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Report of the Comptroller and Auditor General of India

on

Technology Upgradation Fund Scheme

Union Government
Ministry of Textiles

Report No. 52 of 2015

(Performance Audit)

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Contents

Preface

This report of the Comptroller and Auditor General of India has been prepared for submission to the President of India under article 151 of the Constitution. It contains the results of Performance Audit on Technology Upgradation Fund Scheme (TUFS) of Ministry of Textiles.

The Government of India (GoI) introduced 'TUFS' in 1999-2000 to provide a focal point for modernization efforts through technology upgradation in the Indian Textile Industry, which occupied a unique position in the Indian economy in terms of its contribution to industrial production, employment and exports. The scheme was subsequently modified in 2007 (Modified TUFS), 2011 (Restructured TUFS) and 2013 (Revised Restructured TUFS).

The scheme was implemented by Financial Institutions identified by the GoI and was a reimbursement scheme providing benefits to Textiles units in the form of Interest Reimbursement, Capital Subsidy and Margin Money Subsidy. Ministry of Textiles released ₹ 18,580.45 crore as subsidy for the TUFS during 1 April 1999 to 31 March 2014.

The nature of the scheme, substantial financial outlay and large number of beneficiaries made this an ambitious scheme. Audit was undertaken to get an assurance that the objectives of the scheme were achieved.

Executive Summary

EXECUTIVE SUMMARY

The Government of India (GoI) introduced Technology Upgradation Fund Scheme (TUFS) in 1999-2000 to provide a focal point for modernization efforts through technology upgradation in the Indian Textile Industry, which occupied a unique position in the Indian economy in terms of its contribution to industrial production, employment and exports. The scheme was subsequently modified in 2007 (as M-TUFS[1]), 2011 (as R-TUFS[2]) and 2013 (as RR-TUFS[3]).

At the Government of India level, the Ministry of Textiles (the Ministry) was the apex authority responsible for administration of the scheme. Ministry has appointed Office of the Textile Commissioner, Mumbai (TxC) as its nodal agency for implementing the TUFS. The scheme was further implemented by Financial Institutions identified by the GoI and was a reimbursement scheme providing benefits to Textiles units in the form of Interest Reimbursement, Capital Subsidy and Margin Money Subsidy. All claims for the scheme, processed by Financial Institutions (FIs), are routed through the TxC. The TxC collates and forwards these claims to the Ministry for issue of sanction and release of funds. The Ministry released ₹ 18,580.45 crore as subsidy for the TUFS during 1 April 1999 to 31 March 2014.

As per data provided by the office of the Textiles Commissioner, Mumbai, there were 22,998 beneficiaries who had got their loans sanctioned between 1 April 2007 to 31 March 2014. Audit selected a sample of 3,231 cases out of these beneficiary units. The sample selected for audit, covered beneficiaries' cases pertaining to M-TUFS as well as R-TUFS. Performance Audit was undertaken to assess whether management of claims under TUFS was in accordance with relevant guidelines and requirements. The period of Performance Audit of the scheme was from 1 April 2007 to 31 March 2014, covering seven major States, namely, Andhra Pradesh, Gujarat, Madhya Pradesh, Maharashtra, Punjab, Rajasthan and Tamil Nadu.

[1] Modified Technology Upgradation Fund Scheme
[2] Restructured Technology Upgradation Fund Scheme
[3] Revised Restructured Technology Upgradation Fund Scheme

HIGHLIGHTS

The audit findings have been categorised under the following broad headings:

(i) Planning (ii) Implementation, and (iii) Monitoring and evaluation.

Planning

Non-availability of baseline data

Audit observed that no documents were available in the Ministry indicating:

- availability of baseline data about the magnitude of problem of obsolescence of machineries in Textile Industry when the scheme was proposed for continuation in 2007 (for M-TUFS) and 2011 (for R-TUFS);
- reasonable level of upgradation identified / benchmarked, to be achieved through various phases of the scheme i.e. scheme before 2007, M-TUFS and R-TUFS; and
- quantum and degree of modernisation achieved under various phases of the scheme.

(Para 3.1.1)

Shortfall in achievement of targets identified in XI Five Year Plan

- As against the investment target of ₹ 1,50,600 crore, investments of only ₹ 1,31,228 crore were attracted during the XI Five Year Plan. The shortfall in attracting investments was inspite of increase in financial allocation from ₹ 10,273 crore to ₹ 15,404 crore.
- Plan allocation for M-TUFS period and processing of TUFS claims were not being done segment-wise. Segment–wise monitoring was not provided for in the Scheme.

(Para 3.1.2)

Committed liabilities[4]

Unreliable estimates of committed liability (M-TUFS)

In the memorandum for Expenditure Finance Committee (EFC) of M-TUFS, while presenting its case for fund requirements for XI Five Year Plan, an amount of

[4] Generally, Textile projects under TUFS were eligible, for a period of 10 years, for getting subsidy on repayments of its loan. The Ministry takes the responsibility of disbursing TUFS eligible subsidy for a maximum period of 10 years which is referred to as 'committed liability' by the Ministry.

₹ 2,761.10 crore was reflected as committed liabilities. Ministry neither had beneficiary-wise and bank-wise details of aforesaid committed liabilities of ₹ 2,761.10 crore nor the payments details of the said committed liabilities.

(Para 3.1.3.1)

Unreliable estimates of committed liability (R-TUFS)

- Ministry was entirely dependent on FIs' data which was varying constantly. As a result, Ministry could not properly estimate the amount of committed liabilities during XI Five Year Plan. The budget allocation, which was meant for entire XI Five Year Plan, was nearly exhausted by 28 June 2010 with the result the scheme was paused from 29 June 2010 to 27 April 2011.
- In order to firm up committed liabilities as recommended by EFC, TxC compiled the data furnished by FIs and arrived at the committed liabilities of ₹ 5,432 crore for the balance period of XI Five Year Plan i.e. upto 31 March 2012. However, there appeared to be no mechanism for gaining assurance on the accuracy of the amount of the committed liabilities submitted by FIs.
- Audit observed that the Ministry neither had beneficiary-wise details of approved committed liabilities of ₹ 5,432 crore nor had beneficiary-wise disbursement there against.

(Para 3.1.3.1)

Recommendations:

1. While designing the scheme in future, Ministry should assess segment wise magnitude of problem of obsolescence in the industry and set the benchmarks to be achieved.
2. Ministry may also consider segment-wise monitoring of the scheme to keep a close watch on progress of each segment.
3. Ministry should maintain its own data of beneficiary-wise committed liabilities.

Implementation

- Extending subsidy to ineligible beneficiaries (₹ 46.96 crore in 129 cases in six States)

(Para 3.2.1)

- Extending subsidy to ineligible investments (₹ 52.87 crore in 193 cases in seven States).

(Para 3.2.2)

- Excess payment made to beneficiaries (₹ 6.42 crore in 40 cases in seven States).

(Para 3.2.3)

- Delay in crediting subsidy (in 172 beneficiaries' accounts in six States there was a delay of 1 to 1509 days).

(Para 3.2.4)

- Keeping funds in non-interest bearing accounts (₹ 4.77 crore in Gujarat were not kept in interest bearing accounts by seven disbursing branches of five FIs).

(Para 3.2.5)

- Though TUFS is a reimbursement scheme, Audit observed that in 2009-10, an amount of ₹ 121.45 crore was refunded by the FIs on account of either excess subsidy claimed or subsidy paid to ineligible beneficiaries. Such instances were seen in the other financial years also, which indicated lack of proper scrutiny of claims of the beneficiaries by the FIs.

(Para 3.2.6)

Recommendations:

4. Ministry may instruct FIs for strengthening their due diligence mechanism to avoid recurrence of aforesaid implementation issues in future.
5. Ministry may also consider instituting checks at its end to ensure that the FIs are exercising proper due diligence so that subsidy is passed on to eligible beneficiaries/investments.

Monitoring and evaluation

Minimal monitoring of implementation of scheme

Monitoring of the working of FIs' system of processing of claims, by the Ministry was weak. The monitoring is dependent solely upon FIs' audit set up and their monitoring mechanism.

(Para 3.3.1)

Mechanism to check compliance of instructions by FIs

- As per the sanction letters of TUFS subsidy, the FIs/bank would maintain:
  - subsidiary accounts of the funds received from the GoI; and
  - a register of the details of beneficiary to whom subsidy was given.

  It was also provided that the amount paid to FI, would remain open for inspection by the GoI (Ministry) / Chief Controller of Accounts (CCA) whenever required.
- Audit observed that prior to 2014, mechanism of inspection was not used.

(Para 3.3.2.1)

Inclusion of Black out period cases in List-II

Projects / term loan sanctioned during Black Out period (29 June 2010 to 27 April 2011) were not eligible for benefits under TUFS. Audit observed that cases in List-II, which was defined to contain only those cases where TUFS project scrutiny and determination of eligibility had been completed but installments of TUFS subsidy had not been released, approved by the Ministry included 19 cases which were pertaining to Black Out period.

(Para 3.3.3)

Non-fulfilment of commitments

Ministry has the important task of taking mid-course corrections whenever and wherever required and fulfiling of commitments made in the Government Resolutions (GRs) as well as in the documents for appraisal / approval of the scheme. However, in various instances noticed by Audit, Ministry did not fulfil its commitments.

(Para 3.3.4)

Monitoring lapses on the part of Inter-Ministerial Steering Committee (IMSC)

- Audit observed that only two meetings of IMSC were held during 39 months of operation of M- TUFS.
- IMSC had to lay down norms for a monitoring and appraisal mechanism for effective implementation of the scheme. However, Audit observed that no separate norms have been laid down by the IMSC.

(Para 3.3.5)

Monitoring lapses on the part of Technical Advisory cum Monitoring Committee (TAMC)

- Audit observed that only five meetings against 13, as per requirement of frequency of meetings mentioned in the GR, were held in 39 months of operation of M-TUFS.
- As per GR of R-TUFS, TAMC was to monitor the progress of Margin Money Subsidy (MMS) @ 15 *per cent* under TUFS for small scale textile and jute units. Audit observed that minutes of various TAMC meetings did not indicate monitoring of the progress of MMS @ 15 *per cent* under TUFS for small scale textile and jute units.

(Para 3.3.6)

Recommendation:

6. Ministry should activate its monitoring mechanism so as to take mid course corrective action, if needed.

Chapter 1 - Introduction

1.1 Background

Indian textile industry occupied a unique position in the Indian economy in terms of its contribution to industrial production, employment and exports. In spite of a strong fibre and production base, for various historical reasons, this industry suffered from severe technological obsolescence and lack of economies of scale[1].

