

**Notice Inviting Expression of Interest (Eoi) for setting-up of Value Addition Center for Handlooms under Comprehensive Handloom Cluster Development Scheme (CHCDS)**

Last date of receipt of EOI: 21 days from the date of the advertisement. In case the 21st day 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, providing employment to about 65 lakh persons. This sector is unorganised and dispersed. There is absence of market intelligence, poor exposure to new technologies, product diversification, stiff competition with mechanized sector, inadequate infrastructure & common facilities, lack of adequate working capital etc. Large handloom clusters, like Varanasi, require massive investment for its integrated and holistic development. With this background, Comprehensive Handlooms Cluster Development scheme (CHCDS) has been launched. Details of the scheme is available at [www.ministryoftextiles.gov.in](http://www.ministryoftextiles.gov.in)

**2. Value Addition Center**

**2.1. Background**

The major objective of the value addition SPV is to add new product categories in the product mix of this cluster, which will help in increasing its trade in long term. The domestic apparel market size is growing with a CAGR of 18% and has reached to US\$30 billion in 2008 from US\$18.1 billion in 2005. The export of apparel and home furnishing products has also increased from US\$8.5 billion in 2005 to US\$12.1 billion in 2008. This shows the abundant market opportunity of apparel and home furnishing products.

This SPV will source fabrics from minimum 2000 handlooms round the year and will convert them to home furnishing items (curtains, pillow cover, cushion cover etc.), apparels (ethnic dresses, shirts, tops etc.) and accessories (ties, scarves etc.). Its manufacturing unit will have capacity of producing minimum 1000 apparels and accessories / day and 1500 home furnishing items / day.

The marketing division of this SPV will carry out different activities (buyer seller meet and participation in buyer seller meets) to create demand for its products in domestic and

international market. The product and design development cell will support the marketing division in their endeavors.

Once any order gets finalized, the fabric sourcing division will source required handloom fabric from the weavers of Varanasi. Once the fabric quality is approved by the quality assurance department, it will be sent to the cutting, sewing and finishing section. The final product may need to be sent to embroidery section as per the buyers' requirement. The finished product will be tested by quality assurance division and shipped to respective buyers.

## **2.2. Objective**

The objectives of establishing a Value Addition Center are as follows:

- a. Adding new product categories in the product mix of this cluster to increase its trade in long term
- b. Market development for those new product categories
- c. Product and design development
- d. Creating alternative job opportunities

## **2.3. Suggested Activities**

- a. It will manufacture apparel, accessories and home furnishing items and will supply it to domestic and international buyers / retailers / whole-sellers.
- b. It will source the handloom fabric majorly from Weavers & Master weavers of Varanasi.
- c. It will carry out marketing and promotional activities in national and international market (e.g. participation in trade fairs, arranging buyer-seller meet etc.) to create demand for its products.
- d. Product and design development integrating the skill of traditional artisans with the modern technology and design concept.
- e. Quality inspection and testing of fabric & end products to meet the industry standards.
- f. In-house embroidery facility to create value added products.
- g. On job training in cutting, sewing, finishing and embroidery.
- h. Tie-up with national and international designers and design houses.
- i. It will also carry out job work for garment and/or home furnishing item manufacturing and embroidery.

## 2.4. Suggested Infrastructure at Varanasi

- a. Manufacturing Unit
  - a. Cutting Section
  - b. Sewing section
  - c. Finishing section
  - d. Ware house
  - e. Embroidery Section
  - f. Testing Laboratory
  - g. Others (Canteen, Crèche, Medical Room etc.)
- b. Offices
- c. Design studio with CAD facilities

## 3. Funding Pattern

Project Cost Components	Government Share	SPV Share
1. Capital Investment (land, building, machinery and miscellaneous fixed assets)	Up to 80%	Minimum 20% including land cost or Full land cost if it is more than 20% of project cost
2. Pre- Operative Expenses (Manpower cost for 3 months, Overhead for 3 months, Training and trial costs for 3 months, Legal and consulting expenses for setting up the unit)		
3. Recurring expenditure (Marketing activities for first two years)		

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

## 4. Release of Funds

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

- i. 1<sup>st</sup> installment of 15% as advance on SPV acquiring land
- ii. 2<sup>nd</sup> installment of another 25% on utilization of 2/3<sup>rd</sup> of 1<sup>st</sup> installment
- iii. 3<sup>rd</sup> installment of another 30% on complete utilization of 1<sup>st</sup> installment and 2/3<sup>rd</sup> of 2<sup>nd</sup> installment
- iv. 4<sup>th</sup> installment of another 20% on complete utilization of 2<sup>nd</sup> installment and 2/3<sup>rd</sup> of 3<sup>rd</sup> installment
- v. Balance 10% as 5<sup>th</sup> and final installment as reimbursement

4.2. The SPV would have to submit utilization certificate in the format of GFR 19A, pre-receipt bill, Surety Bond etc., as required under the relevant rules.

4.3. Separate account need to be kept by SPV for the funds released by Government of India, which shall be subject to audit by a Government body as suggested by Project Approval & Monitoring Committee (PAMC).

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 grant support from the Ministry of Textiles and other agencies to implement the project.

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

- a. The majority of equity of such SPV shall be with the Weavers / 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, institutes under the aegis of Ministry of Textiles etc., whose share of equity will not exceed 40%.
- b. Central and State Government representatives can be a part of SPV as honorary members also
- c. The SPV shall be as much broad based as possible with participation from all types of stakeholders.
- d. In case of a SPV registered under Companies Act, minimum 60% of the 'Authorized Capital' will be with the key members, i.e. Weavers / exporters / entrepreneurs of the cluster and / or their associations / cooperatives/ federations / SHGs. There

should be minimum 5 key members in the SPV. Remaining 'Authorized Capital' shall be with the strategic investors, whose share of equity will not exceed 40%.

