

## **YARN SUPPLY SCHEME**

### **INTRODUCTION**

Handloom weaving is a labour intensive occupation spread throughout the country, mostly in villages. The handloom sector employs over 43 lakh persons in weaving and allied activities (as per handlooms census of India 2009-10). The main raw material used by this sector is yarn, which is being produced by spinning mills. The yarn trade was controlled by the traders and most of the handloom weavers were dependent on the traders for their yarn requirement. This had resulted in unchecked escalation in yarn prices and shortage in its availability.

Government of India had felt the need for the formation of a national level apex body to overcome those problems by effective intervention in the yarn market and therefore, set up the National Handloom Development Corporation (NHDC) Ltd., a Government of India undertaking in 1983. The main objective of NHDC is to make available to weavers throughout the country, yarn of the appropriate and required quality, through a well-ordered system. The yarn manufactured in a particular place is based on the quality of cotton available in and around that place, while the yarn consumed by the weavers in a particular area is based on the consumption pattern prevailing in that area. Therefore, in most of the cases, weavers have to depend on the yarn produced in other areas. The transportation of yarn from one place to another, increases the cost of yarn considerably putting the weavers at a disadvantageous position. Keeping the above in view, Government of India introduced a scheme for Supply of yarn at the price in which it is available at the Mill Gate in 1992. Under the scheme the transportation expenses involved in supply of yarn are reimbursed by the Government of India. The nodal agency for the implementation of this scheme is NHDC.

Government of India has also been providing equity to the NHDC for strengthening its activities. Since strengthening of NHDC by enhancing its capital base is an integral part of its main activity i.e. implementation of the Mill Gate Price Scheme, it has been considered appropriate to merge the component of Investment in NHDC with the Mill Gate Price Scheme. Further, to mitigate the cost disadvantage of handloom sector, the Government of India has included one more component of 10% Price Subsidy on Domestic Silk and cotton Hank Yarn under Mill Gate Price Scheme during 2011-12 to ensure availability of cheap yarn to Handloom Sector. This is in addition to the transport/freight subsidy being already offered under our Mill Gate Price Scheme. Thus,

this scheme titled **Yarn Supply Scheme** has three components, namely, (i) Supply of yarn at Mill Gate Price (ii) 10% Price Subsidy on cotton hank yarn, domestic silk and wool (iii) Investment in NHDC.

## **A. SUPPLY OF YARN AT MILL GATE PRICE**

### **1. OBJECTIVE:**

The objective of this component is to make available all types of yarn at Mill Gate Price to the eligible handloom weavers so as to facilitate regular supply of basic raw materials to the handloom sector and help utilize the full employment potential of the sector.

### **2. SCOPE OF THE SCHEME:**

2.1 The agencies which will be eligible to avail of the benefit of the scheme will be as under:

- a) All handloom organizations (including weaver co-operative societies) at National/ State/ Regional/ Primary Handloom level.
- b) Handloom Development Centres.
- c) Handloom producers/manufacturers exporting directly and registered with HEPC/ any other Export Promotion Council under Ministry of Textiles/Director of Industries/Handlooms of State/U.T.
- d) The Consortium/producers Company formed in the handloom clusters sanctioned under IHDS/IHCDS/Mega Clusters/Integrated Handloom Textile Parks.
- e) Members of recognized/approved handloom associations.
- f) NGOs fulfilling CAPART norms.
- g) Self Help Groups/ Joint liability Groups.
- h) Individual weavers and Weavers entrepreneurs.
- i) Any other agency approved by the Office of the Development Commissioner (Handlooms), Ministry of Textiles, Government of India.

2.2 All types of yarn required for production of handloom items can be made available at mill gate price. The mill gate price means the price at which the yarn is procured from **the registered license holders of silk exchange in case of Indian silk yarn, ex-ware house price for DGFT registered importer and landed price (inclusive of C&F and any other applicable port charges) at Indian ports for import by NHDC in case of imported silk yarn**, state bodies engaged in manufacturing/ supplying silk yarn, reelers/ twistors registered with SERIFED, manufacturers of domestic silk/ coir/ jute yarn and pashmina fibre, processors/ dye houses in the case of dyed/ processed yarn and reputed spinning mills in the case of cotton and other types of yarn. In the case of silk yarn and dyed/processed yarn, NHDC should ensure that all payments from user agencies and NHDC would be made through A/C Payee cheque drawn from their own bank accounts or by RTGS/ NEFT. However, the individual weavers may make payment through cheque/ demand draft/ cash to NHDC for getting the yarn supply.

**3. ORGANISATIONAL ARRANGEMENT:**

3.1 National Handloom Development Corporation (NHDC) will be the implementing Agency.

3.2 The supply will be made by NHDC only to the eligible agencies mentioned at 2.1.

**4. SUPPLY MECHANISM:**

4.1 The eligible agencies will place their indents on NHDC under the scheme.

4.2 NHDC will tie-up the supplies from the suppliers as per the demand specifications.

4.3 The user agencies should use the yarn under the scheme for captive production of cloth on handloom or for supply to their member societies/weavers directly enrolled under them by passing on the benefits of the scheme to them in full.

