

## **Notice Inviting Expression of Interest (Eoi) for setting-up of Common Facility Centre (CFC) in Virudhunagar (Tamil Nadu) Mega Handloom Cluster (VMHC) under Comprehensive Handloom Cluster Development Scheme (CHCDS).**

Last date of receipt of EOI: 30 days from the date of the advertisement. In case the 30<sup>th</sup> days falls on a holiday, the next working day will be considered as the last day.

### **1. Introduction**

The handloom sector is the second largest employer in India. This sector is unorganized and dispersed. There is absence of market intelligence, poor exposure to new technologies, lack of product diversification, stiff competition with mechanized sector, inadequate infrastructure & common facilities, lack of adequate working capital etc. Large handloom clusters, like **Virudhunagar**, require massive investment for its integrated and holistic development. With this background, Comprehensive Handloom Cluster Development scheme (CHCDS) has been introduced. Details of the scheme are available at [www.handlooms.nic.in](http://www.handlooms.nic.in)

### **2. Common Facility Centre**

#### **2.1. Background**

The diagnostic study has disclosed the constraints faced by the Weavers in pre-weaving and post weaving activities in **Virudhunagar** Mega Handloom Cluster. In order to create these facilities and also to reduce the strain of weavers, it is proposed to set up Common Facility Centres throughout the cluster area. Facilities like Warping Machines, sizing plant, knotting machines, card punching /lacing unit, value addition units, raw material bank, raw material and ware house will be set up in the CFCs to help the weavers to increase the production and also to supply sized warp to the weavers.

#### **2.2. Objective**

The objectives of establishing a Common Facility Centre are as follows:

- a. Facilitating handloom weavers in pre-loom activities
- b. Creating facilities to supply sized warp yarn to improve the quality.
- c. Facilitating for undertaking value addition work
- d. To ensure regular supply of quality yarn

#### **2.3. Suggested Activities of Common Facility Centre.**

- a) The centre will have facilities for carrying out pre-loom and post-loom weaving activities like warping, sizing, card punching, knotting, surface ornamentation and design development, which can be used by the cluster stakeholders and weavers by paying user fee.
- b) The SPV members will work closely with leading designers to produce samples for buyer seller meet.
- c) The representatives of SPV will participate in Buyer Seller Meet and Fashion shows to display their samples.

- d) The SPV should be able to execute orders generated from the above mentioned activities.
- e) Purchase and timely supply of yarn and other raw materials.
- f) To keep needed quantity of yarn to ensure regular supply of yarn.

**2.4. Suggested locations of CFC and the facilities to be set up in the each CFC are as follows:**

Sl. No.	Sub Clusters	Facilities to be set up
1.	Aruppukkottai, Srivilliputhur, Sundarapandiam, Rajapalayam	Warping, Sizing, Knotting, Raw Material Bank and Ware House.
2.	Paramakudi, Emaneswaram	Warping, Sizing, Knotting, Card Punching and Value Addition.
3.	Sellur, Nilaiyur	Warping, Sizing, Knotting, Card Punching, Value Addition and Raw Material Bank .
4.	Sankarankoil, Veeravanallur, Kadayanallur	Warping, Sizing and Raw Material Bank.
5.	Ettayapuram, Sawyerpuram	Warping.

### 3. Funding Pattern

Project Cost Components	Government Share	SPV Share
1. Capital Investment (building, machinery and miscellaneous fixed assets)	Up to 80%	Minimum 20%, excluding land cost.
2. Cost towards technical fee, administrative expenses etc.	Upto 10% of the Govt. of India's share towards hard interventions	No limit.

Note: Government of India will not bear any cost towards land.

