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.

1.2. Implementing Agencies

The following agencies will be the eligible implementing agencies:

(i) National Handloom Development Corporation (NHDC)
(ii) State Governments through Commissioner/Director of Handlooms & Textiles
(iii) State Handloom Corporations and Apex Societies under direct control of State Governments.

Other than NHDC, all other eligible implementing agencies would require prior written permission from Development Commissioner (Handlooms) before commencing supply of hank yarn under 10% Price Subsidy component. This will ensure that there is no multiple supply to the same beneficiary from different implementing agencies, and also to ensure that the budget provision is not exceeded.

1.3 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 registered with HEPC

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.

1.4 Types of Yarn and Eligible Quantity

(i) Cotton and Domestic Silk Yarn required for production of handloom items will be covered under the 10% Price Subsidy scheme.
(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:

<table>
<thead>
<tr>
<th>Cotton (below 40s counts)</th>
<th>30 Kgs./loom/month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cotton (40s counts and above)</td>
<td>10 Kgs./loom/month</td>
</tr>
<tr>
<td>Silk Yarn</td>
<td>4 Kgs./loom/month</td>
</tr>
</tbody>
</table>

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

1.5 Service Charges to Implementing Agencies

(i) National handloom Development Corporation, which is the implementing agency of Mill Gate Price 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 MGPS (given in para 5.2) For yarn supplies made by the other Implementing Agencies, they will be eligible for service charges as prescribed in table below:

<table>
<thead>
<tr>
<th>Area</th>
<th>Service Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>For Plains</td>
<td>1.5%</td>
</tr>
<tr>
<td>For Hills &amp; Remote Area</td>
<td>1.0%</td>
</tr>
<tr>
<td>For NER</td>
<td>0.75%</td>
</tr>
</tbody>
</table>

(ii) Implementing Agencies other than NHDC will not be eligible for freight reimbursement and depot operating expenses of MGPS under 10% Hank Yarn Price Subsidy component.
1.6 Operational guidelines

1.6.1 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 **no of looms to be issued yarn pass book (silk and cotton)** will be made in the beginning of the year based on the no. of commercial 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. All other implementing agencies will be given quarterly reimbursement on submission of audited documents, provided that they have not exceeded the financial allocation made to them by DC (Handlooms) at the beginning of each financial year. During the year 2011-12 i.e. year of commencement of 10% price subsidy component, NHDC will be eligible to get the advance from Central Government or reimbursement of interest on working capital.

1.6.2 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, **weaver entrepreneur** individual handloom weavers and to Apex/Corporations, in case of PWCSs affiliated with them.
(vi) The yarn passbook serial number will have 10 digits to denote the following informations:

<table>
<thead>
<tr>
<th>Digits</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>First two digits</td>
<td>State</td>
</tr>
<tr>
<td>Next two digits</td>
<td>District</td>
</tr>
<tr>
<td>Remaining 6 digits</td>
<td>running serial number</td>
</tr>
</tbody>
</table>
(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.

1.6.3 Yarn Supply

(i) In case of cotton yarn, for counts below 40s, at a time yarn requirement of upto 2 months will be supplied and for counts 40s and above, yarn requirement of upto 3 months will be supplied.
(ii) For silk yarn, at a time one month’s requirement will be supplied.
(iii) In case of mixed production line, PWCSs have to declare the number of looms engaged in production on counts below 40s, 40s and above and on silk for determining the eligible monthly subsidized yarn quantity.
(iv) 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.
(v) 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.
(vi) Under the 10% price subsidy component, the yarn supplied by the State Government/Apex/Corporation will not be eligible for freight reimbursement and depot operating expenses.
(vi) The subsidized yarn supplied through NHDC will be eligible for freight reimbursement and depot operating expenses as per guidelines of MGPS.
(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 MGPS.

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

(vi) Freight Reimbursement will be paid by the depot and will be claimed for reimbursement for subsidised yarn supplied by the NHDC.

(vii) For placing the indent with NHDC & effecting 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. Other implementing agencies will submit the audited expenditure statement in proformas given in Annexure-V & VI.