Each user agency will furnish to NHDC an undertaking to this effect in the format prescribed at **ANNEXURE -I.**

**5. CLAIM REIMBURSEMENT:**

5.1 Under the **Yarn Supply Scheme**, following assistance shall be provided by the Government of India:

- (i) Freight reimbursement for transportation of yarn (all types)
- (ii) Expenses of operating the yarn depots.
- (iii) 10% Price Subsidy on hank yarn (cotton, silk, wool)
- (iv) Service Charges to NHDC

Out of these, 10% price subsidy will be paid by NHDC upfront in the invoice for which advance will be given to NHDC by Govt. of India. The rates for freight reimbursement, depot operating expenses and service charge of NHDC will be as follows:

5.2 The rates for freight reimbursement, depot operating expenses and service charge of NHDC will be as follows:

(a) **For supply in plains:**

(% of value of yarn supplied)

<b>Type of Yarn</b>	<b>Maximum freight reimbursement to eligible agencies</b>	<b>Depot operating expenses to eligible agencies</b>	<b>Service charge to implementing agency</b>
<b>Silk Yarn</b>	1.0 %	2.0%	2.0 %
<b>Jute/Coir Yarn</b>	10.0 %	2.0 %	2.0 %
<b>Other than Silk and Jute/Coir yarn</b>	2.5 %	2.0 %	2.0 %

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(b) **For supply in Hills and Remote areas:**

(% of value of yarn supplied)

<b>Type of Yarn</b>	<b>Maximum freight reimbursement to eligible agencies</b>	<b>Depot operating expenses to eligible agencies</b>	<b>Service charge to implementing agency</b>
<b>Silk Yarn</b>	1.25 %	2.0 %	1.5 %
<b>Jute/Coir Yarn</b>	10 %	2.0 %	1.5 %
<b>Other than Silk and Jute/Coir yarn</b>	2.5 %	2.0 %	1.5 %

(c) **For supply in North Eastern Region:**

(% of value of yarn supplied)

<b>Type of Yarn</b>	<b>Maximum freight reimbursement to eligible agencies</b>	<b>Depot operating expenses to eligible agencies</b>	<b>Service charge to implementing agency</b>
<b>Silk Yarn</b>	1.5 %	2.0 %	1.25 %
<b>Jute/Coir Yarn</b>	10 %	2.0 %	1.25 %
<b>Other than Silk and Jute/Coir yarn</b>	5.0 %	2.0 %	1.25 %

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5.3 Presently NHDC is supplying yarn directly from the place of mill to the place of handloom weaver/ agency. NHDC places order on mill after getting the corresponding indent from the handloom weaver/society. This involves a delivery period of 10-15 days from the mills in southern states to the handloom weavers/agencies in northern states and 30-60 days to the handloom weavers/agencies in north-eastern states.

In order to reduce the delivery period and supply the smaller quantities as well to the handloom weavers/ agencies in lesser time it is proposed that NHDC shall open warehouses at major places.

1. NHDC shall be opening warehouses to begin with at 10 major places, wherein, it will stock major varieties of those yarns which are exempted from VAT in that state.
2. NHDC will also appoint one person each on contractual basis at 50 to 75 major clusters, who will be collecting the indents from the handloom weavers in that cluster and co-ordinate with them at local level. This person will operate from the premises of one of the major co-operative societies in that cluster. This person will collect the indent from the handloom weavers, weavers cooperative societies etc. in the cluster and submit the same to the nearest NHDC warehouse in the state.
3. The NHDC warehouse will issue weaver-wise/ agency-wise separate invoice as per indent received from the person stationed at the cluster and send the yarn alongwith invoices to him, who will distribute the yarn to the concerned handloom weaver with the relevant invoice and collect the balance payment, if any, by cheque/ demand draft for onward submission to NHDC.
4. Since, NHDC will be performing most of the depot operations under this scenario, the depot operation charges to the handloom agencies under MGPS may be reduced from 2.5% to 2% and that the NHDC Service Charges may be increased by similar percentage i.e. from 1.5% to 2% in states plain region, 1.5% in the states hill region and 1.25% in NER.

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5. It is proposed to open 10 warehouses as follows:

Sr. No.	State	No. of warehouses	Yarn exempted from state VAT
1.	North Eastern states- Assam, Agartala, Arunachal Pradesh, Manipura, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura.	02	cotton hank yarn & silk hank yarn
2.	West Bengal (Kolkata)	01	cotton hank yarn & silk hank yarn
3.	Orissa	01	cotton hank yarn & silk hank yarn
4.	Jharkhand/ Bihar	01	cotton hank yarn & silk hank yarn
5.	Uttar Pradesh	02	cotton hank yarn & silk hank yarn
6.	Andhra Pradesh	02	cotton hank yarn & silk hank yarn
7.	Kerala	01	cotton hank yarn & silk hank yarn
	Total:	10	

Note:- Above state Vat information has been taken from the website of respective states as on 29.08.2013.

