Draft Detailed Project Report

Handloom and Textile Cluster, Panipat

Submitted to,

Department of Industries and Commerce
Government of Haryana
(for assistance under the State Mini Cluster Development Scheme)

November 2019

Submitted by,
Handloom & Textile CFC Private Limited

Prepared by,
Ernst & Young LLP
Under the project: MSME Ecosystem Transformation in Haryana

Building a better working world

25th November 2019

Director

Department of Industries & Commerce,

Government of Haryana

1st Floor, 30 Bays Building,

Sector 17, Chandigarh

Dear Sir/Madam,

As part of our engagement for providing consulting services for 'MSME Ecosystem Transformation in the State of Haryana', we hereby submit the Draft Detailed Project Report (DPR) for setting up of Design and Development Centre - as a common facility centre (CFC) at Handloom and Textile cluster for your kind perusal. The deliverable has been prepared in accordance with our engagement agreement with Directorate of Industries, Govt. of Haryana dated 03 January 2017, and our procedures were limited to those described in that agreement.

This Detailed Project Report is based on studies of and discussions with:

- Director of Industries and Commerce, Govt. of Haryana
- DIC Panipat
- Handloom and textile units located in Panipat
- Handloom Exports Manufacturing Association
- Kutani Road Industrial Welfare Association
- Industry experts
- Secondary research

Our work has been limited in scope and time and we stress that more detailed procedures may reveal other issues not captured here. The procedures summarized in our Draft Detailed Project Report do not constitute an audit, a review or other form of assurance in accordance with any generally accepted auditing, review or other assurance standards, and accordingly we do not express any form of assurance. This draft Detailed Project Report is intended solely for the information and use of the Office of Director Industries, Haryana and is not intended to be used by anyone other than specified party.

We appreciate the cooperation and assistance provided to us during the preparation of this report. If you have any questions, please contact the undersigned.

Sincerely,

Amar Shankar, Partner – Advisory Services

Disclaimer

This Draft Detailed Project Report for development of design & development facility as Centre Common Facility Centre (CFC) at Handloom and Textile Cluster, Panipat has been prepared by Ernst & Young LLP (hereinafter referred to as 'EY' or 'Ernst & Young' or 'Us') and delivered to the 'Office of Director of Industries & Commerce – Government of Haryana (O/o of DI&C-HR)' (hereinafter referred to as 'the Client').

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Acknowledgement

We would like to express our sincere gratitude to Department of Industries & Commerce - Haryana and its officials for their involvement and valuable inputs during the preparation of this DPR. We are thankful to **Sh. Devender Singh, IAS, Additional Chief Secretary, Industries & Commerce** and **Dr. Yash Garg, IAS, Director Industries & Commerce**, Government of Haryana for sharing their insights about the 'Enterprises Promotion Policy 2015' and their vision about the State Mini Cluster Development Scheme. Special thanks to **Sh. R.C Dahra, Advisor (MSME-Development), Department of Industries & Commerce** and **Sh. R. K. Rana, Joint Director, DIC Panipat** for their proactive support and guidance to the team during the entire process.

We would like to convey our sincere thanks to members of **Kutani Road Industrial Welfare Association** for their assistance in facilitating stakeholder discussions. Further, we would also like to thank officials of **DIC, Panipat** for providing support and information related to handloom and textile manufacturing units in Panipat district.

Also, we must extend our sincere thanks to handloom and textile MSME entrepreneurs and other key stakeholders who gave us their valuable time and insights with respect to various dimensions of the industry and its support requirements. Without their help, capturing the industry insights would not have been possible.