Thus, it was felt by the Government to introduce a focussed and time-bound Technology Upgradation Fund Scheme (TUFS), hereinafter referred to as 'scheme', to provide a focal point for modernization efforts through technology upgradation in the industry. Hence, the scheme was launched in 1999-2000 by the Ministry of Textiles, hereinafter referred to as 'Ministry'. The scheme was subsequently revised in 2007, 2011 and 2013. The Ministry released ₹ 18,580.45[2] crore as subsidy for the TUFS during 1999-2000 to 2013-14.

1.2 Salient features of TUFS

1.2.1 Technology Upgradation Fund Scheme

The scheme was introduced in 1999 to catalyze investments in all the sectors[3]/segments[4] of textile and jute industry by way of Interest Reimbursement (IR)[5]/ Capital Subsidy (CS)[6] on purchase of scheme eligible machineries/items [7] as identified by the Ministry, on loans obtained from approved Nodal Agencies and Nodal Banks, hereinafter referred to as 'Financial Institutions' (FIs). The scheme was implemented with interest reimbursement on the interest actually charged by the approved financial institutions or/and Capital Subsidy at rates prescribed for different sectors/segments. Details of the scheme eligible machineries/items were published by the Ministry through Government Resolution (GR) and

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1 By which average cost of production falls as the volume of output increases

2 ₹ 2,315.18 crore released from April 1999 to March 2007 and ₹ 16,265.27 crore released from April 2007 to March 2014

3 Small Scale Industry (SSI) and Non-SSI

4 Spinning, Weaving, Knitting, Processing, Garmenting etc.

5 A part of interest reimbursed by GoI out of the interest charged by approved FIs on loan obtained by beneficiary for purchase of TUFS eligible items

6 Subsidy paid as a percentage of cost of machinery and for which both SSI and Non-SSI units are eligible

7 Captive Power Plant, Effluent Treatment Plant, Energy Saving Devices etc.

subsequent circulars issued by the office of the Textile Commissioner, Mumbai, hereinafter referred to as ‘TxC’[8].

The scheme was initially approved for a period of five years from 01 April 1999 to 31 March 2004, which was subsequently extended upto 31 March 2007. The main feature of the scheme was allowing five *per cent* interest reimbursement for a maximum period of 10 years. Since the Ministry takes the responsibility of disbursing TUFS eligible subsidy for a maximum period of 10 years, this is referred to as ‘committed liability’ by the Ministry.

The Government observed that the scheme witnessed varied benefits to the various segments of the textiles sector. The spinning and composite segments of the textiles sector had derived maximum benefits whereas the segments like processing, garmenting, powerlooms etc. which were the weak links in the textiles value chain, had not realized the potential for modernization.

1.2.2 Modified Technology Upgradation Fund Scheme (M-TUFS)

In order to provide scheme benefit to weak sectors and on recognizing the potential of garmenting and technical textiles[9], the Government modified the scheme for continuation in the XI Five Year Plan (2007-2012). Additional support in the form of 10 *per cent* CS (besides 5 *per cent* IR) was provided to garmenting and technical textiles segments in M-TUFS. Further, some more changes[10] in the scheme were also made and a component i.e. Margin Money Subsidy (MMS)[11] was introduced in the modified scheme (M-TUFS). M-TUFS remained in operation during the period from 01 April 2007 to 28 June 2010.

1.2.3 Black Out period

On the direction of the Ministry, an evaluation study of the M-TUFS was carried out by M/s CRISIL Research in July 2010. The study revealed that the benefits were still not uniform across the segments, with the processing and powerloom segments emerging as major areas of concern. The evaluation study recommended that TUFS may be completely restructured. Accordingly, Government took a policy decision to restructure the scheme. Thus, the M-TUFS was discontinued till approval of modification in it and process of

[8] A subordinate office under Ministry of Textiles

[9] Technical textiles are functional fabrics that have applications across various industries including automobiles, civil engineering and construction, agriculture, healthcare, industrial safety, personal protection etc.

[10] The rate of IR on spinning machinery reduced to 4 *per cent* from earlier *5 per cent*, all other segments under the existing scheme continued to get 5 *per cent* IR; CS and IR to be paid only on basic value of machineries excluding taxes and duties etc.

[11] Subsidy paid as a percentage of cost of machinery and for which only SSI units are eligible

issuance of new sanctions under the scheme was stopped from 29 June 2010. The scheme remained discontinued upto 27 April 2011. This 10 months period is known as 'Black Out' period.

1.2.4 Restructured Technology Upgradation Fund Scheme (R-TUFS)

As mentioned in Para 1.2.3 above, the scheme (M-TUFS) was restructured and the period of restructured scheme i.e. R-TUFS was from 28 April 2011 to 31 March 2012[12] with an overall subsidy cap[13] of ₹ 1,972 crore for new sanctions. With a view to ensure that all segments get their due share in TUFS benefits, share of subsidy for different segments was fixed i.e. 26 *per cent* for spinning, 13 *per cent* for weaving, 21 *per cent* for processing, 8 *per cent* for garmenting and 32 *per cent* for others. The major features of R-TUFS were as follows:

- providing 5 *per cent* IR except for standalone spinning machinery where the IR was 4 *per cent*;
- reducing the repayment period of loan for the purpose of subsidy under TUFS to 7 years from 10 years (in M-TUFS); and
- enhancing the capital ceiling for powerloom segment for MMS.

The scheme in its R-TUFS form was extended for the first year of the XII Five Year Plan[14] i.e. upto 31 March 2013.

1.2.5 Revised Restructured Technology Upgradation Fund Scheme (RR-TUFS)

The Government decided to further continue the scheme for the textiles and jute industries as RR-TUFS with effect from 01 April 2013 to 31 March 2017. However, Audit did not cover this scheme as no releases were made under this scheme upto March 2014.

Salient features of M-TUFS & R-TUFS have been given in ***Annexure 1***.

[12] Which was further extended upto 31 March 2013

[13] Ministry decided to put an overall subsidy cap for new sanctions to address the problem of open ended nature of the existing scheme as no mechanism existed to control future committed liabilities.

[14] 2012-2017

1.3 Organizational set up for the scheme

The organizational set up for planning, implementation and monitoring of the scheme is shown in Figure 1.

Figure 1

Ministry of Textiles (Ministry)

- Planning: Policy formulation of the scheme
- Implementation: Release of funds to FIs after receipt of claims from TxC
- Monitoring and Evaluation of scheme

Office of the Textile Commissioner, Mumbai (TxC)

- Implementation framework
- Co-ordination with the Ministry and FIs i.e. Nodal Agencies/ Nodal Banks
- Processing and forwarding of subsidy claims, of FIs to the Ministry

Financial Institutions

- Financing the projects and examining eligibility of project components under the scheme
- Processing and forwarding the quarterly subsidy claims of beneficiaries to TxC
- Monitoring the subsidy claims
- Crediting the subsidy into accounts of beneficiaries

1.4 Roles of various entities in the scheme

1.4.1 Ministry of Textiles

The Ministry of Textiles is the administrative Ministry for implementation of the scheme. It formulates policies, issues sanctions, releases the subsidy and monitors the scheme.

1.4.2 Office of the Textile Commissioner (TxC)

TxC acts as the principal technical advisor to the Ministry. TxC also implements and monitors various developmental and promotional schemes of Ministry. It is the nodal agency for implementing the TUFS. All claims (i.e. for IR, CS and MMS) for the scheme, processed by Financial Institutions, are routed through TxC. TxC collates and forwards these claims to the Ministry for issue of sanction and release of funds. In respect of MMS cases where beneficiary directly approaches TxC, it also processes (in M-TUFS and R-TUFS) their claims, issues sanctions and releases the subsidy.

1.4.3 Financial Institutions: Nodal Agencies and Nodal Banks

Nodal agencies finance the project, examine the eligibility of cases from TUFS angle and act as link between the beneficiary units and the Ministry for availing benefits under the scheme. The approved nodal agencies under the scheme for different segments are as follows:

Segments	Nodal Agencies
Textile Industry (excluding Small Scale Industries Sector)	Industrial Development Bank of India Limited (IDBI)
Small Scale Industries (SSI) Textile Sectors	Small Industries Development Bank of India (SIDBI)
Jute Industry	Industrial Finance Corporation of India (IFCI)

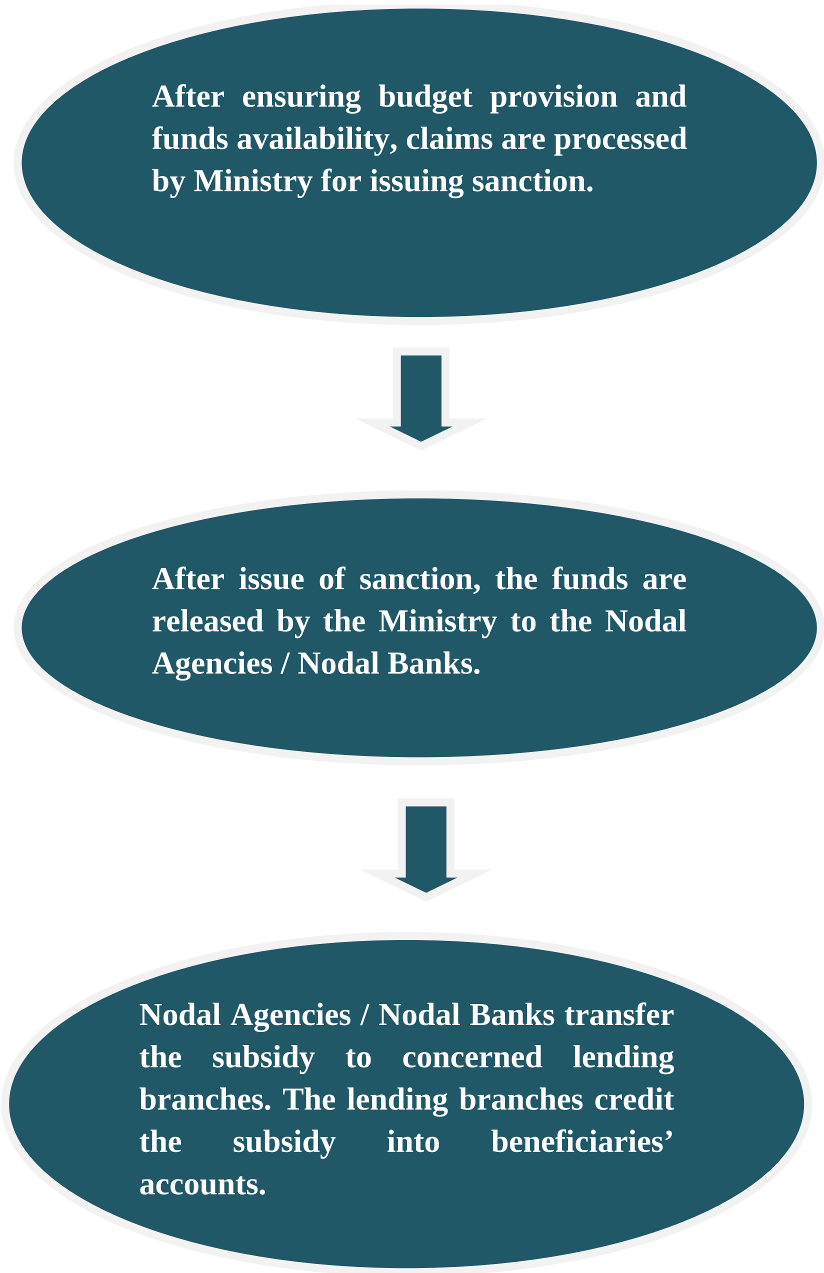
The nodal agencies also appoint other Institutions / State Financial Corporations / State Industrial Development Corporations and Commercial / Cooperative Banks in the scheme for sanction and disbursement of loan so as to have a better reach.