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6. Under the existing MGPS, the transportation reimbursement is allowed from the place of mill to the place of handloom weaver/ agency. Since, it is being proposed that NHDC shall open the warehouse, it is, therefore, necessary that transportation reimbursement under YSS shall include-
- (i.) Transportation charges from mill to NHDC warehouse  
plus
  - (ii.) Transportation charges from NHDC warehouse to the place of the handloom weaver/ agency.
- 5.4 Where NHDC will supply yarn for **delivery directly i.e. not through yarn depots**, NHDC shall be reimbursed only the freight reimbursement and service charges as mentioned in Paragraph 5.2.
- 5.5 NHDC needs to meet freight cost on differential basis out of the subsidy received by it, as per Paragraph 5.2. The rate of reimbursement has been calculated based on the volume and trends of prevailing price and freight charges in transporting the yarn from the mills to the agencies. Prioritization of area is needed to give emphasis to North Eastern and Hill/Remote region.
- 5.6 Besides the cost of yarn, NHDC shall also bear the transportation expenses on the yarn supplied from the point of procurement, i.e., spinning mills/ registered licence holders in the silk exchange, state bodies engaged in manufacturing/ supplying silk yarn, reelers/ twistors registered with SERIFED, manufacturers of domestic silk/ coir/ jute yarn and pashmina fibre and process/ dye houses in the case of processed/ dyed yarn etc. to the point of delivery i.e., the godown of the agencies situated in their operational area. To facilitate easy accounting of the transportation cost, NHDC shall forward the goods on freight “to pay” basis and the amount paid by the user agencies shall be reimbursed to them in full by NHDC, on submission of claim bills supported with LR/GR etc. The actual cost of transportation or the rates of freight reimbursement mentioned in Paragraph 5.2, whichever amount is less, will be allowed. NHDC shall be reimbursed this amount by Government of India on Bi-monthly basis. The payment for transportation charges to the user agencies by NHDC shall be made through cheques drawn on its own bank account or by RTGS/ NEFT. In no case, shall NHDC make direct payment to the transporters either in cash or through cheque or RTGS/ NEFT. The details of yarn purchase, transportation etc. must be furnished by the user agency in the format prescribed in **Appendix “B” to ANNEXURE - II.**



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- 5.7 As far as possible, NHDC should draw up a viable procurement plan much in advance, in order to ensure that the supplies are made without interruption from the nearest mills situated in the same or nearby states.
- 5.8 The Government's assistance is payable only after the yarn sold is actually delivered to the user agency. The assistance at the prescribed rates will be payable on a Bi-monthly basis on production of audit certificate by NHDC in the form prescribed by the Office of the Development Commissioner (Handlooms) – (**ANNEXURE -II** and **Appendix 'A' to ANNEXURE -II**).

This certificate will have to be issued by a Chartered Accountant. The audit certificate shall be supported by the agency-wise details of yarn supplied (**Appendix-'B' to ANNEXURE -II**) to be furnished separately by each user agency. The agency shall also furnish to NHDC a copy of LR/GR etc. with its claim.

- 5.9 The Government's assistance at the prescribed rates will be paid in full after the submission of the audit statement, which will be scrutinized by the Office of the Development Commissioner (handlooms). In order to enable timely reimbursement of the transportation expenses incurred by the user agencies, NHDC shall be advanced a sum not exceeding Rs.100.00 lakh at the beginning of each month to be adjusted against the final claims for the corresponding quarter subject to the condition, that the accounts for the advance given to NHDC in previous years are fully settled by NHDC.

**6. OPERATION OF DEPOTS:**

**6.1 OBJECTIVE:**

Handloom Weavers have been constantly facing problems in the timely supplies of yarn in remote, interior and distant places. It is necessary that infrastructure be developed and optimally utilized in these areas to facilitate timely supply of yarn. To encourage various agencies to operate depots on a continuous basis, all categories of yarn (i.e. yarn procured under **Yarn Supply Scheme** and also yarn procured directly by the agencies) shall be supplied through yarn depot. However, the value and quantum of yarn supplied by NHDC under **Yarn Supply Scheme** only shall be counted for reimbursement of depot operating charges. During the XII Plan period, the NHDC should set up more yarn depots with better and wider spatial distribution.

**6.2 COVERAGE:**

All agencies as covered under Paragraph 2.1 will be authorized to operate depots.

**6.3 LOCATION:**

Location of these depots shall be decided by the agency with the concurrence of NHDC.

**6.4** Although no new staff shall be engaged for operating the depots, the expenses in operating the depots shall be reimbursed to the operating agency by NHDC as per rates specified at para 5.2 (a), (b) and (c). NHDC shall be reimbursed this amount by Government, based on actuals, out of the provisions for **Yarn Supply Scheme** on submission of claim to NHDC in **Appendix “C” to ANNEXURE -II.**

**7. OPERATION OF MOBILE VANS:**

**7.1 OBJECTIVE:**

To reach the weavers in remote areas, agencies need to operate mobile vans, periodically so that weavers are not affected due to non-availability of yarn.

**7.2 COVERAGE:**

All agencies as covered under Paragraph 2.1 will be authorised to operate mobile vans. However, the agencies which are authorised to operate depots will not be permitted to operate mobile vans.

Upto 40 mobile vans could be operated in such a manner that facility of at least one mobile van is available in each state. Additionally, operation of more mobile vans can be considered with the approval of the office of the Development Commissioner for Handlooms. Preference will be given to the North East region and hilly areas. For providing this facility to remote areas in the rest of the country, Office of the Development Commissioner for Handlooms will identify the remote areas in consultation with the Planning Commission.