### 4. Release of Funds

4.1. Funds for Capital Investment would be released in the following manner:

- i. 15% as 1<sup>st</sup> Installment as advance.
- ii. 25% as 2<sup>nd</sup> installment on utilization of 70% amount of 1<sup>st</sup> installment and submission of Utilization Certificate in GFR 19(A) and audited accounts duly certified by the Chartered Accountant.
- iii. 30% as 3<sup>rd</sup> installment on utilization of 100% amount of 1<sup>st</sup> installment and 70% of 2<sup>nd</sup> installment and submission of Utilization Certificate in GRR 19(A) and audited accounts, duly certified by the Chartered Accountant.
- iv. 20% as 4<sup>th</sup> installment on utilization of 100% amount of 2<sup>nd</sup> installment and 70% of 3<sup>rd</sup> installment and submission of Utilization Certificate in GFR 19(A) and audited accounts duly certified by the Chartered Accountant.
- v. 10% as 5<sup>th</sup> installment as reimbursement on submission of complete Utilization Certificate in GFR 19(A) and audited accounts duly certified by the Chartered Accountant.

4.2. The SPV would have to submit utilization certificate in the format of GFR 19(A), audited accounts duly certified by Chartered Accountant, physical and financial progress of earlier releases, pre-receipt bill, Surety Bond etc., as required under the relevant rules.

4.3. Separate bank account is required to be opened by the SPV for the funds released by Government of India, which shall be subject to audit by a Government body.

4.4. In the event of an SPV withdrawing from executing a project before utilizing the Government assistance, then the SPV should immediately return the Government assistance together with the applicable interest accrued thereon. Payment of penal interest by the SPV shall be decided by the Project Approval and Monitoring Committee (PAMC) on case to case basis.

## **5. Implementing Agency**

The implementing agency shall be a Special Purpose Vehicle (SPV), a multi stakeholder cluster level legal entity, preferably a company registered under the Companies Act. It will be the recipient of financial grant from the Ministry of Textiles and other agencies to implement the project.

### **5.1. Special Purpose Vehicle (SPV) detailing:**

- a) A multi stakeholder cluster level legal entity, preferably a company registered under the Companies Act will be set up for each of the clusters. It will be the recipient of grant support from the Ministry of Textiles and other agencies.
- b) The majority of equity of such SPV shall be with the Weavers/artisans/ craftsmen/ exporters/entrepreneurs of the cluster and/or their associations/cooperatives/ federations/ SHGs. The remaining stake will be held by strategic investors such as buyers, retail chain houses, large scale production units, banks, financial institutions, State Government agencies etc., whose share of equity will not exceed 40%. However the individual stake shall not exceed 26%. It should also be ensured that the total combined equity of SPV members having blood relationship or any kind of family relationship should not exceed 26%.
- c) In order to make the SPVs understand the Govt. Rules and procedures for carrying out various activities and also, for smooth implementation of the project, the following Govt. officials will be nominated as Directors or Special Invitee on the Board of Directors (BoDs) of the SPV concerned, with no voting rights.
  - i. Officer in-charge, Weavers' Service Centre concerned
  - ii. Assistant Director in-charge of Handlooms & Textiles, State Government concerned
  - iii. Representative of District Magistrate/Collector concerned
- d) The SPV will also constitute a Management and Grievance Redressal Committee, having representation of the above Government Officials and local representative from handlooms etc. to ensure that proper services are rendered to the handloom weavers also, to attend o the complaints, if any.

- e) On approval of the project, SPV will be required to submit Bank Guarantee of 110% of the advance amount to be released against an amount of each installment. However, it will not be mandatory for the Government Agency.
- f) The SPV shall be as broad based as possible with participation from all types of stakeholders.
- g) In case of a SPV registered under any other Act, except Companies Act, there should be minimum 4 permanent members with voting rights.
- h) Such SPV shall be responsible for preparation of Detailed Project Report (DPR) covering technical, financial, institutional and implementation aspect to seek grant support and submitting it to concerned authorities. After the approval, the SPV shall be responsible for ownership, execution and management of the interventions/facilities created under the project.
- i) The SPV would be the focal point for implementation of the scheme playing the following role:
- SPV would conceptualize, formulate, achieve financial closure, implement and manage the infrastructure
  - SPV would procure required land
  - SPV would be responsible for maintaining the utilities and infrastructure created by generating revenue through various business activities.
  - SPV has to be so structured that it is self sustaining with a positive revenue stream
  - SPV would appoint contractors/consultants in a fair and transparent manner in order to ensure timely completion of the project. SPV will obtain appropriate performance guarantee from them.
  - SPV will be responsible to obtain all necessary statutory approvals/clearances including environmental clearances, which are prerequisite to commencement of the project.
  - SPV will submit monthly/quarterly physical/financial progress report of the project implementation including the details of the expenditure in prescribed formats.
- j) In case of an SPV registered under Companies Act, it is recommended that 50% of the net profit should be reinvested in the facility in first 3 profitable years.
- k) SPV shall be bound to ensure health & safety standards in work place. It shall also comply with social, ethical and environmental compliance standards.
- l) SPV has to ensure regular liaison activity with Government to take benefit of various available schemes.
- m) SPV shall give an undertaking that the assets created under the project shall not be sold without prior approval of Office of the Development Commissioner for Handlooms, Ministry of Textiles.