Besides three nodal agencies, 36 banks (detailed in ***Annexure 2***) were also appointed as nodal banks under the scheme. The nodal banks determine the eligibility and release the scheme benefit in respect of all the cases financed by them.

1.5 Mechanism for release of TUFS subsidy

1.5.1 Mechanism for release of subsidy under the scheme is given below:

Figure 2



1.5.2 Requirements for issue of sanction and release of subsidy

The scheme prescribes the following conditions which are required to be fulfilled by FIs before sanction is issued and subsidy is released by the Ministry:

- submission of UCs by FIs to the Ministry in prescribed formats before submission of their next claims;
- submission of beneficiaries' unit-wise data by the FIs in the formats prescribed by the TxC;
- maintenance of separate bank accounts by all FIs for receiving funds under the scheme;
- balance amount available with the FIs is to be indicated and the interest accrued thereon is to be credited to the account opened for the purpose; and
- interest accrued to the FIs under the scheme is to be deposited every quarter by the FIs to the Pay and Accounts Office, Ministry of Textiles.

1.6 Monitoring of scheme

Scheme is monitored through Inter-Ministerial Steering Committee and Technical Advisory cum Monitoring Committee.

1.6.1 Inter-Ministerial Steering Committee

Ministry had constituted Inter-Ministerial Steering Committee (IMSC), under the Chairmanship of Secretary[15] Ministry of Textiles, for laying down policies, norms and guidelines on a macro basis for operationalising the scheme. The functions of the IMSC were to:

- lay down norms and guidelines for operationalising the scheme, including details such as period of repayment, margin money requirements etc.;
- periodically review the functioning of the scheme to assess the direction and extent to which the objectives of the scheme had been fulfilled and provide directions for an effective implementation of the same;

[15] From RR-TUFS Minister of Textiles was the chairman of the IMSC.

- take/suggest necessary corrective measures;
- appoint ad-hoc committees to advise in the effective implementation of the scheme;
- meet at least once in a quarter during the first year of the implementation of the scheme and at least once in six months thereafter, or as often as necessary; and
- keep the Government apprised of the direction and extent of the implementation of the scheme.

1.6.2 Technical Advisory cum Monitoring Committee

For effective implementation and monitoring of the scheme, Technical Advisory cum Monitoring Committee (TAMC) was formed under the chairmanship of Textile Commissioner. Besides technical advisory functions, functions of the TAMC were to:

- review the progress of the scheme and critically analyze the operation thereof, at a macro level and sort out administrative and operational bottlenecks; and
- keep the IMSC apprised of the direction and extent of the implementation of the scheme.

1.7 Financial Outlay

During 01 April 1999 to 31 March 2007, Ministry released an amount of ₹ 2,315.18 crore to the scheme beneficiaries. Year-wise Budget Estimates, Revised Estimates and Subsidy released by Ministry for the scheme from 2007-08 to 2013-14 are given in Table 1.

Table 1 : Year-wise Budget Estimates, Revised Estimates and Subsidy released by Ministry from 2007-08 to 2013-14

(₹ in crore)

Year	Budget Estimates	Revised Estimates	Subsidy released
2007-08	945.00	1,185.37	1,143.37
2008-09	1,140.00	2,843.61	2,632.00
2009-10	3,140.00	3,073.84	2,885.98

2010-11	2,400.00	2,900.00	2,784.18
2011-12	3,100.00	3,700.00	2,937.82
2012-13	2,914.00	2,323.03	2,151.34
2013-14	2,400.00	1,952.56	1,730.58
Total	**16,039.00**	**17,978.41**	**16,265.27**

Chapter 2 - Audit Framework

2.1 Audit Mandate

The Performance Audit on Technology Upgradation Fund Scheme was carried out under Section 13 of Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

2.2 Audit Objectives

The performance audit was conducted with a view to ascertain whether:

- Ministry had data to assess current and projected future needs of technology upgradation of Indian Textile Industry at the time of scheme continuation in 2007 (M-TUFS) and in 2011 (R-TUFS);
- Ministry had assessed subsidy requirement properly for achieving the technology upgradation targets and had got resources/funds for it;
- Due amount of subsidy had been disbursed for investments eligible under the scheme; and
- Ministry had established a system for effective monitoring to keep watch on implementing agencies of the scheme and followed it.

2.3 Audit Scope and Coverage

From the details of financial outlay of the scheme, mentioned in Para 1.7 above, it is evident that substantial amount of funds have been released during 01 April 2007 to 31 March 2014. Therefore, the period of 01 April 2007 to 31 March 2014 was covered in this Performance Audit. A sample of 3,231 beneficiaries’ cases was selected for audit during September 2014 to May 2015.

As per data available with the Ministry, funds were released to beneficiaries across 20 States and 5 Union Territories. For conducting Performance Audit of the scheme, beneficiaries from seven States i.e. Andhra Pradesh, Gujarat, Madhya Pradesh, Maharashtra, Punjab, Rajasthan and Tamil Nadu, were selected in the audit sample, as the data available with the Ministry reflected that these were the major beneficiary States under the scheme.

2.4 Sources of Audit Criteria

Audit criteria for the Performance Audit were drawn from the following:

- Government Resolutions (GRs) issued for the scheme;
- circulars issued by Ministry / TxC from time to time for implementation of the scheme;
- documents pertaining to formulation of scheme, release of subsidy to FIs, details of interest, penal interest, subsidy refunds etc. maintained in the Ministry;
- documents available with the FIs and TxC in respect of TUFS beneficiaries indicating their eligibility and receipt of subsidy under the scheme;
- agenda and minutes of various meetings of IMSC and TAMC; and
- documents pertaining to monitoring of the scheme maintained in the Ministry, and TxC.

2.5 Audit Methodology and Sampling

The following methodology for conducting Performance Audit was adopted:

2.5.1 Entry and Exit conference

An entry conference with the Ministry, TxC and representatives of FIs was held on 03 September 2014 in New Delhi. Thereafter, audit was conducted in the Ministry, TxC and in the branches of FIs in seven States for audit of selected beneficiaries' cases and audit observations were issued. To discuss the audit findings, exit conferences were held in the seven States with the representatives of FIs.

Thereafter, a consolidated Draft Performance Audit Report on TUFS was issued to the Ministry on 19 May 2015 for which response was received from Ministry on 8 July 2015 and an Exit conference was held on 9 July 2015 with the Ministry in New Delhi wherein major audit findings included in the consolidated Draft Performance Audit Report were discussed. Additional set of Audit Observations, as discussed during the Exit conference were issued to the Ministry on 21 July 2015. On 20 October 2015 the Ministry forwarded responses of the

FIs. Thereafter, draft final performance audit report was issued to Ministry on 30 October 2015 for which response was received on 20 November 2015. The replies of Ministry have been duly considered while finalising the Audit Report.

2.5.2 Audit Sample

As per data provided by TxC, there were 22,998 beneficiaries' cases who had got their loans sanctioned between 01 April 2007 to 31 March 2014. Audit selected sample from these beneficiary units. The sample selected for audit, covered beneficiaries' cases pertaining to M-TUFS as well as R-TUFS. While selecting the sample, efforts were made to have a representative sample considering the segments, sectors (SSI and non-SSI) and types of FIs (Commercial and Co-operative FIs). State-wise sample selected and audited in the Performance Audit is given in Table 2.

Table 2 : State-wise sample selected and audited in the Performance Audit

State	Beneficiaries' cases for which audit was taken up	Beneficiaries' cases for which records were produced to audit by FIs	Beneficiaries' cases for which records were not produced to audit by FIs
Andhra Pradesh	183	180	03
Gujarat	1,306	1,101	205
Madhya Pradesh	55	54	01
Maharashtra	627	579	48
Punjab	402	300	102
Rajasthan	150	137	13
Tamil Nadu	508	480	28
Total	**3,231**	**2,831**	**400**

2.6 Acknowledgement

Audit wishes to acknowledge the co-operation received from the Ministry, Office of Textile Commissioner and Financial Institutions during the audit process. Audit would also like to place on record its appreciation for the efforts made by the Ministry for taking immediate corrective measures in respect of audit observations.

Chapter 3 - Audit Findings

The audit findings have been categorised under the following broad headings:

(i) Planning (ii) Implementation, and (iii) Monitoring and evaluation.

3.1 Planning

3.1.1 Requirement of baseline data and relevant targets

Magnitude of problem to be addressed is at the core of the formulation of any scheme. Once the magnitude of problem has been identified, the next step is that of designing the scheme according to priorities decided by the Government in short-term / long-term perspectives. Thereafter, relevant targets / benchmarks are identified for evaluating scheme performance. These targets / benchmarks are set to resolve the problem by providing scheme benefits to the intended beneficiaries within the scheduled time frame.

In the above context, availability of relevant baseline data is a prerequisite for identifying the magnitude of the problem to be resolved. For this, there should be a mechanism to collect / analyse baseline data. Besides, collection of baseline data, information / data in respect of benchmarks identified for evaluating the success / impact of the scheme also need to be collected. In the above background, Audit observations are as follows:

Non-availability of baseline data

(a) Audit observed that no documents were available in the Ministry indicating:

- availability of baseline data about the magnitude of problem of obsolescence of machineries in Textile Industry when the scheme was proposed for continuation in 2007 (for M-TUFS) and 2011 (for R-TUFS);
- reasonable level of upgradation identified / benchmarked, to be achieved through various phases of the scheme i.e. scheme before 2007, M-TUFS and R-TUFS;
- results of any study in 2007 and 2011 by Ministry to envisage number of Textiles machinery, along with amount of investment and subsidy, required for different segments and sectors in succeeding period in any decided time frame (5 years, 10 years, etc.), to achieve the desired level of upgradation; and

- quantum and degree of modernisation achieved under various phases of the scheme.