### 7.3 ASSISTANCE

A mobile van could be operated for 20 days in a month by the agency. Reimbursement on running the mobile vans will be @ Rs.1,500/- per day or actual expenditure, whichever amount is less. Mobile van may also be utilized for procurement of handloom clothes and to that extent expenditure would be included within the overall ceiling given above.

Expenditure for the operation of mobile vans will be reimbursed to the agencies by NHDC. NHDC will be reimbursed this amount based on actuals along with the reimbursement as per Paragraph 5.2 of the guideline on receipt of audited claim in Appendix “D” to ANNEXURE -II along with regular reimbursement of freight charges.

The reimbursement to NHDC for the operation of mobile van, in addition to the flat rate of assistance mentioned at Paragraph 5.2, will be limited to a maximum of Rs.36.00 lakh per year.

### 8. MONITORING:

Managing Director will be responsible for monthly monitoring of the scheme and will send report to the Ministry of Textiles indicating the progress under various component viz. yarn type- cotton, silk, jute/coir and wool and others and hank yarn and cone yarn and also highlighting the progress made in hilly and North Eastern regions.

The implementation of this component will be monitored by the Board of Director of NHDC and the Office of the Development Commissioner for Handlooms regularly.

### 9. PUBLICITY

There is a need to widely publicize the benefits of the Yarn Supply Scheme. Focused publicity of the scheme will be done through newspapers in vernacular languages, printing and distribution of pamphlets and hand bills, pasting of posters, wall paintings and Buyers-Sellers Meets etc. Publicity of the scheme will

be done by National Handloom Development Corporation, expenditure on which will be reimbursed by the Office of the Development Commissioner for Handlooms.

## **10. 10% Price Subsidy on Hank Yarn:**

### **Background**

To mitigate the cost disadvantage of handloom sector, the Government of India in the past exempted cotton hank yarn used by the handloom sector from excise duty, whereas cotton cone yarn (used in powerlooms and mills) had 9.2% CENVAT levied on it. Subsequently, in 2004, CENVAT on cotton cone yarn was also removed. As a result, the price differential between the two vanished and handlooms no longer enjoyed price advantage in the crucial raw material. Since handloom products are inherently more expensive due to long lead time in weaving due to complex and exquisite designs, and lower productivity as compared to powerloom, it is essential to provide explicit subsidy on hank yarn.

- (ii) In view of the above, it has been decided to provide **10% price subsidy on Hank Yarn distributed in the handloom sector.** The subsidy will be provided upfront to the beneficiary. This will ensure that the price advantage, which was available to handloom sector prior to abolition of CENVAT on cone yarn, will be made available to it again. This will not only help the handloom sector to survive and become self sustainable in the long run but also enable them to compete with powerloom products.
- (iii) It has also been decided that 10% subsidy would be available on wool also

### **10.2. Implementing Agencies**

National Handloom Development Corporation (NHDC) will be the sole implementing agency

### **10.3 Beneficiary Agencies:**

The agencies which will be eligible to receive subsidized yarn under the Scheme are as under :

- a) All Handloom Organisations (including weavers cooperative societies) at National/ State/ Regional/ Primary handloom level;
- b) Handloom exporters having own looms and registered with HEPC.

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- c) Self Help Groups/ Joint Liability Groups/ Individual Weavers/ Weavers entrepreneur/ SPVs of Mega Cluster/ Integrated Handloom Textile Parks/ Consortia of Clusters

**Note :**

1. Entrepreneur, who is involved in actual weaving activity alongwith marketing and other activities and owns looms in his premises, will be the eligible weaver entrepreneur.
2. No. of looms owned and functional in the premises of Exporters and weaver entrepreneurs will be counted for yarn subsidy purposes.
3. Under the 10% price subsidy component, the yarn will be supplied either to the individual weaver or to his agency of which he is a member (i.e. self help group, joint liability group, cooperative society, producer company), but not to both.

10.4 **Types of Yarn and Eligible Quantity**

- (i) **Domestic Cotton, Silk, Woollen** required for production of handloom items will be covered under the 10% price subsidy.
- (ii) For the purposes of yarn subsidy, the quantity of hank yarn supplied to a weaver or to an eligible agency will be restricted in terms of number of handlooms as below :

Cotton (upto 40s counts)	30 Kgs./loom/month
Cotton (above 40s counts)	10 Kgs./loom/month
Silk Yarn	4 Kgs./loom/month.
Woolen Yarn (below 10s NM)	50Kgs./loom/month.
Woolen Yarn (10s to 39.99s NM)	10Kgs./loom/month.
Woolen Yarn (40s NM and above)	4 Kgs./loom/month.

- The subsidy on wool would be available to individual weavers and handloom cooperative societies only. For other category of yarn, subsidy will continue as per earlier norms.
- The subsidized yarn will be supplied either to an individual handloom weaver or to his agency ( i.e. SHG, JLG, PWCS etc) but not to both.
- The agencies, which are having more than one loom, can get the quota allocation for different quality/ varieties of yarn for different looms for getting the supply under 10% price subsidy component, but the individual weavers who are having only one loom have to get the quota fixed for one quality or variety of yarn only, which constitute his major requirement..

