

## **Guidelines for Integrated Development of Leather Sector sub-scheme of Indian Leather 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 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 and Leather Products industry including tanneries, leather goods, saddlery, leather footwear and footwear component sector having cash profits for 2 years, undertaking viable and bankable programmes on technology up-gradation on or after 1<sup>st</sup> January, 2011 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 loan account in case of self- finance case.

2.2 Modernization programmes of the units funded by nationalized bank as well as those programmes undertaken by existing production units from their own resources will be eligible for assistance.

2.3 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 shown to be made available and order for purchase of machinery has been placed 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.

2.4 The project should lead to:

[i] Demonstrable increase in unit value realization and / or

[ii] Production capacities and / or

[iii] Better compliance of pollution control norms.

2.5 New eligible units would be approved 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 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. 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 for micro and small enterprises and 20% of cost of plant and machinery for other units for technology up-gradation /modernization and/ or expansion and setting up a new unit subject to a ceiling of Rs.2 crore for each product line. Investment grant would also be available to units investing their own resources. For the purpose of this scheme, the definition of micro and small enterprises industry would be the same as notified by the Government on the date of sanction of the project. The cost of up-gradation/setting up new units under the scheme will include:

- Bill value of machinery
- Sales and excise tax,
- 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 line subject to requirement can be submitted together.

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 and other at FDDI, Noida for tanneries, footwear, footwear components, leather goods and garments and saddlery.

5.1.2 The release of assistance to the units would be through a nationalized 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 disbursement 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 sanctioned projects of the Steering Committee through an active interface with nationalized banks, leather units and Government. The PIUs would also visit the unit for verifying the

installation as per amount released to each unit by nationalized banks, and submit report to DIPP.

**6. Other Terms & Conditions:**

6.1 The nationalized bank will get an agreement executed on behalf of Government of India with the industrial unit prior to disbursement of financial assistance. Financial assistance will be released by the nationalized 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 and small enterprises and other enterprises respectively as stated in the terms of agreement) subject to a ceiling of Rs.2 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 nationalized 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 in form (as prescribed by the Steering Committee) to nationalized 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 nationalized 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 disbursement 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.

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