Abbreviations

APAC	Asia – Pacific
ATDC	Apparel Training & Design Centre
BDS	Business Development Services
CAGR	Compound Annual Growth Rate
CFC	Common Facility Centre
CLU	Change of Land Use
DIC	District Industries Centre
DSR	Diagnostic Study Report
EBIT	Earnings Before Interest and Tax
EPP	Enterprise Promotion Policy
ERP	Enterprise Resource Planning
EU	European Union
FDI	Foreign Direct Investment
FY	Financial Year
GDP	Gross Domestic Product
GSDP	Gross State Domestic Product
HCMA	Haryana Carpets Manufacturers Association
HEMA	Handloom Exports Manufacturing Association
HFC	Haryana Financial Corporation
HSIIDC	Haryana State Infrastructure & Industrial Development Corporation
HSVP	Haryana Shehri Vikas Pradhikaran
IAM	Institute of Apparel Management
IBEF	India Brand Equity Foundation
IDBI	Industrial Development Bank of India
INR	Indian National Rupee
IRR	Internal Rate of Return
ITI	Industrial Training Institute
MSME	Micro, Small and Medium Enterprises
MSME-DI	MSME – Development Institute
MSME CCIA	MSME Chamber of Commerce & Industry Association
NCR	National Capital Region
NITRA	North India Textile Research Association
NPV	Net Present Value
NSIC	National Small Industries Corporation
PHEA	Panipat Handloom Exporter Association

PPP	Public Private Partnership
ROCE	Return on capital employed
SPV	Special Purpose Vehicle
SIDBI	Small Industries Development Bank of India
SWOT	Strength, Weaknesses, Opportunities and Threats
R & D	Research & Development
TIT&S	Technological Institute of Textile & Science
TUFS	Technology Upgradation Fund Scheme
UAM	Udyog Aadhar Memorandum
USA	United States of America

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Executive Summary

Executive summary

The Government of Haryana through the Department of Industries and Commerce intends to transform the MSME sector of the State and put it on a growth path. Several incentives have been offered under the State's ambitious 'Enterprise Promotion Policy (EPP) 2015' to provide an impetus to growth of the MSME sector. Towards this, the State aims to strengthen the technology infrastructure as well as enhance productivity and competitiveness of various MSME clusters across the State by leveraging funding under the State Mini Cluster Development Scheme providing grant under its EPP 2015.

In this context, this Detailed Project Report (DPR) has been prepared to seek grant-in-aid assistance under the State Mini Cluster Development Scheme to set up a state-of-the art **Design & Development Common Facility Centre (CFC)** for Handloom and Textile cluster at Panipat District, Haryana through an SPV under the name and style of **Handloom & Textile CFC Private Limited.**

About the Handloom and Textile Cluster

There are almost 10,000 units in the cluster out which more than 7,000 units are micro, and 2,000 units are small. These units are engaged in the manufacturing of handloom and textile products like Bed Sheets, Carpets, Cushions, Darris, Curtains, Floor coverings, Throll etc.

Most of the units are exporting their products to Canada, Poland, Hong Kong, America, Nepal and Bangladesh as well as cater the local domestic market also. The average turnover range of the cluster units is INR 20 lakhs to INR 2.50 crore, average employment 4-10 workers & average salary INR 10,000 to 12,000 per month.

Several micro and small level entrepreneurs face challenges in terms getting the fabrics developed and designed due to lack of in-house designing and development facility within MSEs, which manifests into high costs, production delays and possible loss of market share.

Diagnostic Study and Interventions

A diagnostic study was undertaken by the cluster members in August 2019 to map the existing business processes in the cluster, identify the gaps, and understand the requirements of the cluster. It was observed that most units deploy out-dated technologies, and require design and development facilities as they were currently availing these services from external service providers at high prices and are unable to meet the requirements of the market due to lack of availability of in-house machines/equipment. This resulted in an adverse impact on cost competitiveness as well as production delays. In this context, the units decided to establish a CFC for designing & development for their products.

A DSR validation meeting was conducted with SPV members on 9th August, 2019. The DSR was approved by the Director of Industries & Commerce on 02nd September 2019 and the SPV was granted permission to go ahead with preparation of Detailed Project Report (DPR) for the cluster. EY subsequently prepared the DPR. The letter has been added as ***Annexure 1***.

