



ABSTRACT

Industries – Sanction of Structured Package of Assistance to the expansion project of M/s Bannari Amman Spinning Mills Ltd., Coimbatore – Orders – Issued.

Industries (MIF1) Department

G.O. Ms. No.126

Dated : 20.10.2009

Read :

1. From the MD, Bannari Amman Spinning Mills Ltd. Letters dated 9.5.2006, 28.5.2007, 22.12.2008 and 12.2.2009.
2. From the GM, Accounts, Bannari Amman Spinning Mills Ltd., letter dated 10.3.2009.

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ORDER:

M/s Bannari Amman Spinning Mills Limited, Coimbatore is a major player in Cotton Yarn Spinning in South India and exports its products to several countries including Israel, Mauritius, Egypt, Taiwan and South Korea. In view of strong opportunities for growth in the global textile industry and with a view to improve its margins through value addition, the Company has planned to expand the spinning and weaving capacity and set up facilities for Processing, Garmenting and Home Textiles. The various components of the expansion project are as follows:-

Division	Location	Amount (Rs. in Crores)
Spinning	Vadamadurai, Dindigul District	273.25
Weaving	Karanampettai, Coimbatore District	70.25
Garmenting	Karanampettai, Coimbatore District	14.50
Technical Tex / Processing	Annur, Coimbatore District / SIMA Textile Processing Centre at Cuddalore	57.00
Total		415.00

2. Though the total cost of project will be Rs.415 crores, the company stated that it would be investing a sum of Rs.359.80 crores within a period of 3 years commencing from August 2006 and provide direct employment to 2277 persons before the end of the investment period. The Company also stated that its existing units in Dindigul, Tirunelveli and Coimbatore districts are providing employment to about 780 persons and its existing capacity will be fully operational before the new project commences commercial production and there will be no migration of production from the existing units to the proposed project. M/s. Bannari Amman Spinning Mills Limited have requested the Government to offer a structured package of assistance to their expansion project.

3. The Government have carefully examined the request of M/s. Bannari Amman Spinning Mills Limited. M/s Bannari Amman Spinning Mills Limited submitted their application to the Government in May 2006 when the New Industrial Policy 2003 was in vogue. The company also started making investments in the project. The threshold limit for investment for the purpose of offering a support package under the New Industrial Policy 2003 was Rs.300 crores. However, while the request of the company was under consideration, the New Industrial Policy 2007 was announced by Government. As per the New Industrial Policy 2007, new manufacturing facilities set up by an existing company in a new site or in an adjacent vacant site within the existing facility and expansion projects within the existing manufacturing facility of an industry in any district other than Chennai, Tiruvallur and Kancheepuram, with an investment in eligible fixed assets of over Rs.250 crores in a period of 3 years would be eligible for a structured package of incentives to be decided on a case-to-case basis subject to preservation of production volume / value. Since, the request of Bannari Amman Spinning Mills Limited has been under consideration of the Government for quite some time and considering that the project will lead to dispersal of industry as aimed in the New Industrial Policy 2007 and will provide large scale employment in relatively backward areas, the Government have decided to offer a structured package of assistance to the expansion project of the company under New Industrial Policy 2007. The investment commitment of the Company in the expansion project is fixed at Rs.250 crores to be made in eligible fixed assets within the investment period of 3 years starting from 1.12.2006 and ending on 30.11.2009.

4. The Government sanction the following structured package of assistance to the expansion project of M/s Bannari Amman Spinning Mills Ltd., subject to fulfillment of the two obligations by M/s Bannari Amman Spinning Mills Ltd., as mentioned below:-

- (i) To make an investment of not less than Rs.250 crores in eligible fixed assets within the investment period of 3 years as mentioned in paragraph 3 above.
- (ii) To create direct employment to 2277 persons within the investment period as mentioned in paragraph 2 above.

(a) Capital Subsidy:

In terms of the New Industrial Policy 2007, new as well as expansion units investing Rs.200 crores and above in eligible fixed assets and employing more than 400 direct workers within a period of 3 years would be eligible for a back-ended capital subsidy of Rs.1.5 crores. Since M/s. Bannari Amman Spinning Mills Ltd., have proposed to make an investment of over Rs.250 crores in eligible fixed assets and to create direct employment for 2277 persons within the investment period of 3 years, the Company will be given a back-ended capital subsidy of Rs.1.5 crores in terms of the New Industrial Policy 2007.

(b) Environment Protection Infrastructure Subsidy:

In terms of the New Industrial Policy, 2007, if M/s. Bannari Amman Spinning Mills Ltd., establishes dedicated Effluent Treatment Plant (ETP) or Hazardous Waste Treatment, Storage and Disposal Facility (HWTSDf), it will be eligible for sanction of Environment Protection Infrastructure Subsidy of Rs.30 lakhs or 25% of Capital cost of setting up such ETP / HWTSDf, whichever is less.