(b) Textile Commissioner also wrote (June 2014) to the Ministry that:

- supporting data of exact degree of modernisation achieved and gap in sector-wise modernisation was not available
- no records about the details of beneficiaries and the quantum and type of benefit availed were available. Government had no data base about the TUFS except for the total number of beneficiaries and subsidy released and the quantum of investment taken place.
- limited computerization had taken place from 2011 onwards under R-TUFS which was limited to the project cost and quantum of subsidy to the individual units. The details of machinery installed and quantum of modernization taken place was not covered. No efforts had been taken to build a data base covering modernisation that had taken place and extent of backlog in modernisation in the industry and its different segments.
- at no point of time any verification had taken place about the beneficiary or the machineries installed and it would be difficult to say that the subsidy had gone to the real beneficiary and to the genuine cause as per the objective of the scheme.

The Ministry, while replying to the audit observation on non-availability of base line data, stated (March 2015) that beneficiary-wise data was not available. In the proposed development of software for TUFS, attempts are being made to capture this data also. It further stated that since inception of the scheme in 1999, three studies of the scheme had been conducted and they had indicated about the modernisation that had taken place in the textile industry.

Audit, however, noticed that all the three studies referred to by the Ministry were silent on the issue of magnitude of problem of obsolescence and reasonable level of upgradation identified / benchmarked, to be achieved through various phases of TUFS. There was no record with the Government to indicate that the objective of removal of technological obsolescence and attainment of economies of scale was achieved.

Ministry stated (July 2015 and November 2015) that suggestions of audit have been noted and accordingly data related to the exact degree of modernization and gap will be monitored in future through the recently developed software i-TUFS. Data relating to new machinery is also being captured in the i-TUFS.

3.1.2 Shortfall in achievement of targets identified in XI Five Year Plan

Audit observed that in XI Five Year Plan (2007 to 2012) financial allocation of ₹ 10,273.10 crore for the scheme was sought by the Ministry for propelling targeted investment to the tune of ₹ 1,50,600 crore. Segment-wise investment targets and incremental physical targets set under scheme in XI Five Year Plan are given in Table 3.

Table 3 : Segment-wise investment targets and incremental physical targets

Sl. No.	Segment	Investment Target (₹ in crore)	Incremental Physical Target
1	**Spinning**	50,200	29.25 million Spindles
2	**Weaving**	20,200	1,08,850 Shuttleless looms
3	**Knitting**	2,400	9,400 Knitting machines
4	**Processing**	56,000	38.48 billion square meter Continuous processing
5	**Garmenting**	21,800	14.50 lakh Stitching machines
	Total	1,50,600	-

Against the required allocation of ₹ 10,273.10 crore, Plan outlay of only ₹ 8,000 crore was approved in 2007 (M-TUFS) that too without any indication of proportionate reduction in investment targets. Audit noticed that Cabinet Committee on Economic Affairs (CCEA), subsequently, enhanced (March 2011) the allocation from ₹ 8,000 crore to ₹ 15,404 crore for entire XI Five Year Plan.

Audit noticed that against the investment target of ₹ 1,50,600 crore, the scheme was able to attract investments amounting to ₹ 1,31,228 crore[16] only during the XI Five Year Plan.

[16] As indicated in the CCEA note of August 2013

Audit also observed that Ministry had not made any provision in the scheme to ensure segment wise monitoring of the scheme with regard to allocation of subsidy, investment as well as achievement of physical targets.

Had there been such provision, Ministry could have timely identified the lagging segments for taking remedial measures as per need. In the absence of data relating to segment specific allocation of funds, segment-wise actual expenditure / subsidy, segment-wise actual investment and segment-wise physical achievement in the Ministry, Audit could not ascertain as to how the Ministry evaluated the achievement of segment-wise targets which were set while approving M-TUFS in 2007. Ministry assured (July 2015 and November 2015) that requirements of monitoring of segment-wise physical achievements is noted and will be taken care of in future.

3.1.3 Committed liabilities

Normally, Textile projects under TUFS were eligible for a period of 10 years for getting subsidy on repayments of its loan. Accordingly, Ministry takes the responsibility of disbursing TUFS eligible subsidy for a maximum period of 10 years only which is referred to as 'committed liability' by the Ministry.

3.1.3.1 Unreliable estimates of committed liability

(a) Audit noticed that in the memorandum for Expenditure Finance Committee (EFC) of M-TUFS, while presenting its case for fund requirements for XI Five Year Plan, an amount of ₹ 2,761.10 crore was reflected as committed liabilities. This committed liability for XI Five Year Plan was in respect of the projects sanctioned upto 31 March 2007. Audit noticed that neither the beneficiary-wise nor the bank-wise details of the committed liabilities of ₹ 2,761.10 crore were available in the Ministry. Audit further noticed that Ministry also did not have details of beneficiary-wise as well as bank-wise payments made against the said amount of ₹ 2,761.10 crore.

Ministry replied (July 2015) that it did not have the data of committed liabilities called for by the Audit.

(b) EFC reviewed the scheme in June 2010 and recommended for firming up of committed liabilities and pausing the scheme till the approval of CCEA. EFC noticed that the expenditure incurred in the first three years of XI Five Year Plan along with the Budget Estimate for the 4th year (2010-11) of XI Five Year Plan had already exceeded the XI

Five Year Plan outlay. This was mainly due to large number of applications for getting subsidy under the scheme and committed liabilities of previous years.

With a view to firm up committed liabilities as recommended by EFC, TxC compiled the data furnished by FIs (which was FI-wise and not beneficiary-wise) in respect of liabilities pertaining to loans sanctioned upto 28 June 2010 which worked out to ₹ 5,432 crore. CCEA approved (March 2011) the said committed liabilities of ₹ 5,432 crore for the balance period of the XI Five Year Plan i.e. upto 31 March 2012. Thereafter, Government restructured the scheme (April 2011) and renamed it as R-TUFS wherein it was decided that Textile Commissioner would ringfence (i.e. to limit) the committed liabilities in respect of loans sanctioned during 1 April 1999 to 28 June 2010. In this ringfencing exercise, TxC called (April 2011) for the information on the committed liabilities from the FIs under the scheme. IMSC in its first meeting (August 2011) stated that FIs have furnished the revised data and increased the total committed liabilities from ₹ 5,432 crore to ₹ 8,289 crore for the XI Five Year Plan. IMSC viewed this increase in the committed liabilities seriously and asked FIs to conduct an enquiry into the matter and submit beneficiary-wise detailed claims, for loans sanctioned upto 28 June 2010, by the end of August 2011.

Thereafter, IMSC in its second meeting (October 2011) noted that effective ringfencing was proving difficult and FIs were frequently revising the data. Audit noticed that total committed liabilities were shown in this meeting as ₹ 7,410.90 crore as against ₹ 8,289 crore mentioned in first meeting of IMSC as stated above.

However, total committed liabilities finally approved by CCEA were ₹ 6,336 crore only. This included committed liabilities of ₹ 5,432 crore approved in March 2011 and ₹ 904 crore approved in August 2013. Thus, in the absence of beneficiary-wise firmed up data relating to future committed liabilities, the Ministry was entirely dependent on FIs which kept on changing the amount of committed liabilities.

Ministry stated (March 2015) that only FI-wise details of the committed liabilities was available and beneficiary-wise details of committed liabilities of ₹ 5,432 crore were not available.

In this connection, Audit observed that:

- consequent to non-maintaining of its own data, Ministry could not properly estimate the amount of committed liabilities during XI Five Year Plan. The budget allocation, which was meant for entire XI Five Year Plan, was nearly exhausted by 28 June 2010 with the result the scheme was paused from 29 June 2010 to 27 April 2011. Hence investments made during this period became ineligible for benefits under the scheme.

- no mechanism or system was devised or provided for by the Ministry for gaining assurance on the amount of the committed liabilities submitted by FIs. In the absence of such system, the possibility of inclusion of ineligible claims, cases of blackout period and overpayments to the beneficiaries cannot be ruled out.

Ministry stated (March 2015) that it was in the process of finalizing selection of two professional agencies to undertake the work of evaluation and reconciliation of data relating to committed liabilities cases and blackout period cases. Ministry further stated (July 2015) that year-wise requirement of account-wise subsidy for the cases sanctioned under M-TUFS, R-TUFS and RR-TUFS period are available for XII Five Year Plan (2012-2017) onwards. Ministry's reply proved the audit point that there was no mechanism in the Ministry, during the XI Five Year Plan, to ensure that the amount of subsidy pertaining to a particular beneficiary was released to that beneficiary only.

Besides, in the Exit conference, held in July 2015, Ministry advised TxC to take necessary steps for maintaining financial discipline on the issue of committed liabilities.

Recommendations:

1. While designing the scheme in future, Ministry should assess segment-wise magnitude of problem of obsolescence in the industry and set the benchmarks to be achieved.
2. Ministry may also consider segment-wise monitoring of the scheme to keep a close watch on progress of each segment.
3. Ministry should maintain its own data of beneficiary-wise committed liabilities.

3.2 Implementation

3.2.1 Extending subsidy to ineligible beneficiaries

The eligibility criteria of a beneficiary under the scheme had been defined in the GR of November 2007 (M-TUFS), GR of April 2011 (R-TUFS) of the Ministry and circulars issued by the TxC from time to time.

In delivering the benefits of the scheme, the FIs were responsible for ensuring that only those beneficiaries who met qualifying conditions were extended the due benefits of the scheme. Accordingly, all the FIs were required to prepare quarterly claims of beneficiaries eligible under the scheme. The claim was to be forwarded to TxC after verification and authentication by designated officers of the FIs. Every effort was to be made to eliminate inclusion of ineligible beneficiaries. FIs were also required to certify the correctness and integrity of the claims of beneficiaries.

