



## **ABSTRACT**

Industries - M/s Shiva Texyarn Limited - Sanction of structured package of Assistance to their projects - Orders - Issued.

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### **INDUSTRIES (MIB.1) DEPARTMENT**

**G.O. (Ms.) No.60**

**Dated : 15.06.2009**

**Read :**

From the Director, Shiva Texyarn Limited, Coimbatore, Letters dated : 21.11.2007, 7.4.2008 and 6.8.2008.

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### **ORDER:**

M/s Shiva Texyarn Limited, a part of Coimbatore based Bannari Amman Sugars Group of Companies, is a widely held, listed Public Limited Company having its Registered Office at Coimbatore. The Company is engaged in the business of manufacturing of cotton yarn and wind power generation. The Company has a spinning factory near Dindigul with an installed capacity of 39072 spindles producing about 20 tonnes cotton yarn per day and about one-third of the production is exported. The Company also has Wind Turbine Generators with an installed capacity of 23.045 MW located in Tirunelveli and Coimbatore.

2. M/s Shiva Texyarn Limited have proposed to consolidate its position in the Cotton yarn segment by investing in expanding the capacity of spinning division and they have proposed to make investment in other areas in the textile chain including open end spinning, knitting, knit processing and Garmenting with a total investment of Rs.375 crores as detailed below:

<b>Sl. No.</b>	<b>Name of the Project</b>	<b>Investment (Rs. in Crores)</b>
(1)	Setting up of a new Spinning Project for expanding the spinning capacity from 39072 spindles to 111972 spindles at Kodangipalayam Village in Palladam taluk, Coimbatore District	228.00
(2)	Setting up of a new manufacturing facility for installation of 2400 Rotors with a production capacity of around 20000 kgs of yarn per day, near the existing spinning unit in Dindigul	40.50
(3)	Setting up of a new Knitting project with an installed capacity of 20000 kgs per day, at a location adjacent to the new spinning unit at Kodangipalayam village in Palladam taluk, Coimbatore District.	22.00

(4)	Setting up of a new manufacturing facility for Knit processing of 20000 kgs of fabric per day to produce 20 million pieces of Knitted Garments per annum at SIMA Textile processing Centre at Cuddalore.	47.50
(5)	Setting up of a new manufacturing facility for production of 20 million pieces of Knitted Garments per year at Cheyyar in Tiruvannamalai District.	37.00
	<b>Total</b>	375.00

3. M/s Shiva Texyarn Limited have committed to make an investment of not less than Rs.250 crores in eligible fixed assets within a period of 3 years and to provide direct employment to 6275 persons (skilled and unskilled) in all these 5 projects put together mentioned in para 2 above. M/s Shiva Texyarn Limited has made a request for sanction of a structured package of assistance to the above projects.

4. The Government carefully examined the request of M/s Shiva Texyarn Limited. M/s Shiva Texyarn Limited has existing unit in Tamil Nadu. Therefore, the projects proposed by M/s. Shiva Texyarn Limited can be considered as expansion projects. The eligible investments to be made by M/s Shiva Texyarn Limited in 3 years will be over Rs.250 crores, and therefore, it will qualify for sanction of a structured package of assistance in terms of the New Industrial Policy, 2007. Accordingly, the Government offer the following structured package of assistance to the projects of M/s Shiva Texyarn Limited subject to the fulfillment of the following two obligations:

- (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 item (a) below.
- (ii) Creating direct employment for 6275 persons at the investment period as mentioned in item (a) below.

Subject to availability of skills, M/s Shiva Texyarn Limited will give preference to local unemployed youth in job opportunities. M/s Shiva Texyarn Limited will also endeavour to give preference to the disabled persons in job opportunities, subject to skill availability.

(a) **Starting date of investment:** The request of M/s Shiva Texyarn Limited for a package of incentives was received by Government on 27.11.2007. The Company has already started making investment in some of the expansion projects. Since the investment proposal of M/s Shiva Texyarn Limited has been under consideration of the Government for quite some time, the starting date of investment period is fixed as 1.12.2007 and investment period will end on 30.11.2010.

(b) **Land:** SIPCOT will allot land in SIPCOT Industrial Park, Cheyyar subject to availability on normal terms and conditions.

(c) **Capital Subsidy:** In terms of the New Industrial Policy, 2007, M/s Shiva Texyarn Limited will be given a single back ended Capital Subsidy for all the 5 projects put together depending upon their investment made in eligible fixed assets and direct employment provided at the end of investment period of 3 years as given below:

Investment (Rs. in Crores)	Direct employment	Quantum of capital subsidy (Rs. in Lakhs)
5 - 50	100 persons	30
50 - 100	200 persons	60
100 - 200	300 persons	100
200 and above	400 persons	150

(d) **Environment Protection Infrastructure Subsidy:** In terms of the New Industrial Policy, 2007, if M/s. Shiva Texyarn Limited establishes dedicated Effluent Treatment Plant (ETP) or Hazardous Waste Treatment, Storage and Disposal Facility (HWTSDf), it will be eligible for sanction of an Environment Protection Infrastructure Subsidy of Rs.30 lakhs or 25% of capital cost of setting up such ETP / HWTSDf, whichever is less.