- (iii) In case of double/ply yarn, the resultant count will be considered for deciding the eligible quantity.

## **10.5 Service Charges to Implementing Agencies**

National handloom Development Corporation, which is the implementing agency of Yarn Supply Scheme, will be eligible for an additional 0.5% of the value of yarn as service charge for yarn supplied under the 10% price subsidy on hank yarn component over and above that specified in the Yarn Supply Scheme.

## **10.6 Operational guidelines**

### **10.6.1 General Guidelines**

- (i) 10% price subsidy on cotton and silk hank yarn will be provided upfront to the beneficiary agencies.
- (ii) The number of handlooms of each and every eligible agency will be verified by the State Directorate of handlooms/NHDC.
- (iii) Yarn Passbook will be issued to all eligible agencies and individual handloom weavers.
- (iv) To ensure yarn supply within the budget allocation, the State-wise allocation of yarn pass books to be issued will be made in the beginning of the year based on the no. of looms in the state.
- (v) Under the 10% price subsidy component, the yarn will be supplied either to the individual weaver or to his agency of which he is a member (i.e. self help group, joint liability group, cooperative society, producer company), but not to both.
- (vi) In order to provide 10% price subsidy on hank yarn upfront to the user agencies, National Handloom Development Corporation (NHDC) will be provided corpus fund to the tune of 40% of B.E. of the scheme by the Central Government at the beginning of each financial year. The corpus fund given to NHDC will be recouped on utilization of 70% fund and on submission of audited expenditure statement.

**10.6.2 Verification of the Handlooms and collection of the data in the specified format in order to issue yarn Passbook:**

- (i) NHDC will verify the looms and collect the relevant data for handloom weavers cooperative societies, handloom **exporters registered with HEPC.**
- (ii) The State Governments will verify and collect the data with regard to SHGs, JLGs, **weaver entrepreneurs** and individual handloom weaver.
- (iii) Apex/Corporations under the State Government will verify the loom details of the Primary Weavers Cooperative Societies affiliated with them.
- (iv) The State Governments and Apex/Corporations will forward the data collected to the National Handloom Development Corporation for preparation of yarn Passbook.
- (v) NHDC will prepare Yarn Passbook and will hand over to the State Governments for distribution to the SHGs, JLGs and weaver entrepreneur individual handloom weavers and to Apex/Corporations, in case of PWCSs affiliated with them.
- (vi) The yarn passbook serial number will have 9 digits to denote the following information's:

First two digits	– State
Next two digits	– District
Remaining 6 digits	– running serial number
- (vii) Each individual handloom weaver will be affiliated with nearest yarn depot approved by the NHDC for placing the indent and getting the subsidized yarn. Name of the yarn depot will be indicated on the yarn passbook issued to him.

**10.6.3 Yarn Supply**

- (i) In case of yarn supplied under 10% subsidy at a time the requirement upto 3 months can be supplied.
- (ii) In case of mixed production line, PWCSs have to declare the number of looms engaged in production on cotton yarn on counts upto 40s & above 40s, on silk yarn and on woollen yarn on counts below 10NM, 10 to 39.99NM and 40NM & above for determining the eligible monthly subsidized yarn quantity.

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- (iii) In case primary weavers cooperative society affiliated with apex/corporation, the Apex/Corporation will supply full requirement of subsidized yarn to such societies as per eligible quantity according to number of looms, including yarn supply by the apex/corporation to PWCs with buy back arrangement of finished product. In case Apex/Corporation is not willing to supply the subsidized yarn to the PWCs affiliated with them beyond the quantity required for buy back arrangement of finished products, 10% price subsidy will not be provided to the Apex/Corporation. In this case, PWCs will be supplied subsidized yarn by the NHDC.
- (iv) The subsidized yarn will be supplied either to the individual weaver or to his agency of which he is a member (i.e. self help group, joint liability group, cooperative society, producer company), but not to both.
- (v) The subsidized yarn supplied through NHDC will be eligible for freight reimbursement and depot operating expenses as per guidelines of Yarn Supply Scheme.
- (vi) The beneficiary agency, while placing the indent for subsidized yarn requirement, can place the indent for his entire requirement of yarn. However, the subsidy will be restricted to the eligible quantity as per no. of looms owned by the beneficiary as per details given in para (ii) of 10.4. **If the indent is placed on NHDC, full quantity will be eligible for freight reimbursement and depot operating expenses as per guidelines of Yarn Supply Scheme.**

**10.6.4 Placement of Indents & record keeping:**

- (i) The indent of the individual weavers and other eligible agencies will be routed through depot operating agency as mentioned in the Yarn Passbook.
- (ii) Depot operating agency will indicate the requirement of individual weaver/society (beneficiary agency), while forwarding the indent to NHDC. The yarn depot **will mention the yarn passbook** number of each beneficiary in the indent.
- (iii) Indents will be accepted alongwith minimum 10% advance and balance payment will be collected against delivery.
- (iv) Purchase order & sale invoice will be raised separately by NHDC.



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- (v) NHDC will provide sales invoice, after deducting the 10% subsidy amount to yarn depot for collecting the balance payment.