- n) Any change in the composition of SPV shall be made with prior approval of Office of the Development Commissioner for Handlooms, Ministry of Textiles.
- o) SPV shall comply with all the national and international rules and regulation while carrying out the business activities.
- p) The planned activities of the SPV need to be mentioned in DPR with estimated cost.
- q) The deliverables of the project need to be mentioned with objectively measurable targets (wherever possible) in DPR.
- r) SPV will abide by the terms & conditions as issued from time to time by the Office of the Development Commissioner for Handlooms, Ministry of Textiles, which may even be issued after sanction of the project.
- s) The planned activities of the SPV need to be mentioned in detail in DPR with estimated cost.
- t) The deliverables of the project need to be mentioned with objectively measurable targets (wherever possible) in DPR.

## 5.2. SPV Evaluation Criteria

- a. The SPV will be selected, preferably through open competitive bidding process. In special cases, PAMC/Government reserves the right to select/ constitute the SPV.
- b. During the **technical evaluation** of project submitted by SPV, following points will be given importance:

### (i) SPV constitution and background of the SPV members

- **Experience of involved key members:** SPV involving members having significant experience in the field of handloom sector will be given preference.
- **Involvement of weavers and master weavers in SPV:** SPV with equity contribution from large number of weavers of the cluster and/or their associations/ cooperatives/ federations / SHGs will be preferred
- **Involvement of Central and State Government agencies:** Projects with equity share or other involvement of Central and or State Government agencies will be given priority

### (ii) Nature of the project

- **Fit with the suggested concept:** Priority will be given to projects, which are prepared in line with the proposed concept from the technical, operational and social angle.
- **Self-sustainability of the project:** The projects which achieve self-sustainability over a shorter period of time will be preferred
- **Benefits to weavers:** Projects offering livelihood opportunity (direct and indirect) to a larger number of weavers will be given preference.

iii) **Land in possession of SPV:** SPV already having land in possession in the cluster area suitable for the project, in the name of any one of the SPV members will be given preference

c. In the financial evaluation, following points will be given importance:

– **Equity share of SPV:** The SPV share mentioned in point 3 (Funding Pattern) above is the lower limit. Priority will be given to projects with higher SPV share in percentage terms.

d. Technical score will have a 70% weightage, out of total 100 points in deciding the final selection of the project. The financial proposal shall be allocated weightage of 30%. The proposal with the lowest cost will be given a financial score of 100.

## **6. Cluster Management and Technical Agency (CMTA)**

Co-optex has been appointed as the Cluster Management and Technical Agency (CMTA) for Virudhunagar Mega Handloom Cluster. The role of the CMTA is project identification, sensitizing and mobilization of the stakeholder, establishment of Special Purpose vehicle (SPVs), assisting SPV in identification and engagement of service providers/consultants for various services related to specific handloom technology, processing, designing, skill development, marketing, financing etc.

## **7. General terms**

Submission of false information or concealment of information by the applicant/SPV/entrepreneur will attract penalty and/or legal action.