1.7 **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.
Format of Undertaking to be furnished by the user agency to the ......................... (Name of Implementing Agency) under the Yarn Subsidy Scheme

UNDERTAKING

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 (Name of Implementing Agency) 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 the (Name of the Implementing Agency), 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 the Society/Corporation/Agency has obtained the supply of yarn under the Yarn Subsidy Scheme from ............................................... (Name of Implementing Agency) and not from any other Implementing Agency under the Scheme.

viii) 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
……………………………………………………………………………………...(Full Name of Implementing
Agency) 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
……………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………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Summary of state-wise claim for reimbursement of yarn subsidy

1. Name of Implementing Agency :

2. Period of Claim :

3. Summary of yarn supply and subsidy :

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name of State</th>
<th>Quantity of yarn supplied (in kgs.)</th>
<th>Value of yarn before subsidy (in Rs.)</th>
<th>Yarn Subsidy @ 10% on yarn value before subsidy (in Rs.)</th>
<th>Service Charges @ 0.5% of yarn value before subsidy (in Rs.)</th>
<th>Total claim for yarn subsidy and service charges (in Rs.)</th>
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</tbody>
</table>

Total:

4. Funds position with the Implementing Agency :

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount (in Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Amount of reimbursement claimed</td>
<td></td>
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<tr>
<td>(ii) Less: Advance amount already claimed</td>
<td></td>
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<tr>
<td>(iii) Balance amount (i – ii)</td>
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</tr>
</tbody>
</table>

Signature of Chief Executive of Chartered
Accountant
Implementing Agency (with rubber stamp)
(Name and Designation)
Place :
Date :
Appendix ‘B’ to Annexure-IV

Statement for claiming reimbursement against yarn subsidy allowed to the handloom weavers towards the supply of Indian Silk and Cotton Hank Yarn

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

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name of State</th>
<th>Name of User Agency</th>
<th>Date of Supply</th>
<th>Variety and count of yarn</th>
<th>Yarn supplied during the quarter (in Kgs.)</th>
<th>Value of yarn before yarn subsidy (in Rs.)</th>
<th>Yarn Subsidy @ 10% on yarn value before subsidy (in Rs.)</th>
<th>Service Charges @ 0.5% of yarn value before subsidy (in Rs.)</th>
<th>Total claim for yarn subsidy and service charges (in Rs.)</th>
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<td>(10=8+9)</td>
</tr>
</tbody>
</table>

Total:

4. Funds position with the Implementing Agency:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount (in Rs.)</th>
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</thead>
<tbody>
<tr>
<td>(i) Amount of reimbursement claimed</td>
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</table>

Signature of Chief Executive of Chartered
Accountant (with rubber stamp)
Implementing Agency (Name and Designation)
Place:
Date:
Annexure-V

Format of Undertaking to be furnished by the user agency to the …………………
………………………………………………………………………… (Name of Implementing Agency)
under the Yarn Subsidy Scheme

**UNDERTAKING**

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 …………………………………………………………………………… (Name of Implementing Agency) 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 the ………………………………………….. (Name of the Implementing Agency), 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 the Society/Corporation/Agency has obtained the supply of yarn under the Yarn Subsidy Scheme from ……………………………………………………… (Name of Implementing Agency) and not from any other Implementing Agency under the Scheme.

viii) 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**
CERTIFICATE

1. We have examined the accounts and records maintained by………………………………………………………….. (Full Name of Implementing Agency) 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 the………………………………………………… (Name of Implementing Agency).

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…………………………………………………………………….. (Name of Implementing Agency) 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 Chartered Accountant Implementing Agency (with rubber stamp) (Name and Designation)

Place :

Date :
Appendix ‘A’ to Annexure-VI

Statement for claiming reimbursement against yarn subsidy allowed to the handloom agencies towards the supply of Indian Silk and Cotton Hank Yarn

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

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<th>Sl. No.</th>
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Signature of Chief Executive of Chartered
Accountant (with rubber stamp)
Implementing Agency (Name and Designation)
Place :
Date :