Nonetheless, audit scrutiny revealed that out of sample of 2,831 beneficiaries' cases examined, in 129 cases in six States, subsidy amounting to ₹ 46.96 crore was released to ineligible beneficiaries. These beneficiaries were found to be ineligible on account of:

- submission of suspected Bills of Entries by the beneficiaries as proof of purchase of TUFS eligible imported machineries for claiming subsidy under TUFS. The importer name and assessable value mentioned in the Bills of Entries submitted did not match with the records of Customs department and in some cases no such Bills of Entries numbers were allotted by Customs department;
- non-compliance of condition for availing of MMS i.e. a) unit should at least function for a minimum period of three years under the same ownership from the date of disbursement of subsidy, and b) FI should keep the minimum repayment period including moratorium period as three years;
- purchase of machineries from suppliers who were not manufacturers in contravention of the provisions of 15 *per cent* MMS which states that the SSI entrepreneur would release its contribution of 15 *per cent* directly to the machinery manufacturer;
- beneficiary units not traceable;

- machineries on which TUFS subsidy was claimed, not found in the custody of beneficiaries; and
- non-submission of claims by FIs within the prescribed time limit stipulated by TxC through its circulars.

State-wise summary of cases of ineligible beneficiaries is given in ***Annexure 3***.

3.2.2 Extending subsidy to ineligible investments

Eligible investments, to be covered under the scheme, were explicitly detailed in the scheme guidelines i.e. GRs. In addition, clarifications were also issued from time to time regarding eligible investments i.e. types of machinery eligible for TUFS subsidy, other investments eligible, investments made within cut off dates, etc. and determination of eligible investment under certain conditions.

Besides, the release of funds under TUFS had been linked to the submission of data by the FIs in the formats prescribed by the TxC. These formats contained actual TUFS related specifications of the plant and machinery / equipment proposed under the project. The funds were not to be released until the unit-wise data in the prescribed format was submitted to the TxC.

Nonetheless, audit scrutiny revealed that in sample of 2,831 beneficiaries' cases, in 193 cases in seven States, subsidy amounting to ₹ 52.87 crore was released on TUFS ineligible investments. These investments were found ineligible on account of claiming subsidy on:

- machineries which were not eligible for TUFS subsidy as per provisions contained in GRs;
- taxes and duties included in the value of machineries purchased - the Scheme provided Interest subsidy / Capital subsidy / Margin Money subsidy on the basic value of the machineries and excluded the tax component for the purpose of valuation;
- land and factory building in case of segments other than eligible segments i.e. apparel and handloom segment - the Scheme (M-TUFS) stipulated that investments in land and factory building, preliminary and pre-operative expenses and margin money required for working capital in case of apparel and handloom segment was eligible to the extent of 50 *per cent* of the total investment in plant and machinery in the said segments; and

- machineries purchased before sanction of loan - as per the provisions contained in GRs, machines purchased on or after approach date (M-TUFS) and on or after date of sanction of term loan (R-TUFS) were eligible for TUFS subsidy under the scheme.

State-wise summary of cases of ineligible investments is given in ***Annexure 4***.

3.2.3 Excess payment made to beneficiaries

The actual amount of subsidy that should be passed on to a beneficiary depends upon his eligible investments in identified sector and segments. Audit scrutiny of beneficiaries' cases revealed that in some cases the calculation of the due subsidy was not done properly in terms of the scheme guidelines. In an audit sample of 2,831 beneficiaries' cases, in 40 cases in seven States excess payment of subsidy amounting to ₹ 6.42 crore was made to the beneficiaries. This excess payment was made on account of calculating TUFS subsidy:

- at uniform rates for all the TUFS eligible investments for different segments / sectors instead of at differential rates of subsidy for different segments / sectors. The scheme provided a reimbursement of five percentage points on the interest charged by the lending agency on a project of technology upgradation. However, for the spinning machinery the reimbursement was 4 *per cent* (M-TUFS). Whereas in R-TUFS, for spinning machinery the scheme provided 4 *per cent* for new stand alone / replacement / modernisation of spinning machinery; and 5 *per cent* for spinning units with matching capacity in weaving / knitting / processing / garmenting;
- on full loan amount instead of the TUFS eligible part of the loan disbursed; and
- on higher value of machineries as depicted in formats instead of on actual value of machineries as per invoices.

State-wise summary of cases of excess payment is given in ***Annexure 5***.

3.2.4 Delay in crediting subsidy to beneficiaries accounts

As per GR of the scheme, after receipt of subsidy from Ministry, subsidy was to be released to the TUFS beneficiary by FI within one / two days in M-TUFS and three working days in R-TUFS. The FIs had to ensure that the subsidy was released to the beneficiary within the prescribed time limit. In case of delay in release of subsidy to the beneficiaries, it should be deposited in interest bearing account and interest earned on the same should be refunded to the Ministry.

In this regard, Audit checked the records relating to transfer of funds from disbursing branches to the concerned beneficiaries' accounts and found that in sample of 2,831 beneficiaries' cases, in 172 cases in six States, there was a delay of 1 to 1509 days in crediting subsidy to beneficiaries' accounts. State-wise summary of cases of delay in crediting subsidy to beneficiaries' accounts is given in ***Annexure 6.***

3.2.5 Keeping of funds in non-interest bearing accounts

It was stipulated in the GR of M-TUFS and R-TUFS that all the FIs receiving funds should maintain a separate account for the purpose and any interest accrued on the undistributed amount available with FIs should be deposited every quarter by the FIs to the Pay and Accounts Office, Ministry of Textiles, New Delhi. Further in the GR of R-TUFS it was specifically mentioned that funds were to be kept in interest bearing account and at the time of depositing the interest to the Pay and Accounts Office, FIs would submit details viz., the amount on which the interest has been accrued, the exact date and period and rate of such interest to the Pay and Accounts Office, Ministry of Textiles.

Audit noticed that, before crediting TUFS subsidy into the beneficiaries' accounts, funds of ₹ 4.77 crore in Gujarat were not kept in interest bearing accounts in seven disbursing branches of five FIs. In these cases FIs parked funds in their own accounts for a period ranging between seven and 31 months but no interest on this account was credited to GoI. Details of retention of undisbursed subsidy by the FIs are given in ***Annexure 7***.

In order to ascertain that subsidy released by Ministry to FIs was kept in a dedicated interest bearing account maintained for the purpose, Audit asked the Ministry to elaborate a) the existence of mechanism and follow up of such mechanism i.e. periodical inspections carried out by Ministry / TxC to ensure that FIs were complying with the above provisions, and b) in case of non-compliance, remedial actions initiated to ensure that the funds from Ministry had been kept in interest bearing accounts till their disbursal to concerned beneficiaries' account.

Ministry replied (March 2015) that most of the FIs are keeping funds in current account in which no interest is earned. Ministry further replied (July 2015) that though there are internal mechanisms available with FIs for proper maintenance of such accounts, as advised by audit, mechanism will be strengthened further to ensure that the provisions of GRs are followed strictly. Ministry also stated (July 2015) that the FIs who did not comply with requirement of keeping the funds in interest bearing accounts were being directed by TxC to refund the amount of interest accrued in such cases along with penal interest thereon. They were also being directed not to repeat such acts in future.

Ministry's response to Para Nos 3.2.1 to 3.2.5

Ministry stated (October 2015) that this Scheme is implemented through Banks and the irregularities pointed out pertain to Banks. Textile Commissioner had taken up the issues regarding irregularities with the CMDs/MDs/EDs of the concerned Banks. It was also stated that audit observations have been taken into account in the revision of the scheme which is under process. Besides, Ministry also submitted a summary of responses on audit observations by FIs and this *inter-alia* contains:

(i) Number of cases where recovery has been made/initiated by FIs;
(ii) Number of cases where FIs did not agree with audit observations;
(iii) Number of cases where reply was awaited from FIs.

However, in respect of cases where FIs did not agree with audit observations, Ministry did not offer its view regarding their concurrence with the views of FIs.

Ministry should, therefore, obtain replies from FIs in cases falling under category (iii) above and form its own view on each case falling under category (ii) and (iii).

In response to the audit observation regarding delay in crediting subsidy to beneficiaries' accounts, Ministry had earlier stated (July 2015) that the system will be further strengthened so that amount released may not be kept by the FIs for more than the prescribed time limit in GR.

3.2.6 Refund of subsidy

TUFS is a reimbursement scheme and its main feature is reimbursement of interest actually charged by the approved FIs. Accordingly, subsidy is credited to the beneficiaries' account by FIs after they had paid the interest on the TUFS eligible loan to FIs. This subsidy is to be kept in a dedicated interest bearing account of the FI and is to be credited to beneficiary's account within maximum of three days from receipt of the same from the Ministry. Thus, in an ideal situation there should not be any balance amount in the dedicated account if all the subsidy received from the Ministry has been disbursed.

Balance amount will be available in dedicated account only when there is delay in disbursement of subsidy (as interest will be earned on this undisbursed amount) to the beneficiary's account or when refund is made by the beneficiary (if double payment is made for its single claim or excess payment is made to it against its claim). Thus, in normal situation there should not be any refund of subsidy if claims are made by the FIs after due diligence.

During the scrutiny of records in the Ministry, Audit observed many instances of refund of subsidy by the FIs during 2009-10 to 2013-14. In 2009-10, an amount of ₹ 121.45 crore was refunded by the FIs on account of either excess claimed subsidy or subsidy paid to ineligible beneficiaries. These instances indicate lack of proper scrutiny of claims of the beneficiaries by FIs.

Ministry accepted (July 2015 and November 2015) that there should not be any balance in the dedicated account which will be an ideal situation. Ministry also stated that the cases of excess claim of subsidy or subsidy paid to ineligible beneficiaries indicated lack of proper scrutiny of claims of the beneficiaries by FIs. In all cases where there is refund of subsidy by FIs, the TxC investigates the reasons and also ensures recovery of interest apart from insisting on production of a certificate at Executive Director (ED) level from the FI in respect of future claims, if any due.

Ministry further added (July 2015 and November 2015) that the mistakes which are being committed by the FIs will be addressed under the new proposed scheme where subsidy will be back-ended which will be disbursed only after physical verification about installation and commissioning of bench-marked machinery and its technology level by a Joint Inspection Team constituted for this purpose.

Recommendations:

4. Ministry may instruct FIs for strengthening their due diligence mechanism to avoid recurrence of aforesaid implementation issues in future.
5. Ministry may also consider instituting checks at its end to ensure that the FIs are exercising proper due diligence so that subsidy is passed on to eligible beneficiaries/investments.

3.3 Monitoring and evaluation

Monitoring is an integral part of a scheme. Monitoring ensures that the scheme progresses in the direction determined at the time of its formulation and planning. Concurrent evaluation and review of the physical and financial progress of the scheme plays a crucial role in identification of weak areas which helps in better focus. Effective monitoring mechanism also ensures that targeted beneficiaries avail due benefits under the scheme within the prescribed time limit, thereby achieving the overall broad objectives envisaged at the time of formulation of scheme.