(c) Output VAT related Incentive:

An amount equivalent to Net output VAT + CST paid by M/s Bannari Amman Spinning Mills Limited through the expansion project to the Government will be given as Investment Promotion Soft Loan to M/s Bannari Amman Spinning Mills Limited for a period of 10 (Ten) years from the date of commercial production or till the cumulative availment of soft loan reaches 10% of the investment made in eligible fixed assets within three years from the commencement of investment period, whichever is earlier. The soft loan will carry a nominal interest rate of 0.1% per annum. The soft loan sanctioned in the 1st year will be repaid in full along with interest in the month of April in the 11th financial year and the soft loan sanctioned in the 2nd year shall be repaid in full along with interest in the month of April in the 12th financial year and so on. The assets of M/s Bannari Amman Spinning Mills Limited shall stand charged to Government of Tamil Nadu for an amount equal to the monetary value of such Soft Loan as a guarantee for fulfillment of all the obligations and for a period till the full repayment of such Soft Loan. The incentive on Output VAT will be eligible for M/s Bannari Amman Spinning Mills Limited only if the sale is for ultimate use in State of Tamil Nadu. The incentive of Investment Promotion Soft Loan will not be subjected to a sliding scale. However, Base Volume Principle would be followed to ensure that the soft loan is given for the expansion capacity only and the existing revenue stream is protected. Accordingly, the following Base Volume would be applied:-

- (i) The average of the production of M/s Bannari Amman Spinning Mills Ltd. in their existing projects in Tamil Nadu during the last 3 financial years preceding the date of commercial production of the expansion now undertaken in State of Tamil Nadu or the existing capacity in State of Tamil Nadu, whichever is higher, will be taken as the Base Production Volume (BPV). The capacities created under the expansion project will not be taken into account while calculating the Base Production Volume. The Soft Loan based on Net output VAT + CST will be considered only if this BPV is achieved and for the production in excess of BPV as prescribed below:
- (ii) The average sales made by M/s Bannari Amman Spinning Mills Ltd., in their existing projects in State of Tamil Nadu during the last three financial years, preceding the date of commercial production of the expansion now undertaken, will be taken as Base Sale Volume (BSV). After fulfilling the condition (i) above, if the BSV is also achieved, then Net output VAT + CST based soft loan will be given for the sales from the expansion project

in excess of BSV. (The reference here is Output VAT + CST paid to Government).

(d) Electricity Tax Exemption:

As per the New Industrial Policy 2007, M/s. Bannari Amman Spinning Mills Ltd. will be given exemption from payment of Electricity Tax for a period of 5 years from the date of commercial production of the expansion project for both TNEB supply and power generated and consumed from captive sources. This exemption will not be applicable to the existing units of M/s. Bannari Amman Spinning Mills Limited.

5. The Structured package of assistance sanctioned in paragraph 4 above is subject to the following conditions:-

- (a) The Structured Package of Assistance sanctioned above is contingent of fulfillment of the above mentioned two obligations by M/s. Bannari Amman Spinning Mills Ltd. with respect to investment and employment creation. In the event of non-fulfillment of any one or both of the said obligations, the whole structured package given in this order will become null and void. In such an event, M/s. Bannari Amman Spinning Mills Ltd. shall refund the output VAT + CST related incentive, capital subsidy, Environment Protection Infrastructure Subsidy and Incentive on electricity tax exemption, if any received, to the Government with interest to be decided by the Government.
- (b) At the end of the Investment period, SIPCOT will assess the actual investment made by M/s. Bannari Amman Spinning Mills Ltd., in eligible fixed assets as well as actual direct employment created in its expansion projects. SIPCOT will carry out a base line survey and assessment of existing capacities and assets as on the date of start of investment period.
- (c) The Tax related incentives sanctioned in this order shall not exceed the actual tax received by the Government from the expansion projects of M/s. Bannari Amman Spinning Mills Ltd.
- (d) M/s Bannari Amman Spinning Mills limited shall use energy efficient equipment and technology and practices to conserve energy. It shall comply with relevant energy efficiency practices, standards and norms as and when prescribed by Designated Authorities.

6. M/s. Bannari Amman Spinning Mills Limited is requested to make a positive contribution to the neighbourhood communities in which the project operates by supporting a wide range of socio-economic, educational and health initiatives like infrastructure in hospital, public health centers, Schools, Vocational training, adopting Industrial Training Institutes etc. M/s. Bannari Amman Spinning Mills Limited is also requested to give preference to local unemployed youth in job opportunities and also endeavour to give preference to the disabled persons in job opportunities, subject to skill availability.

7. This order issues with concurrence of Finance Department vide its U.O. No.58364/Ind/09-1, dated 9.10.2009.

(BY ORDER OF THE GOVERNOR)

**M.F. FAROOQUI,
PRINCIPAL SECRETARY TO GOVERNMENT.**

To

The Managing Director,
M/s. Bannari Amman Spinning Mills Ltd.,
252 Mettupalayam Road,
Coimbatore 641 043.

The Principal Secretary/Chairman and Managing Director,
State Industries Promotion Corporation of Tamil Nadu Limited,
Chennai 600 008

The Special Commissioner & Commissioner of Commercial Taxes,
Chepauk, Chennai 600 005.

The Principal Secretary to Government, CT&RDepartment, Chennai 600 009.

The Principal Secretary to Government, Finance Department, Chennai 600 009.

Copy to:

The Finance (Industries) Department, Chennai-9

Industries (OP.II) Department, Chennai-9

SF / SCs.

// Forwarded / By order //

Section Officer.