- e. In case of a SPV registered under any other act except Companies Act, there should be minimum 5 permanent members with voting rights.
- f. 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.
- g. 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 and collecting service and user charges.
  - The SPV has to be so structured as to be 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 quarterly progress report of the project implementation including the details of the expenditure in prescribed formats.
- h. 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.
- i. SPV is bound to source 80% of its fabric requirement from Varanasi handloom sector.
- j. It is recommended that sufficient land should be acquired for future expansion plans.

- 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 also has to ensure regular liaison activity with government to take benefit of various available schemes.
- m. SPV shall give an undertaking stating that none of the project assets shall be sold without prior approval of Ministry of Textiles through office of DC (Handloom).
- n. Any change in the constitution of SPV shall be with prior approval of Ministry of Textiles through office of DC (Handloom).
- 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 detail in DPR with estimated cost. SPV is suggested to follow the following format to detail out their planned activities. The following table is an example only.

Year	Activity	No. of times	Cost
First year	Participation in domestic trade fair	Will participate in 2 such trade fairs	Rs. 1 Lakh / trade fair

- q. The deliverables of the project need to be mentioned with objectively measurable targets (wherever possible) in DPR. SPV is suggested to follow the following format to detail out the deliverables. The following table is an example only.

Deliverable	Targets
To create additional demand for garments and home furnishing items made of handloom fabric	First year : Business worth Rs. 16 crores will be generated Second year : Business worth Rs. 19 crores will be generated Third year onwards : Business worth Rs. 25 crores will be generated

## 5.2. SPV Evaluation Criteria

- a. The SPV will be selected by PAMC 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:

### 1. SPV constitution and background of the SPV members

- **Experience of involved key members:** SPVs involving members having significant experience in the field of garment and/or home furnishing item manufacturing will be given preference
- **Involvement of weavers and master weavers in SPV:** SPVs with equity contribution from weavers / master 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 State Government agencies will be given priority

## **2. 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.
  - **Promotion of 'Handloom Mark' & 'Silk Mark':** Priority will be given to projects which will promote 'Handloom Mark' & 'Silk Mark'
  - **Size of the Project:** Projects having a larger coverage and scope will be given priority.
  - **Self-sustainability of the project:** The projects which achieve self-sustainability over a shorter period of time will be preferred
  - **Benefits to weavers & master weavers:** Projects offering livelihood opportunity (direct and indirect) to a larger number of weavers & master weavers will be given preference
- c. During the financial evaluation, following points will be given importance:
- **Equity share of SPV:** The SPV share mentioned in point 3 above is the lower limit. Priority will be given to projects with higher SPV share in percentage terms.

## **6. General terms**

6.1. Submission of false information or concealment of information by SPV or entrepreneur will attract penalty and / or legal action as decided by PAMC.

## **7. 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 that is 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: The Development Commissioner (Handlooms), Ministry of Textiles, Government of India, Udyog Bhawan, New Delhi-110 011. Tel: 011-23062945. The envelope should be clearly marked '**Proposal for setting up of Value Addition Center under Mega Cluster Scheme, Varanasi**'. The applications should reach within 21 days from date of publication of advertisement. The suggested content of technical and financial bid documents is given in 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 and assessed by a committee of officers approved by DC (Handlooms)
- b. Eligible SPVs 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) based on technical criteria (refer point 5.2 (b)), financial criteria (refer point 5.2 (c)) and presentation made before 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

#### **8. Rights of Ministry of Textiles**

The Ministry of Textiles 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.

#### **9. Court Jurisdiction**

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

## 10. Miscellaneous

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

1. Sh. Manoj Jain, Deputy Director (Handlooms), Office of the Development Commissioner (Handlooms), Ministry of Textiles, Government of India, Udyog Bhawan, New Delhi-110 011.  
Tel: 011- 23061643. E.mail:jain\_manoj@sify.com
2. Sh. Prashant Agarwal, Technopak Advisors, 4<sup>th</sup> Floor, Tower A, Building 8A, DLF Cyber City, DLF Phase II, Gurgaon-122 002. Tel: 0124-4541111, Fax: 0124-4541198, email : [prashant.agarwal@technopak.com](mailto:prashant.agarwal@technopak.com)

### Note

Selection of SPV shall be made after due weightage to Technical and financial bids.

## Annexure

### A. Project Proposal Outline

- a. Executive Summary
  - b. SPV composition and members' background
  - c. Detailing of activities with timeline and cost implication
  - d. Manpower planning(including organization chart)
  - e. Technological Considerations (e.g. selection of technology, machine specifications, utility details, miscellaneous fixed assets details, etc.)
  - f. Infrastructure details (e.g. land and site description, civil engineering and structural works details)
  - g. Marketing and Promotion Plan
  - h. Project Cost detailing
  - i. Recurring expense detailing (for at least 5 years)
  - j. Expected Revenue generation (for at least 5 years)
  - k. Financial appraisal (Profit & loss statement, balance sheet, cash flow for 5 years, break even period, return on equity, etc.)
  - l. Requirement of statutory clearances
  - m. Project Implementation schedule
  - n. Deliverables with objectively measurable targets (wherever possible)
  - o. Benefits to cluster
- **Attachments to be furnished**
1. Memorandum & article of association of SPV
  2. Documents establishing the credential of the SPV members
  3. Certificate by DIC / chartered engineer / any other expert verifying / vetting the technical feasibility of the project

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

### ii. Financial bid:

- Proposed Means of Finance:
1. SPV's share
  2. Funds required under CHCDS