3.3.1 Minimal monitoring of implementation of scheme

As per the existing system of processing of claims (i) FIs prepare the claims at the branch level and forward them to the respective controlling offices for consolidation at their Head Office; (ii) the consolidated claims for the FI as a whole are submitted for reimbursement to the TxC; (iii) TxC scrutinizes the claims on the basis of requisite certificates from FIs; (iv) after collating the claims, TxC forwards them to the Ministry for processing and release of subsidy claims; and (v) Ministry, after scrutiny of claims, issues sanction letters for release of subsidy directly to the FIs.

Ministry issued instructions to the implementing FIs for maintenance of database of company, project-wise eligibility established, pending references for TUFS-eligibility, interest reimbursement effected, etc. Since Ministry was responsible for sanctioning and releasing funds directly to FIs on the basis of claims submitted by TxC, it was imperative on the part of the Ministry / TxC to have effective scrutiny and monitoring mechanism in place to ensure follow up of its instructions and access to authentic and current data through systematized reports.

Audit scrutiny revealed that in the system of processing of claims, monitoring of working of FIs by Ministry was weak. The scheme design was based on extensive delegation of authority to the FIs, who were the implementing agencies. The FIs were determining the eligibility of beneficiaries and preparing their claims. Audit observed that FIs claims were not scrutinized independently by the TxC or Ministry for accuracy. Ministry’s / TxC’s role was limited to issuing guidelines, instructions, collating / consolidating data without conducting any independent verification of data and certificates, to confirm the veracity of claims of FIs and releasing funds to the FIs.

Ministry stated (March 2015) that FIs were under the Ministry of Finance and have their own audit set up. Ministry further stated that it had, from time to time, issued instructions to FIs for compliance. Audit observed that Ministry needed to have a mechanism for verifying compliance of its instructions, on a sample basis, instead of completely depending upon FIs' audit set up.

Audit also observed that though Ministry was aware of flaws in the implementation of the scheme, i.e. extending subsidy to ineligible beneficiaries/ ineligible investments and excess claim of subsidy etc., yet it did not take adequate measures to lay down norms for monitoring and appraisal mechanism for effective implementation of the scheme. The assertion of the Ministry that FIs had well-established mechanisms and that the TxC had limited responsibility in this regard, did not absolve it from its monitoring obligations.

Ministry replied (July 2015 and November 2015) that suggestions given by the audit have been noted. Ministry also added that i-TUFS has been launched for better management of all accounts under TUFS sanctioned upto RR-TUFS. Further, in the new scheme it has been proposed that back-ended subsidy will be considered only after physical verification by Joint Inspection Team. Besides, proper monitoring mechanism is also proposed to be put in place.

3.3.2 Mechanism to check compliance of instructions by FIs

3.3.2.1 Non-existence of mechanism to watch compliance of conditions of sanction

While issuing the sanction letter for the release of IR/CS under the scheme, the following major terms and conditions were incorporated in the sanction letters:

- the FIs would maintain subsidiary accounts of the funds received from the Government;
- the FIs would maintain a register of the details of beneficiaries to whom subsidy was given; and
- the amount so paid to FIs, would remain open for inspection by the Government (Ministry) / Internal Audit Party of the Chief Controller of Accounts (CCA), Ministry of Commerce & Textiles, New Delhi, whenever required.

Audit observed that no mechanism was in place prior to 2014 to watch the compliance of the above conditions. Ministry, however, while accepting the lapses pointed out by Audit, stated (July 2015) that the monitoring mechanism would be further strengthened, wherever required.

3.3.2.2 Non-inclusion of an important condition in the sanction letter

As per GRs of M-TUFS and R-TUFS, the TUFS subsidy released to the FIs was to be kept in interest bearing accounts till transfer of the same to beneficiary account. Further, FIs had to deposit quarterly such interest earned with the Pay and Accounts Office of the Ministry. Audit observed that this condition was not incorporated in the sanction letters.

Ministry stated (July 2015) that the sanction order will be re-drafted keeping in view the audit observation.

3.3.3 Inclusion of Black Out period cases in List-II

As mentioned in the Para 1.2.3 above, lending agencies i.e. FIs were advised not to issue any further new sanction of loan under TUFS and to freeze all new proposals till approval of additional allocations by CCEA. Accordingly, M-TUFS was discontinued and new sanctions under the scheme were stopped from 29 June 2010. However, GR on R-TUFS was issued on 28 April 2011 covering only such loans as sanctioned by the FIs during the period from 28 April 2011 to 31 March 2012. Hence, projects / term loan sanctioned during Black Out period (29 June 2010 to 27 April 2011) were not eligible for benefits under TUFS.

Further at the time of restructuring the scheme as R-TUFS in April 2011, GoI decided that TxC would ringfence (i.e. to limit) the committed liabilities in respect of loans sanctioned during 1 April 1999 to 28 June 2010. In this ringfencing exercise, TxC called (April 2011) for information on the committed liabilities from the FIs under the scheme.

Thereafter, in October 2011, IMSC decided that the Government should disburse committed liabilities of subsidy on the basis of classification viz. a) List I cases where 1st installment of subsidy has been disbursed and b) List II cases where project scrutiny and determination of eligibility has been completed but no installments of subsidy were released.

These List-II cases were examined by an internal committee of TxC and based on its report, IMSC in its meeting held in May 2012 recommended 2,196 cases under M-TUFS with subsidy amounting to ₹ 904 crore. Thereafter, Ministry of Textiles sought approval of CCEA for ₹ 904 crore towards liabilities pertaining to 2,196 cases of List-II under M-TUFS. The CCEA approved the same in August 2013.

Audit scrutiny revealed that 2,196 cases of List-II for ₹ 904 crore included 19 cases (***Annexure 8***) which were pertaining to Black Out period (29 June 2010 to 27 April 2011). The loans sanctioned during this period were not eligible under TUFS as the scheme was paused during this period and no fresh sanctions for this period were allowed to be covered. Thus, inclusion of Black Out period cases in List-II itself did not seem correct as List-II was supposed to contain only those cases where TUFS project scrutiny and determination of eligibility had been completed but installments of TUFS subsidy had not been released.

Further, Audit also noticed that four cases (***Annexure 9***) where loans were sanctioned after 27 April 2011 i.e. during the period of R-TUFS, were also included in List-II cases approved by IMSC which was also irregular as R-TUFS cases were not to be taken in List-II.

Ministry replied (November 2015) that data on revised Committed Liability of List-II cases under M-TUFS has already been made available on the website of the TxC in which many cases have already been declared ineligible and reflected with zero liability.

Fact remains that while taking approval from CCEA, ineligible cases were included under List-II depicting lack of due diligence. Further, Ministry has not declared all these cases as ineligible though none of the cases were eligible under the scheme.

3.3.4 Non-fulfilment of commitments

Ministry has important task of taking mid-course corrections whenever and wherever required and fulfiling of commitments made in the GRs as well as in the documents for appraisal / approval of the scheme. However, Audit observed that Ministry did not fulfil its commitments in the instances given below:

- Ministry, while replying (July 2007) to the observations (June 2007) of Department of Expenditure (Ministry of Finance) on memorandum for EFC, had stated that:

  (i) in order to verify whether loans have been sanctioned to TUFS compatible projects, TxC, nodal agency for monitoring the TUFS, obtains in the prescribed format from the FIs the details in respect of machinery items. However, during scrutiny of records, Audit noticed that the Ministry / TxC was not maintaining any such data regarding textile machinery.

Ministry stated (March 2015) that records in this connection are not available. However, Ministry further stated (July 2015) that machinery details will also be captured in its new initiative i.e. i-TUFS.

(ii) monitoring mechanisms viz IMSC and TAMC exist in the scheme for ensuring that loans had been sanctioned to TUFS compatible projects. Any further control mechanism on FIs needs to be devised in consultation with Reserve Bank of India (RBI) and Department of Banking (Ministry of Finance).

Audit, however, noticed that no control mechanism on FIs apart from IMSC and TAMC was devised in compliance of the above observation.

- As per GR of M-TUFS, the FIs were to implement an 'on-line system' for expeditious clearance of the TUFS cases and releasing subsidy to the beneficiary.

  In this regard, Ministry stated (March 2015) that a web based system of online submission of data by FIs was put in place in the year 2008. However, Audit observed that State Bank of India, handling almost 30 *per cent* of the cases under TUFS, continued to submit offline claims to TxC under M-TUFS till March 2014.

3.3.5 Monitoring lapses on the part of IMSC

- As per GR of M-TUFS, the IMSC was required to meet at least once in a quarter during the first year of implementation of the scheme and once in six months after one year or as often as necessary. Audit observed that only two meetings of IMSC were held during 39 months of operation of M- TUFS.

  Ministry while accepting the fact stated (July 2015) that since the GR was issued in November 2007, the scheme took some time to pick up. Hence, the first meeting of IMSC was held on 19 January 2009. Since the M-TUFS Scheme closed on 28 June 2010, there was not much time left to take up the issues to conduct more meetings.

- GR of M-TUFS stipulated that the IMSC had to lay down norms for a monitoring and appraisal mechanism for effective implementation of the scheme and would set up appropriate machinery thereof. Ministry in this connection stated (March 2015) that no separate norms have been laid down by the IMSC.

- In GR of M-TUFS, for providing specific thrust to garmenting, machineries for Computer Aided Design (CAD), Computer Aided Manufacturing (CAM) and design studios etc. were included in the separate heading of the guidelines of the scheme with a financial cap to be determined by IMSC. Further as per GR, investment in common infrastructure facilities owned by the association, trust or co-operative society of the units participating in the TUFS, to the extent necessary for this purpose, was eligible only upto 25 *per cent* of the cost of TUFS eligible machinery, with a maximum of financial cap to be determined by IMSC.

  Regarding determination of financial cap, Ministry stated (March 2015) that IMSC decided (in its meeting held on 19 January 2009) not to impose any financial cap at that time but decided that this may be reviewed later on. Audit noticed that decision was never reviewed by IMSC and no financial cap in this regard was fixed.

  Ministry further stated (July 2015) that no stakeholder of the industry might have raised the issue for review and hence it was not reviewed. Besides, it also added that there was not much off-take under these segments.

  Reply of the Ministry needs to be considered against the fact that GR provision (issued on the basis of approval given by CCEA) was for determining financial cap and did not give discretion to IMSC for not-determining or postponement of decision on determination of financial cap.

3.3.6 Monitoring lapses on the part of TAMC

- As per GR of M-TUFS, TAMC had to keep IMSC apprised of the direction and extent of the implementation of the scheme. TAMC was ordinarily to meet once in a quarter. Audit observed that only five meetings against 13 were held in 39 months of operation of M-TUFS.