However, where the individual weaver is affiliated with the nearest yarn depot approved by NHDC for placing its indent and getting the subsidized yarn, NHDC may raise (i) separate purchase order, invoice etc. in the name of user agency/ yarn depot against each individual weaver/ beneficiary or (ii) combined purchase order, invoice etc. in the name of user agency/ yarn depot against the one time combined requirement of multiple individual weavers/ beneficiaries coming through that yarn depot. In the later case, a list of individual weaver mentioning – (a.) Name of individual weavers, (b.) Passbook No. (c.) Item, (d.) Quantity, (e.) Value etc., shall be provided as an annexure to the sales invoice to be sent to the depot operating agency/ yarn depot. Further, the quantitative restrictions/ quota shall be applied based on the loomage of the beneficiary (i.e. individual weaver).

- (vi) Freight Reimbursement will be paid by the depot and **will be claimed for reimbursement for subsidized yarn supplied by the NHDC.**
- (vii) For placing the indent with NHDC & **affecting** the supplies through depot, the depot operating agency will maintain the **proper** records, **which may be verified by the NHDC on random basis.**
- (viii) In order to facilitate supplies to individual weavers (less than half bale) and /or in the areas where no depots are operative, NHDC will open and operate yarn depot at various regional/branch offices.
- (ix) NHDC will submit the audited expenditure statement in the prescribed proformas given in Annexure-III & IV and Appendix A & B to Annexure IV.
- 10.7** National implementation and monitoring committee (NIMC) will be constituted under the Chairmanship of Secretary (Textiles) with the members from Department of Expenditure, Planning Commission, National Handloom Development Corporation, Ministry of Textiles and State Government Representatives to review the scheme and to approve or amend the operational guidelines without modifying or impacting the financial parameters of the Scheme.

**B. INVESTMENT IN NATIONAL HANDLOOM DEVELOPMENT CORPORATION**

**1 BACKGROUND:**

The National Handloom Development Corporation (NHDC) Limited was set up in February, 1983 as a Public Sector Undertaking by the Government of India as an autonomous body under the Companies Act, 1956 in pursuance of the imperative need for a National Level Agency to assist the speedy development of the Handloom sector by coordinating all actions covering the procurement and supply of inputs at reasonable prices, augmenting the marketing efforts of State handloom agencies and initiating developmental activities for upgrading the technology in the handloom sector and improving productivity. NHDC functions under the administrative control of the Office of the Development Commissioner (Handlooms). To strengthen the equity base of NHDC, Government of India has been providing equity @ Rs.1.00 crore every year.

NHDC has been supplying yarn, dyes and chemicals through State Handloom agencies, Apex bodies, Regional Unions, Weavers' cooperatives, Handloom Development Centres, Handloom Associations and also Handloom manufacturing units engaged in export promotion. It has been procuring yarn of all varieties, such as, cotton, polyester, viscose, blends, woollen, silk, jute, etc., from more than 522 reputed spinning mills and delivering the same to more than 1271 agencies.

The activities of the NHDC are intended to achieve the following:

- To ensure the availability of raw materials like yarn, dyes and chemicals and other inputs to handloom weavers.
- To contribute to the growth of infrastructure and appropriate technology.
- To create marketing opportunities for higher output and to add to marketing opportunities for exports.
- To act as a channel for routing Central Government funds, loans and grants to Handloom Corporations, Co-operative Societies and other bodies or persons engaged in the production and development of handloom sector.

2. **OBJECTIVE**

The objective of this component is to provide additional equity to NHDC to enable it to enhance its equity base for availing of the enhanced credit required for its activities including enhancing the volume of yarn supply to the handloom weavers / handloom organizations.

3. **SCOPE:**

During the XII Plan, Government of India will provide support to NHDC in the form of equity to enhance the equity base of the Corporation to enable it to avail more credit for meeting its financial requirements, subject to the following conditions:

1. A proposal in this regard will have to be approved by the Board of Director of NHDC.
2. The maximum equity allocation will be of Rs.1.00 crore every year.
3. NHDC will have to submit the audited balance sheet for the previous year duly approved by the Board of Directors along with their proposal.
4. The NHDC will utilize the money to allot one lakh equity share of Rs.100/-each (fully paid up) to the President of India. A certificate in this regard will have to be enclosed in the proposal.
5. NHDC will fulfil all the conditions/instructions issued by Government of India (Ministry of Finance, Ministry of Heavy Industry and Public Enterprises, Department of Public Enterprises, etc.) from time to time on the subject for payment of dividend to the Government of India.
6. NHDC will ensure the achievement of target/work obligations with reference to the Memorandum of Understanding (MOU) signed between Ministry of Textiles and NHDC.

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**ANNEXURE-I**

**Format of Undertaking to be furnished by the user agency to the National Handloom Development Corporation for supply of yarn under Yarn Supply Scheme**

**UNDERTAKING**

Name and address of the user agency:

- i. This society/corporation/agency is engaged in the production of handloom cloth and the yarn procured by the society/corporation/agency from National Handloom Development Corporation (NHDC) under the Yarn Supply and 10% Yarn Subsidy Scheme is meant for captive consumption in our production centres and/or for supply to our member societies/weavers directly enrolled with us.
- ii. The yarn procured by us under the scheme will not be resold to any other organization/weavers other than those directly enrolled with the society/corporation/agency.
- iii. The benefits of this scheme will be passed on in full to the member societies/weavers directly enrolled with us, when the yarn purchased under this scheme is sold/supplied to them; and
- iv. In the event of detection of non-fulfilment of anyone or more of the conditions of the scheme this society/corporation/agency undertakes to pay to the National Handloom Development Corporation, the amount equivalent to the difference between the actual sale price of yarn supplied (since the execution of this undertaking and till the date of such detection) and the market price including the cost of transportation, overheads etc.