(e) **Electricity Tax exemption:** As per New Industrial Policy, 2007, M/s. Shiva Texyarn Limited's projects will be given exemption from payment of electricity tax for a period of 5 years and this exemption is restricted only to the new and the proposed expansion projects from the date of their commercial production.

(f) **Power:** 5400 KVA sanctioned load from TNEB for the spinning project at Palladam, laying necessary power lines and other required infrastructures will be made available to M/s. Shiva Texyarn Limited.

(g) **Output VAT + CST related incentive:** M/s. Shiva Texyarn Limited will be given a soft loan equivalent to Net output VAT + CST paid by the projects to the State Government for a period of 10 years from date of commercial production or till the cumulative availment of soft loan reaches 30% of the investment made in eligible fixed assets within the investment period, whichever is earlier. The soft loan will carry a nominal interest rate of 0.1% per annum. The soft loan paid in the 1<sup>st</sup> year shall be repaid in full along with interest in the month of April in the 11<sup>th</sup> financial year; the soft loan paid in the 2<sup>nd</sup> year shall be repaid in full along with interest in the month of April in the 12<sup>th</sup> financial year and so on. M/s Shiva Texyarn Limited will be eligible for the incentive related to Net Output VAT only if the sale is for ultimate use in Tamil Nadu.

The soft loan will be provided on a sliding scale starting from 90% of output VAT + CST paid to the State Government and declining 10% after 5 years as mentioned below:

1 <sup>st</sup> - 5 <sup>th</sup> year	90%
6 <sup>th</sup> - 10 <sup>th</sup> year	80%

VAT and CST related incentive before the application of sliding scale given by the Government should not exceed the actual VAT received by the Government from this project.

The base volume will be fixed in such a way as to ensure that the soft loan is given for the expansion capacity only and the existing revenue stream is protected. Accordingly, the base volume will be fixed as follows:

- (i) The average production of M/s Shiva Texyarn Limited 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 this project will not be taken into account while calculating the Base Production Volume. The output VAT + CST based incentive 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 Shiva Texyarn Limited in State of Tamil Nadu during the last three financial years, preceding the date of commercial production of the expansion now undertaken, be taken as Base Sales Volume (BSV). After fulfilling the condition (i) above, if the BSV is also achieved, then output VAT + CST based soft loan will be given for the sales from the project in excess of BSV.

(h) **Single Window Facilitation:** The Government through Guidance Bureau will provide single window facilitation to the above projects of M/s Shiva Texyarn Limited for getting clearances, incentives and infrastructure support as a fee based service.

(i) **General Conditions:**

- (i) The structured package of assistance sanctioned above is contingent on fulfillment of commitment made by M/s Shiva Texyarn Limited as stated in para.3 above. In the event of non-fulfillment of the said obligations, the structured package given in this order will become inoperative. In such an event, M/s Shiva Texyarn Limited shall refund the output VAT + CST related incentive, capital subsidy, incentives on electricity tax exemption, Environment Protection Infrastructure subsidy and other forms of support availed thereof to the Government with interest to be decided by the Government.
- (ii) At the end of the investment period, SIPCOT will assess the actual investment made by M/s Shiva Texyarn Limited in eligible fixed assets as well as actual direct employment created in its 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.

- (iii) The tax related incentives sanctioned in this order before the application of sliding scale shall not exceed the actual tax received by the Government from the projects of M/s Shiva Texyarn Limited.
- (iv) The incentive related to the output VAT + CST will be eligible for M/s. Shiva Texyarn Limited only if the sale is for ultimate use in State of Tamil Nadu.
- (v) M/s. Shiva Texyarn Limited shall use energy efficient equipment & technology and practices to conserve energy. It shall comply with relevant energy efficient practices, standards and norms as and when prescribed by designated authorities.
- (vi) M/s. Shiva Texyarn Limited will make a positive contribution to the neighbourhood communities in which the projects operate by supporting a wide range of socio-economic, educational and health incentives like infrastructure in hospital, public health centers, Schools, vocational training, adopting Industrial Technical Institute etc.

5. This order issues with the concurrence of Finance Department vide its U.O. No.29717/Ind./09-1, dated : 5.6.2009.

(BY ORDER OF THE GOVERNOR)

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

To

The Director, M/s. Shiva Texyarn Limited,  
252, Mettupalayam Road, Coimbatore-641 043

The Chairman & Managing Director,  
State Industries Promotion Corporation of Tamil Nadu Limited,  
19-A, Rukmini Lakshmipathi Road, Egmore, Chennai 600 008

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

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

The Secretary to Government,  
Commercial Taxes & Registration Department, Chennai 600 009.

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

The Chairman, Tamil Nadu Electricity Board,  
No.144 Anna Salai, Chennai 600 002.

The Director, Guidance Bureau,  
No.19-A Rukmini Lakshmipathi Road,  
Egmore, Chennai 600 008.

Copy to:

Chief Minister's Office, Chennai 600 009.

Finance (Industries) Department, Chennai 600 009.

Public (SC) Department, Chennai 600 009

Industries (OP.II) Department, Chennai 600 009.

SF / SC.

// Forwarded / By order //

**Section Officer.**