  Ministry stated (July 2015) that in the absence of any major / urgent issue it is quite possible that the meetings were not held at regular intervals. As the GR on M-TUFS was released in November 2007, the industry took time to understand the scheme and approach the lending agencies for implementation. Further, the scheme was stopped from 29 June 2010. Hence, there was lesser time to conduct more meetings of TAMC.

- As per GR of R-TUFS, TAMC was specifically to monitor the progress of the MMS @ 15 *per cent* under TUFS for small scale textile and jute units. Audit observed that minutes of various TAMC meetings did not indicate monitoring of the progress of MMS @ 15 *per cent* under TUFS for small scale textile and jute units. Ministry stated (July 2015) that apart from reviewing the overall progress of TUFS in its meetings, the progress about the 15 *per cent* MMS cases is also now being separately reviewed in TAMC meetings.

Recommendation:

6. Ministry should activate its monitoring mechanism so as to take mid course corrective action, if needed.

Chapter 4 - Conclusion and Recommendations

4.1 Conclusion

Technology Upgradation Fund Scheme (TUFS), a flagship scheme of the Ministry of Textiles, was introduced in 1999-2000 to catalyze investment in all the sub-sectors/segments of textile industry for technology upgradation of the machinery by way of interest reimbursement. The scheme was subsequently modified in 2007 (M-TUFS), 2011 (R-TUFS) and 2013 (RR-TUFS). During 1 April 1999 to 31 March 2014, Ministry released subsidy of ₹ 18,580.45 crore under TUFS.

Performance Audit of Technology Upgradation Fund Scheme (TUFS) revealed the following:

- Magnitude of problem to be addressed is at the core of the formulation of any scheme. Thereafter, relevant targets / benchmarks are to be identified for evaluating scheme performance. No documents were, however, available in the Ministry indicating availability of baseline data about the magnitude of problem of obsolescence of machineries which was sought to be addressed through the scheme. Documents for level of benchmark to be achieved, quantum and degree of modernisation actually achieved through various phases of the scheme were also not available.

- As against the investment target of ₹ 1,50,600 crore under TUFS, investments of only ₹ 1,31,228 crore could come during the XI Five Year Plan. The shortfall in attracting investments was inspite of increase in financial allocation by GoI from ₹ 10,273 crore to ₹ 15,404 crore.

- Ministry did not have beneficiary-wise and bank-wise details of future committed liabilities.

- Out of total 22,998 cases, Audit selected a sample of 3,231[17] cases in which following deficiencies were noticed:
  - (i) Extending subsidy to ineligible beneficiaries (₹ 46.96 crore in 129 cases);
  - (ii) Extending subsidy to ineligible investments (₹ 52.87 crore in 193 cases);
  - (iii) Excess payment made to beneficiaries (₹ 6.42 crore in 40 cases); and
  - (iv) Delay in crediting subsidy to beneficiaries accounts (1 to 1509 days in 172 cases).

- TUFS was a reimbursement scheme. However, in 2009-10 an amount of ₹ 121.45 crore was refunded by the FIs on account of either excess claimed subsidy or subsidy paid to ineligible beneficiaries which indicated lack of proper scrutiny of claims by the FIs.

- Monitoring of the working of FIs by the Ministry was weak. Monitoring was dependent solely upon FIs' audit set up and their monitoring mechanism.

- There was no mechanism existing in the Ministry to check compliance of its instructions by FIs. Further prior to 2014 mechanism of inspection was not used.

4.2 Recommendations

1. While designing the scheme in future, Ministry should assess segment-wise magnitude of problem of obsolescence in the industry and set the benchmarks to be achieved.

2. Ministry may also consider segment-wise monitoring of the scheme to keep a close watch on progress of each segment.

3. Ministry should maintain its own data of beneficiary-wise committed liabilities.

4. Ministry may instruct FIs for strengthening their due diligence mechanism to avoid recurrence of implementation issues in future.

[17] Cases audited were, however, 2,831 due to non production of records for 400 cases.

5. Ministry may also consider instituting checks at its end to ensure that the FIs are exercising proper due diligence so that subsidy is passed on to eligible beneficiaries / investments.

6. Ministry should activate its monitoring mechanism so as to take mid course corrective action, if needed.

Dated: 11 December 2015
Place: New Delhi

(MALA SINHA)
Director General of Audit
(Economic and Service Ministries)

Countersigned

Dated: 14 December 2015
Place: New Delhi

(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

Annexures

Annexure 1
Salient features of M-TUFS & R-TUFS (Referred to in Para 1.2.5)

Features of Scheme	M-TUFS (01.04.2007 to 28.06.2010)	R-TUFS (28.04.2011 to 31.03.2013)
Interest Reimbursement (IR)	• IR of 5 *per cent* on the interest charged by the lending agency for eligible segments other than spinning; and IR of 4 *per cent* for spinning segment.	• IR of 5 *per cent* on the interest charged by the lending agency; IR of 4 *per cent* for new stand alone / replacement / modernisation of spinning machinery; and IR of 5 *per cent* for spinning units with matching capacity in weaving / knitting / processing / garmenting.
Capital Subsidy (CS) / Margin Money Subsidy (MMS)	• 15 *per cent* MMS for SSI Textile and Jute sector in lieu of 5 *per cent* IR subject to a Capital Ceiling of ₹ 200 lakh and ceiling on MMS ₹ 15 lakh; A minimum of 15 *per cent* equity contribution from beneficiaries was to be ensured; and 25 *per cent* CS on purchase of the new machinery and equipments for pre-loom and post-loom operations, handlooms / up-gradation of handlooms and testing and quality control equipments, for handloom production units.	• An option to SSI textile and jute sector – 15 *per cent* MMS in lieu of 5 *per cent* IR subject to a Capital Ceiling of ₹ 500 lakh and ceiling on MMS of ₹ 45 lakh; A minimum of 15 *per cent* equity contribution from beneficiaries will be ensured; 5 *per cent* IR plus 10 *per cent* CS for brand new shuttleless looms; 25 *per cent* CS in lieu of 5 *per cent* IR on benchmarked machinery of silk sector; and 25 *per cent* CS in lieu of 5 *per cent* IR on purchase of the new machinery and equipments for pre-loom & post-loom operations, handlooms / up-gradation of handlooms and testing and quality control equipments, for handloom production units.
Valuation of Machinery	• IR/CS/MMS on the basic value of the machineries and exclude tax component for the purpose of valuation in view of the decision for non-subsidizing the taxes.	• IR/CS/MMS on the basic value of the machineries and exclude tax component for the purpose of valuation.
Cut-off date for IR	• The cut-off date under the scheme for availing the benefits was the date of sanction and in case part of the loan of the unit was sanctioned prior to 31.03.2007 and part after 31.03.2007, the portion sanctioned prior to 31.03.2007 was to be covered under erstwhile TUFS and only the portion which was	• Only such loans as sanctioned by the lending agencies during the period from 28.04.2011 to 31.03.2012 (the scheme was further extended upto 31.03.2013) were eligible to be considered for grant of benefits under this scheme; and

	sanctioned after 31.03.2007 was to be covered under M-TUFS.	Phase-wise expansion under R-TUFS was permitted provided R-TUFS loan was availed under single loan proposal for single project under phase-wise expansion of capacity.
Investment in Land and Factory Building etc.	• Investments like land, factory building, pre-operative expenses and margin money for working capital were ineligible for benefit of reimbursement under the scheme except meant for apparel sector and handloom with existing 50 *per cent* cap. In case apparel unit was engaged in other activity, the eligible investment under this head was related to plant and machinery eligible for manufacturing of apparel.	• Investments like factory building, pre-operative expenses and margin money for working capital were eligible for benefit of reimbursement under the scheme meant for apparel sector and handloom with 50 *per cent* cap. In case apparel unit / handloom unit was engaged in any other activity, the eligible investment under this head was only related to plant and machinery eligible for manufacturing of apparel / handlooms.
Other Investments	• Other investments such as energy saving devices, effluent treatment plant, Captive Power Plant etc. (including non-conventional sources) were eligible for benefits of the scheme only upto 25 *per cent* of the cost of machinery.	• Common Effluent Treatment Plant and other investments like, energy saving devices, Captive Power Plant and electrical installations etc. was not eligible under R-TUFS.
Cut- off date for determining the CS	• In order to determine eligibility for CS for the eligible specified machinery, the cut-off date was the date of commencement of commercial production irrespective of the date of the sanction of the loan. The date of commencement of commercial production was to be certified by Chartered Engineer and Chartered Accountant.	• Advance / token payment up to the margin money for machine cost can be paid by the unit prior to the date of sanction of term loan. However, machines purchased on or after date of sanction of term loan is eligible subject to fulfilment of other terms and conditions.
Moratorium	• IR was available for a period of 10 years including 2 years implementation and moratorium period.	• IR was for a period of 7 years including 2 years implementation / moratorium period.
Subsidy cap	• There was no cap in the scheme.	• There was an overall subsidy cap of ₹ 1,972 crore from 28.04.2011 to 31.03.2012, with sectoral investment shares of 26 *per cent* for spinning, 13 *per cent* for weaving, 21 *per cent* for processing, 8 *per cent* for garmenting and 32 *per cent* for others.
Second hand machinery	• Entire range of imported second hand machinery was ineligible except automatic shuttle less looms with the value	• Cover only imported automatic shuttle less looms of 10 years' vintage and with a residual

	cap of ₹ 8.00 lakh per machine and 10 years' vintage and with a residual life of minimum 10 years.	life of minimum 10 years. The value cap of the automatic shuttleless looms was to be decided by the TAMC.
Processing	• 5 *per cent* IR plus 10 *per cent* CS for specified Machinery.	• 5 *per cent* IR plus 10 *per cent* CS for specified machinery.
Powerloom units	• An additional option to the powerlooms units - 20 *per cent* MMS in lieu of 5 *per cent* IR subject to a Capital Ceiling of ₹ 200 lakh and ceiling on MMS of ₹ 20 lakh; and A minimum of 15 *per cent* equity contribution from beneficiaries was to be ensured.	• Additional option to the powerlooms units and independent preparatory units - 20 *per cent* MMS in lieu of 5 *per cent* IR subject to a Capital Ceiling of ₹ 500 lakh and ceiling on MMS of ₹ 60 lakh; For brand new shuttleless looms the ceiling on MMS was to be ₹ 1 crore; and A minimum of 15 *per cent* equity contribution from beneficiaries is to be ensured.
Garmenting	• For specific thrust to garmenting, machineries for CAD, CAM and design studios and likes were included in the separate heading of the guidelines of the scheme with a financial cap to be determined by the Inter Ministerial Steering Committee (IMSC); and 5 *per cent* IR plus 10 *per cent* CS for specified machinery.	• 5 *per cent* IR plus 10 *per cent* CS for specified machinery.
Technical Textile	• 5 *per cent* IR plus 10 *per cent* CS for specified machinery.	• 5 *per cent* IR plus 10 *per cent* CS for specified machinery.