Signature of Chief Executive  
(with rubber stamp)

Signature of Secretary  
(with rubber stamp)

Place:

Date :

No.6/1/2012-DCH/P&S  
Government of India  
Ministry of Textiles  
\*\*\*\*

**ANNEXURE-II**

**CERTIFICATE**

1. We have examined the accounts of the National Handloom Development Corporation, Lucknow in respect of supply of yarn made by them to the eligible agencies under the **Yarn Supply Scheme** for the period \_\_\_\_\_. We are satisfied that the amounts calculated by NHDC are true and fair.
2. Certified that the yarn supplied for which the reimbursement has been claimed for the period \_\_\_\_\_ had been made in accordance with the guidelines issued by the office of the Development Commissioner (Handlooms) vide letter No. 6/1/2012-DCH/P&S dated \_\_\_\_\_.
3. The supplies of yarn on which the Government's assistance is being claimed for the period \_\_\_\_\_ have been made only to the eligible agencies.
4. The amount of reimbursement amounting to Rs. \_\_\_\_\_ (Rupees \_\_\_\_\_) for the period \_\_\_\_\_ has not been claimed before.
5. The claim for the period \_\_\_\_\_ as per details given in the Appendix "A" has been worked out in accordance with the guidelines prescribed by the Office of the Development Commissioner (Handlooms) vide letter No. 6/1/2012-DCH/P&S dated \_\_\_\_\_ and such other instructions issued in this regard from time to time.
6. This claim for reimbursement is in respect of yarn covered under the Scheme.
7. Certified that the Undertaking as prescribed in the guidelines has been obtained by NHDC from each of the agencies to which the yarn supplies have been made during the period \_\_\_\_\_.
8. There is no reason to believe that the grantee institution is involved in corrupt practices.

Date:

Managing Director  
N.H.D.C.

Chartered Accountant  
(with rubber stamp)

No.6/1/2012-DCH/P&S  
Government of India  
Ministry of Textiles  
\*\*\*\*

**APPENDIX "A" TO ANNEXURE -II**

Statement for claiming reimbursement against supplies under **Yarn Supply Scheme** for the period.....

Sl.No.	Name of the State/ Agency	Quantity of yarn supplied (in kgs.)	Cost of yarn at Mill Gate Prices (in Rs.)	Actual cost of transportation (in Rs).
Total				

Amount of reimbursement claimed : Rs.  
(.....% of value of yarn supply)

Less advance amount already claimed : Rs.

Balance amount due : Rs.

Managing Director  
N.H.D.C  
(with rubber stamp)

Chartered Accountant  
(with rubber stamp)

No.6/1/2012-DCH/P&S  
 Government of India  
 Ministry of Textiles  
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**APPENDIX "B" TO ANNEXURE -II**

**Statement showing agency-wise details of yarn supplied by NHDC under the Yarn Supply Scheme**

Name and address of the user Agency  
 (to be furnished separately for each agency) :.....

Sl. No	Period/Date	Yarn supplies received		Name of mill and place from which yarn supplied	Destination of yarn supply	LR No./Date	Name of transport company	Amount of freight paid (in Rs.)
		Qty (Kg)	Value (Rs.)					
TOTAL								

Certified that the above yarn supplies have actually been made by NHDC and the amount of freight has been paid by this corporation/society/agency as indicated above.

Signature of Executive Officer

No.6/1/2012-DCH/P&S  
Government of India  
Ministry of Textiles  
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**APPENDIX "C" TO ANNEXURE -II**

**STATEMENT FOR CLAIM REIMBURSEMENT OF DEPOT OPERATION UNDER YARN SUPPLY SCHEME FROM USER AGENCY TO NHDC**

Sl. No	NAME OF THE STATE	OPENING STOCK AT THE BEGINNING OF QUARTER		YARN RECEIVED UNDER YSS		NAME OF MILLS	YARN RECEIVED OTHER THAN YSS		NAME OF MILL	YARN TOTAL SOLD DURING QUARTER		CLOSING STOCK	REIMBURSEMENT @ 2% ON ACTUALS
				QTY	VALUE		QTY	VALUE		QTY	VALUE		
				QTY	VALUE		QTY	VALUE		QTY	VALUE		
TOTAL													

Certified that the above yarn supplies have actually been made and amount of reimbursement for Depot operation has been paid by NHDC.

Amount of reimbursement claimed for depot operation (2% of value of yarn supply on actuals) : Rs.