## **8. Procedure for Submission of Expression of Interest (Eoi)**

It is proposed to have a 2-bid system for project approval viz. Technical Bid and Financial Bid. One sealed envelope should contain the Technical Bid i.e. a copy of proposal in CD along with two hard copies of the same. The other sealed envelope should contain the financial bid. Both these sealed envelopes should be put together in a bigger envelope duly sealed for submission to: Shri Vijay Pingale, Managing Director, The Tamilnadu Handloom Weavers' Co-operative Society Ltd., Head Office, "Balasundaram" Building, 350, Pantheon Road, Egmore, Chennai-600008. The envelope should be clearly marked "**Proposal for setting up of CFC in Virudhunagar Mega Handloom Cluster.**" The applications should reach within 30 days from date of publication of advertisement. The suggested contents of technical and financial bid documents are given in the annexure.

**Please note the contents of Financial Bid should not be a part of Technical bid under any circumstances.**

## **Process of project approval**

- a. Technical bids will be opened in the Head office of Co-optex and assessed by a Committee of Officers approved by Development Commissioner (Handlooms), Ministry of Textiles, New Delhi.
- b. Eligible SPVs, if required, would be called for a presentation before the Committee.
- c. The technical bids will be evaluated as per the technical evaluation criteria {refer point 5.2 (b)}.
- d. Financial bid shall be opened for all eligible SPVs.

- e. Final selection of the SPVs will be made by Project Approval and Monitoring Committee (PAMC).
- f. The Committee reserves the right to recommend amendments in the proposed project. The selection in that case will be subject to incorporation of those amendments.
- g. Decision of the Committee shall be final and binding on all the applicants.

#### **9. Rights of Ministry of Textiles, Office of the Development Commissioner for Handlooms.**

The Ministry of Textiles, Office of the Development Commissioner for Handlooms, reserves the right to accept/reject the proposals received without assigning any reasons whatsoever, or may call for any additional information/clarification, if so required.

#### **10. Court Jurisdiction**

This shall be subject to the exclusive jurisdiction of courts at Delhi/New Delhi.

#### **11. Miscellaneous**

In case of any further clarification or information required, following may be contacted:

1. Shri Manoj Jain, Deputy Director, Office of the Development Commissioner for Handlooms, Ministry of Textiles, Government of India, Udyog Bhawan, New Delhi-110 011.Tel: 011- 23061643. E.mail:jain\_manoj@sify.com
2. The Managing Director, The Tamilnadu Handloom Weavers' Co-operative Society Ltd., Head Office, "Balasundaram" Building, 350, Pantheon Road, Egmore, Chennai-600008.Tel: 044-28193371, Fax: 044-28192464, email : cooptex@vsnl.net

**Note:** At the time of Inviting EoIs, it is possible that the applicant(s) may be running their own business, individually or jointly. In case, the key stakeholders are running their firm/Company, which fits in the SPV Composition as given in para 5.1 (a), the firm/Company can act as an SPV for implementation of the project. Accordingly, relevant documents of the existing firm/Company are required to be submitted as given in the Annexure. In case, the business is run individually by the key stakeholders or is not as per para 5.1 (a), they would be required to submit the proposed composition of the SPV, their background and proposed equity stake of each member, including handloom weavers/other stake holders.