Annexure 2
Details of 36 designated nodal banks (Referred to in Para 1.4.3)

Sl No	Name of Bank	Sl No	Name of Bank
1	Allahabad Bank	**19**	ING Vysya Bank
2	Andhra Bank	**20**	Jammu & Kashmir Bank
3	AXIS Bank	**21**	Karnataka Bank
4	Bank of Baroda	**22**	Karur Vysya Bank
5	Bank of India	**23**	Lakshmi Vilas Bank
6	Bank of Maharashtra	**24**	National Co-operative Development Corporation (NCDC)
7	Canara Bank	**25**	Oriental Bank of Commerce
8	Catholic Syrian Bank	**26**	Punjab and Sind Bank
9	Central Bank of India	**27**	Punjab National Bank
10	City Union Bank	**28**	Rajasthan State Industrial Investment Corporation
11	Corporation Bank	**29**	South Indian Bank
12	Dena Bank	**30**	State Bank of India
13	EXIM Bank	**31**	Syndicate Bank
14	Federal Bank	**32**	Tamilnad Mercantile Bank
15	ICICI Bank	**33**	UCO Bank
16	Indian Bank	**34**	Union Bank of India
17	Indian Overseas Bank	**35**	United Bank of India
18	Indusind Bank	**36**	Vijaya Bank

Annexure 3
State-wise summary of cases of ineligible beneficiaries (Referred to in Para 3.2.1)

(₹ in lakh)

Sl. No.	Name of State	No. of Cases	Amount
1.	Andhra Pradesh	4	257.05
2.	Gujarat	94	1,595.32
3.	Madhya Pradesh	7	2,039.08
4.	Maharashtra	16	163.21
5.	Rajasthan	5	599.88
6.	Tamil Nadu	3	41.79
	Total	**129**	**4,696.33**

Annexure 4

State-wise summary of cases of ineligible investments (Referred to in Para 3.2.2)

(₹ in lakh)

Sl. No.	Name of State	No. of Cases	Amount
1.	Andhra Pradesh	33	408.11
2.	Gujarat	26	782.84
3.	Madhya Pradesh	22	550.44
4.	Maharashtra	84	3,386.69
5.	Punjab	10	34.39
6.	Rajasthan	6	60.36
7.	Tamil Nadu	12	63.80
Total		**193**	**5,286.63**

Annexure 5

State-wise summary of cases of excess payment (Referred to in Para 3.2.3)

(₹ in lakh)

Sl. No.	Name of State	No. of Cases	Amount
1.	Andhra Pradesh	8	77.52
2.	Gujarat	13	335.86
3.	Madhya Pradesh	8	77.75
4.	Maharashtra	1	0.58
5.	Punjab	1	1.82
6.	Rajasthan	3	41.22
7.	Tamil Nadu	6	107.44
	Total	**40**	**642.19**

Annexure 6

State-wise summary of cases of delay in crediting subsidy to beneficiaries' accounts (Referred to in Para 3.2.4)

Sl. No.	Name of State	No. of Cases	Delay in Days
1.	Andhra Pradesh	6	113-1017
2.	Gujarat	14	11-716
3.	Madhya Pradesh	36	1-268
4.	Maharashtra	4	657-785
5.	Rajasthan	14	4-1287
6.	Tamil Nadu	98	1-1509
	Total	**172**	

Annexure 7
Details of retention of undisbursed subsidy by the FIs (Referred to in Para 3.2.5)

(₹ in lakh)

Sl. No.	Name of the FIs	Name of the Branch	Amount of subsidy received	Date of receipt	Actual date of disbursement	No of months (days) subsidy retained by the bank	Remarks
1	UCO Bank	Mid Corporate Branch, Ahmedabad	36.62	10.07.2012	31.01.2015	31 (933)	Undisbursed subsidy of beneficiary retained by the bank.
			39.83	04.10.2013	08.08.2014	10 (306)	
2	State Bank of India	SMECCC branch Surat	15.00	12.04.2012	11.07.2014	27 (818)	Undisbursed subsidy of beneficiaries retained by the bank.
3	Punjab National Bank	Main branch Surat	178.22	18.03.2014	30.09.2014	7 (194)	Undisbursed subsidy of beneficiaries retained by the bank.
4	State Bank of India	MCB, Surat	1.60	09.03.2013	02.04.2014	13 (387)	Undisbursed subsidy of beneficiaries retained by the bank.
5	State Bank of India	Laghu Udyog Branch, Ahmedabad	36.69	31.03.2014	13.10.2014	7 (194)	Undisbursed subsidy of beneficiaries retained by the bank.
6	Bank of India	Bombay Market, Surat	14.71	13.10.2012	02.02.2015	28 (840)	Undisbursed subsidy of beneficiaries retained by the branch returned to the TUFS cell of the Bank on 02.02.2015. Status of refund of subsidy amount is not known.
			2.29	16.10.2012	02.02.2015	28 (837)	
			13.80	02.11.2012	02.02.2015	27 (820)	
			78.86	22.12.2012	02.02.2015	26 (770)	
			3.55	07.03.2013	02.02.2015	23 (695)	

			29.16	18.05.2013	02.02.2015	21 (623)	
7	The Varachha Co-operative Bank Ltd	Surat Main Branch	13.42	05.10.2010	31.03.2012	18 (545)	Subsidy amount in respect of closed account was kept by the bank and interest accrued was neither passed on to the beneficiary nor transferred to the Government.
			13.42	05.10.2010	28.12.2011	15 (451)	
	Total		**477.17**				

Annexure 8

Details of cases pertaining to Black Out period included in List II (Referred to in Para 3.3.3)

Sl.No.	Category[1]	FIs Name	Beneficiary's Name	Date of sanction of loan
1.	A	Oriental Bank of Commerce (Taken over from State Bank of India)	Mahadev Yarns Pvt. Ltd.#	04.08.2010
2.	A	State Bank of India (for State Bank of Bikaner and Jaipur and taken over from ICICI)	Ranjan Polysters Limited#	29.09.2010 (Term Loan- ₹ 74 lakh)
3.	A	State Bank of India (for State Bank of Bikaner and Jaipur and taken over from ICICI)	Ranjan Polysters Limited#	29.09.2010 (Term Loan - ₹ 180 lakh)
4.	A	HDFC Bank (Taken over from Union Bank of India)	Bhagirathi Packaging Pvt. Ltd. #	12.10.2010
5.	A	HDFC Bank (Taken over from Punjab and Sind Bank)	Mann Feeds Pvt Ltd#	25.02.2011
6.	C	IDBI	Pitru Art#	01.08.2010
7.	C	IDBI	Kinjal Creation#	02.11.2010
8.	C	Punjab and Sind Bank	Amar Textile#	19.12.2010
9.	E	City Union Bank	Sunpak^	06.07.2010

[1] Categories as defined by IMSC:
A -Cases where eligibility decided, claims within time, subsidy released earlier towards interest reimbursement, pending release of capital subsidy or vice versa.
B-Cases where eligibility decided, claims within time, no instalment of TUFS subsidy paid yet.
C- Cases already condoned by the office of Textile Commissioner before the 3rd meeting of the IMSC dated 11.11.2012.
D- Cases validated by the Textile Commissioners internal committee from the pending condonation cases.
E- Cases where eligibility has been determined but claims not preferred by banks.
F- Cases where eligibility decided but claims preferred after prescribed time limit.
As per reply given by Ministry these cases have already been declared ineligible in the revised list of committed liabilities.
^cases still appearing as eligible in revised list of committed liabilities.

10.	**E**	SIDBI	Fashion Knits#	14.07.2010
11.	**E**	SIDBI	A V. Exports#	06.09.2010
12.	**E**	Dena Bank	Dev Cotton Industries^	30.09.2010
13.	**E**	Punjab National Bank	Lakshmi Cotsyn Ltd#	13.10.2010
14.	**E**	Punjab National Bank	Lakshmi Cotsyn Ltd^	15.10.2010
15.	**E**	AXIS Bank (Taken over from SIDBI)	Sara Sales Private Limited#	02.03.2011 (Term Loan - ₹ 54 lakh)
16.	**E**	AXIS Bank (Taken over from SIDBI)	Sara Sales Private Limited#	02.03.2011 (Term Loan - ₹ 43.70 lakh)
17.	**E**	AXIS Bank (Taken over from SIDBI)	Sara Sales Private Limited#	02.03.2011 (Term Loan - ₹ 44.19 lakh)
18.	**E**	AXIS Bank	Sara Sales Private Limited#	02.03.2011 (Term Loan – ₹ 75 lakh)
19.	**F**	Indusind Bank	Royal Embroidery Threads Pvt. Ltd. #	10.03.2011

Annexure 9

Details of cases sanctioned during the period of R-TUFS included in List II (Referred to in Para 3.3.3)

Sl.No.	Category	FIs Name	Beneficiary's Name	Sanction Date
1.	**E**	Catholic Syrian Bank	Vertex Knits (15 *per cent*- CS) #	03.06.2011
2.	**E**	Dena Bank	Kashinath B Pujari^	01.05.2011
3.	**E**	UCO Bank	Colors Match^	12.09.2011
4.	**F**	Catholic Syrian Bank	Gomathi Spinning Mills#	18.05.2011

As per reply given by Ministry these cases have already been declared ineligible in the revised list of committed liabilities.
^cases still appearing as eligible in revised list of committed liabilities.

Abbreviations

Abbreviation used	Stand for
CAD	Computer Aided Design
CAM	Computer Aided Manufacturing
CCA	Chief Controller of Accounts
CCEA	Cabinet Committee of Economic Affairs
CS	Capital Subsidy
EFC	Expenditure Finance Committee
FIs	Financial Institutions
GoI	Government of India
GR	Government Resolution
IDBI	Industrial Development Bank of India Limited
IFCI	Industrial Finance Corporation of India
IMSC	Inter-Ministerial Steering Committee
IR	Interest Reimbursement
MMS	Margin Money Subsidy
M-TUFS	Modified Technology Upgradation Fund Scheme
RR-TUFS	Revised Restructured Technology Upgradation Fund Scheme
R-TUFS	Restructured Technology Upgradation Fund Scheme
SIDBI	Small Industries Development Bank of India
SSI	Small Scale Industries
TAMC	Technical Advisory cum Monitoring Committee
TUFS	Technology Upgradation Fund Scheme
TxC	Textile Commissioner