Chartered Accountant

Signature of Executive Officer

(Name of User agency with Rubber Stamp)



No.6/1/2012-DCH/P&S  
Government of India  
Ministry of Textiles  
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**APPENDIX “D” TO ANNEXURE -II**

STATEMENT FOR CLAIMING OF REIMBURSEMENT FOR OPERATION OF MOBILE VANS

Sl. No	NAME OF THE STATE /AGENCY	No. OF MOBILE VANS OPERATED AND No. OF DAYS	QTY. OF YARN UNDER YARN SUPPLY SCHEME	YARN SUPPLIED THROUGH MOBILE VANS	REIMBURSEMENT OF RUNNING OF MOBILE VANS		AMOUNT PAID BY NHDC
					VAN No.	ACTUAL AMOUNT PAID FOR OPERATION OF VAN (ENCLOSE THE RECEIPT FROM THE VAN OPERATOR)	
<b>TOTAL</b>							

Certified that total No. of .....Vans worked for total No. of ..... Days and the above reimbursement for mobile van operation has been paid by NHDC.

Amount of reimbursement claimed : Rs.  
(Rs.1,500/- per day or actual)

Chartered Accountant  
(Name of the User Agency with Rubber stamp)

Signature of Executive Officer

Chartered Accountant of NHDC

Counter signed by Managing Director -NHDC

No.6/1/2012-DCH/P&S  
Government of India  
Ministry of Textiles  
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**Annexure-III**

**Format of Undertaking to be furnished by the user agency to National Handloom Development Corporation Ltd. under the Yarn Supply Scheme**

**U N D E R T A K I N G**

Name and Address of User Agency:

We hereby undertake:

- i) That the Society/Corporation/Agency is engaged in the production of handloom cloth and the yarn procured by the Society/Corporation/ Agency from NHDC under the Yarn Subsidy Scheme is meant for captive consumption in our production centres and/or for supply to our member societies/weavers directly enrolled with us.
- ii) That the yarn procured by us under the scheme will not be resold to any other organization/weavers other than those directly enrolled with the Society/ Corporation/Agency.
- iii) That the benefits of this scheme will be passed on in full to the member societies/ weavers directly enrolled with us, when the yarn purchased under this scheme is sold/ supplied to them.
- iv) That in the event of detection of non-fulfillment of anyone or more of the conditions of the scheme, the Society/Corporation/Agency undertakes to pay to NHDC, the amount equivalent to the difference between the actual value of yarn supplied (since the execution of this undertaking and till the date of such detection) and the yarn value based on market price.
- v) That the Society/Corporation/Agency has engaged ..... no. looms in its premises and ..... no. of looms outside its premises for production of handloom cloth during the period .....
- vi) That the yarn subsidy claimed by the Society/Corporation/Agency during the period ..... is based on the yarn quota fixed for it as per the guidelines issued under the Yarn Subsidy Scheme.
- vii) That all the members of Society/Corporation/Agency has obtained the supply under the scheme under single status only i.e. either individual weaver or member of the user agency.

Signature of Chief Executive/Secretary of  
User Agency (with rubber stamp)

Place :

Date :

**Note:- No undertaking is required from the individual weavers**

**C E R T I F I C A T E**

1. We have examined the accounts and records maintained by NHDC in respect of yarn supplied by them and satisfied that the yarn supplied on the basis of which the reimbursement claim preferred during the quarter/period of ..... is as stipulated in the scheme circulated by the Office of Development Commissioner for Handlooms vide its letter No. .... dated .....
2. Certified that the amount of reimbursement of Rs. .... (Rupees ..... ) for the period ..... has been claimed, based on the yarn subsidy of Rs. .... (Rupees ..... ) paid by NHDC.
3. Certified that the reimbursement of Rs. .... (Rupees ..... ) claimed by ..... (Name of Implementing Agency) for the period ..... has not already been claimed before.
4. Certified that claim for the period ..... as per details in the Appendix 'A' has been worked out in accordance with the guidelines prescribed by the Office of Development Commissioner for Handlooms vide letter No. .... dated ..... and such other instructions issued in this regard from time to time.
5. Certified that the Undertaking as prescribed in the guidelines has been obtained by NHDC from each of the agency to which the yarn supply has been made under the scheme during the period .....
6. There is no reason to believe that the grantee institution is involved in corrupt practices.

Signature of Chief Executive of  
Implementing Agency  
(Name and Designation)

Chartered Accountant  
(with rubber stamp)

Place :

Date :



**Statement for claiming reimbursement against yarn subsidy allowed to the handloom weavers under yarn supply scheme**

1. Name of Implementing Agency :
2. Period of Claim :
3. Details of yarn supply and subsidy :

Sl. No.	Name of State	Name of User Agency	Date of Supply	Variety and count of yarn	Yarn supplied during the quarter (in Kgs.)	Value of yarn before yarn subsidy (in Rs.)	Yarn Subsidy @ 10% on yarn value before subsidy (in Rs.)	Service Charges @ 0.5% of yarn value before subsidy (in Rs.)	Total claim for yarn subsidy and service charges (in Rs.)
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>(10=8+9)</b>
<b>Total :</b>									

4. Funds position with the Implementing Agency :

	<b>Particulars</b>	<b>Amount (in Rs.)</b>
(i)	Amount of reimbursement claimed	
(ii)	Less: Advance amount already claimed	
(iii)	Balance amount (i – ii)	

Signature of Managing Director of NHDC

Chartered Accountant  
(with rubber stamp)

(Name and Designation)

Place :

Date :