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## **Annexure**

### **1.1 Project Proposal Outline**

- a. Executive Summary**
- b. SPV Composition and Members' Background**
  - i. Number of key members in the SPV, contributing equity
  - ii. Equity contribution by the SPV key members
  - iii. Experience of key members in handloom sector
  - iv. Blood relationship or family relationship between the SPV Members, if any
  - v. Number of weavers and master weavers of the cluster and/or their association and contribution to equity in the formation of SPV
  - vi. Equity contribution by the Central/ State Govt. or their financial participation in the project
- c. Detailing of activities with timeline and cost implication**
- d. Manpower Planning**
  - i. Manpower Plan with detailing of periods of hiring and salaries
  - ii. Organizational chart
- e. Technological Considerations**
  - i. Selection of technology –ensuring environmental compliance (installation of ETP etc) along with safety and health standards
  - ii. Machine specifications- make/model /capacity/ cost of machine/ number of machines
  - iii. Utility details
  - iv. Miscellaneous fixed assets details etc
- f. Infrastructure Details**
  - i. Location of site and availability of land.
  - ii. Land and Built up area
  - iii. Civil engineering and structural works details
  - iv. Cost of construction etc.
- g. Marketing & Promotion Plan**
  - i. Marketing & Promotion activities planned with detailing of timelines and cost implication for each activity
- h. Project Cost Detailing**
  - i. Detailing of all major capital expenses such as land cost, building cost, cost of machinery, miscellaneous fixed assets, pre operative expenses etc
- i. Recurring Expense detailing**
  - i. Activity-wise details of recurring expenses of the SPV for a period of 5 years
- j. Expected revenue generation**
  - i. Sources of Revenue for the SPV
  - ii. Detailing of anticipated revenue to be generated by the SPV over a period of 5 years

- k. Financial Appraisal for a period of 5 years**
  - i. Profit and Loss statement
  - ii. Balance sheet
  - iii. Cash flow
  - iv. Break even period
  - v. Return on equity
  
- l. Requirement of statutory clearances**
  - i. Detailing of all statutory clearances that will be required for implementation of the project
  
- m. Project implementation schedule**
  - i. Month-wise detailing of all major activities to be undertaken by the SPV (milestone of each to be specified clearly)
  
- n. Deliverables with objectively measurable targets(whenever applicable)**
  - i. Deliverables on volume terms
  - ii. Deliverables in value terms
  - iii. Number of weavers to be benefitted
  - iv. Increase in wages of the weavers
  
- o. Benefits to the cluster and to what extent**

**1.2 Attachments to be furnished**

1. Memorandum & article of association of SPV (only in case of existing SPVs)
2. Documents establishing the credential of the SPV members
3. Registration certificate of the agency. (only in case of existing SPVs)
4. Land registration certificate (in case the SPV has already got land under possession)
5. An undertaking from the SPV, clearly mentioning the relationship between the SPV members. Both blood relationship and family relationship (if any) needs to be indicated.

Note: The approval Committee reserves the right to ask for any other supporting documents pertaining to the project report, if required.

**B. Financial bid:**

Proposed Means of Finance:

1. SPV's share
2. Funds required under CHCDS

Note:

- Supporting documents should be enclosed wherever mentioned, including items mentioned in the Technical Evaluation Criterion (Enclosed)

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**TECHNICAL EVALUATION CRITERION FOR SHORTLISTING SPVs**

Sl. No.	Criteria	Score	Maximum Score	Marks Allotted
<b>1</b>	<b>Involvement of Handloom Weavers and Master weavers as shareholders(numbers)</b>		<b>20</b>	
	Less than 20	0		
	Between 20 – 40	5		
	Between 41 – 70	10		
	More than 70	20		
<b>2</b>	<b>Involvement of Central /State Government &amp;/or their Agencies as equity holder</b>		<b>5</b>	
	Yes	5		
	No	0		
<b>3</b>	<b>Average experience of key investors in Handloom sector (Years)</b>		<b>15</b>	
	Less than 3 years	0		
	Between 3 - 5 years	5		
	Between 5 - 10 years	10		
	More than 10 years	15		
<b>4</b>	<b>Fit with Suggested Concept as per ToR, Relevancy of size and scope</b>		<b>30</b>	
	Relative Grading	0 to 30		
<b>5</b>	<b>Self Sustainability of the Project proposed (5 years timeframe)</b>		<b>5</b>	
	Sustainable even after Govt. funding ends	5		
	Not sustainable after Govt. funding ends	0		
<b>6</b>	<b>Average no of handloom weavers and master weavers proposed to be benefitted under the project in a day</b>		<b>15</b>	
	Upto 300 weavers	0		
	Between 301-500 weavers	5		
	Between 501-800 weavers	10		
	More than 800 weavers	15		
<b>7.</b>	<b>Land in possession of SPV</b>		<b>10</b>	
	Yes	10		
	No	0		
	<b>Total</b>		<b>100</b>	

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