- (iv) Demonstrable increase in unit value realization and /or;
- (v) Production capacities and /or;
- (vi) Better compliance of pollution control norms.

2.6 New eligible units would be considered for assistance under the scheme only on submission of the copy of all the required registration, NOCs from all concerned Government Department for setting up of the unit, and when the factory building is ready for installation of plant and machinery.

3. Scope of the Scheme

3.1 The Steering Committee notified by the Department would lay down the list of items which would be admissible for assistance under the sub-scheme for technology upgradation of units.

3.2 The Steering Committee would finalize the list of the plant and machineries in following types of units by way of replacement of existing machineries and/or expansion or new purchases for setting up of new units which will be eligible for coverage under the sub-scheme:

- i. Modernization of tanneries
- ii. Modernization of footwear & footwear components units
- iii. Modernization of leather product and accessory units
- iv. Modernization of Harness & saddlery units

3.3 Steering committee may seek the advice of National institutions for considering any other activity not listed above and machines not specified in the list finalized for inclusion under Modernization scheme provided that they lead to visible and viable improvements leading to technology up gradation and employment generation. Similarly, the Steering Committee may delete any activity / list of machineries on the advice of expert institutions.

3.4 Existing units/new units would have the option to go for single or multiple activities as mentioned above with overall assistance limit as mentioned at para-4 below.

3.5 Steering committee shall take a view on applications for modernization based on

- a) Fair and equitable assistance to first time applicants and

b) Competitive merit of the applicant as evidenced by financial appraisals by FIs/Banks and technical appraisal.

3.6 The Empowered Committee notified by the Department under the Chairmanship of Secretary of the Department would lay down internal monitoring mechanism and evolve a criteria for prioritizing the cases to be considered for sanctioning under this sub-scheme.

4. Quantum and Nature of Assistance

4.1 The financial assistance under the Scheme will be investment grant to the extent of 30% of cost of plant and machinery to Micro, Small & Medium Enterprises (MSMEs) and 20% of cost of Plant and Machinery to other units for technology up-gradation /modernization and/ or expansion and setting up a new unit subject to a ceiling of Rs.3.0 crore for each product line. Investment grant would also be available to units investing their own resources. The cost of up-gradation/setting up new units under the scheme will include:

- Bill value of machinery
- Sales and excise tax/GST,
- Transportation and transit insurance cost,
- Import related duty.
- Installation and commissioning charges including civil and electrical work restricted to 5% of total landed cost of machine.

4.2 Consolidated proposal for all product lines subject to requirement, can be submitted together along with commensurate employment generation plan.

4.3 While determining the grants, any grants availed in previous five year plans would also be taken into consideration and evaluation of previous record should be done by the concerned PIU while assessing the application.

5. Implementation Mechanism

5.1 Administrative and Monitoring Setup

5.1.1 The implementation agency for the sub-scheme would be called the Project Implementation Unit (PIU) of the Integrated Development of Leather Sector (IDLS) sub-scheme. In view of larger scope of the sub-scheme PIU will function from two centres one at CLRI, Chennai for tanneries and other at FDDI, Noida for footwear, footwear components, leather goods & garments, saddlery and accessory units.

5.1.2 The release of assistance to the units would be through a scheduled bank.

5.1.3 The PIUs i.e. FDDI & CLRI would be paid fees for their services maximum of @1% of the total GOI assistance approved by the Steering Committee for their appraised cases. Concerned banks would also be paid fees for their services as disbursement agency maximum of @ 0.5% of the total GOI assistance released by them to the approved units.

5.1.4 Awareness programmes would be held at various places to disseminate information about the scheme as and when considered necessary by the Steering Committee out of the schematic outlay available for these sub-schemes during the period.

5.1.5 The Steering Committee shall have mandate to ensure effective implementation of the scheme, its scope would be to lay down procedures for implementation of the scheme, decide list of plant and machineries and normative prices for standard plant and machineries required for the modernization programme, accord sanction of financial assistance from Government, monitor and follow up disbursal of financial assistance from Government to the industrial units.

5.1.6 Both the PIUs (FDDI and CLRI) would also be responsible for ensuring setting up of the projects sanctioned by the Steering Committee through an active interface with scheduled banks, manufacturing units and Government. The PIUs would also visit the unit for verifying the installation as per amount released to each unit by Scheduled banks, and submit report to DIPP.

5.1.7 An online workflow application may be put in place for applications, processing fund releases and monitoring outcomes, which may also capture to Udhog Aadhaar, UID, PAN, GSTIN, EPFO Registrations.

5.1.8 Outcomes under the sub-scheme should be laid down in terms of production and employment generation along with an effective monitoring mechanism.

6. Other Terms & Conditions:

6.1 The scheduled bank will get an agreement executed on behalf of Govtment of India with the industrial unit prior to disbursement of financial assistance. Financial assistance will be released by the scheduled banks concerned only on arrival of machines at site and after execution of the agreement on behalf of the Government of India and will be limited to 30% and 20% of the cost of machines (for micro, small & medium enterprises and other enterprises respectively as stated in the terms of agreement) subject to a ceiling of Rs 3.0 crore for each product line.

6.2 The Government financial assistance cannot be utilized for purposes other than for which it has been sanctioned. The amount released by the Government cannot be

utilized towards adjustment of default in repayment of principal and payment of interest by the borrower.

6.3 After completion of the modernization programme, the industrial unit will be required to submit a completion certificate to scheduled bank, PIU and DIPP (in the format to be decided by the Steering Committee).

6.4 From the date of completion, up to two years, the industrial unit availing the Government financial assistance will be required to submit operational and performance details including employment generation in form (as prescribed by the Steering Committee) to concerned scheduled bank and PIU. PIU would appraise the Steering Committee of the same.

6.5 In case the industrial unit becomes non-operational within two years of the receipt of Government financial assistance, it will be liable to refund the financial assistance availed, along with the interest to be charged from the date of closure till the date of refund at the prime lending rate of scheduled bank (as the case may be). In case of non-compliance, the Bank concerned will take necessary legal action.

6.6 In case at any time it is found that financial assistance from Government has been availed of on the basis of any false information, the industrial unit shall be liable to refund the amount of Government financial assistance, along with interest to be charged, from the date of disbursal to date of refund. The rate of interest shall be the prime lending rate of the Bank concerned at the time of invoking this penal clause.