Proposed Common Facility Centre

The proposed facilities uder the banner of CFC will facilitate:

- **Development Facility**
- **Design Facility**

A common design and development facility will both supplement and complement the activities of firms in the cluster, and there is no similar facility available in the district for use by MSEs at competitive prices. The proposed common facilities will be utilized by the SPV members and will also be available to non-members units within and outside the cluster. The facility will provide a much needed technology and infrastructure push to the cluster units and enable them to become more competitive.

Special Purpose Vehicle for Project Implementation

After the diagnosis study, the cluster units came together to form a Special Purpose Vehicle (SPV) by the name and style of '**Handloom & Textile CFC Pvt. Ltd**'. The SPV has been set up as a private limited company under section 8 of the Companies Act, 2013 and rule 18 of the Companies (Incorporation) Rules, 2014. The DIC, Panipat has played an important role in SPV formation by cluster stakeholders. The SPV already includes about 14 members who are subscribing to the necessary equity base of the company. The proposed CFC will be implemented on public-private partnership basis through the SPV by availing support from Government of Haryana (under Haryana EPP 2015).

The SPV members have a track record of cooperative initiatives. SPV members are also members of prominent cluster associations and have been autonomously undertaking several soft interventions to enhance knowledge and exposure of the cluster units on new trends in the handloom and textile industryand enhancing productivity of their units. This includes exposure visits to fairs and sharing of best practices, registration under UAM, awareness programs on new trends in textile manufacturing, entrepreneurship development, etc. .

Project Parameters, Viability and Sustainability

The Handloom and Textile Cluster, Panipat with support from State Government (under the State Mini Cluster Development Scheme) is planning to set up a common facility centre with state-of-the-art design and development facilities to undertake job work of cluster units with a total project cost of about **INR 205.50 lakhs**. The total contribution of SPV members will amount to **INR 35.51 lakhs**. Support from State Government is envisaged for **INR 169.98 lakhs** (90% of the project cost up to **INR 188.87 lakhs**).

The cost of the project and proposed means of finances is tabulated below:

PROJECT COST (INR Lakhs)			
S. No.	**Particulars**	**Total Project Cost**	**Eligible Amount as per Guidelines**
1	**Land & Building**		
	a. Land Value	0.00	
	b. Land Development	0.00	0.00
	c. Building & Other Civil Works	0.00	
	d. Building Value	0.00	
	Sub Total (A)	**0.00**	**0.00**
2	**Plant & Machinery**		
	a. Indigenous	146.72	146.72
	b. Imports	0.00	0.00
	c. Secondary Machines	42.14	42.14
	Sub Total (B)	**188.87**	**188.87**
3	**Miscellaneous fixed assets (C)**	**1.64**	**0.00**
4	**Preliminary & Preoperative Expenses (D)**	**2.96**	**0.00**
5	**Contingency**		
	a. Building @ 2%	0.00	0.00
	b. Plant & Machinery @ 5%	9.44	0.00
	Sub Total (E)	**9.44**	**0.00**
6	**Margin money for working capital @ 75% CU (F)**	**2.58**	**0.00**
	Grand Total (A+B+C+D+E+F)	**205.50**	**188.87**

Detailed Means of Finance (INR Lakhs)							
S. No.	Source of finance	Project cost upto eligible cost		Project cost over eligible cost			Remarks
		Percentage Contribution	Amount (INR in lakh)	Percentage Contribution	Amount (INR in lakh)	Total Amount (INR in lakh)	
1	Grant-in-aid under State Mini Cluster Development Scheme (Govt. of Haryana)	90%	169.98	0%	0.00	169.98	As per EPP, 2015 GoH contribution is max 90%
2	Contribution of SPV	10%	18.89	100%	16.63	35.51	
	Total	**100%**	**188.87**	**100%**	**16.63**	**205.50**	

The viability and sustainability of the project is evident from the project economics as well as the cooperative spirit and profile of the SPV. Some indicators of the viability are as follows:

Project's financial indicators

FEASIBILITY		
S. No.	Particulars	Estimates
1	BEP (cash BEP at initial operating capacity of 75%)	55.43%
2	Av. ROCE (PAT/CE)	31.40%
3	Internal Rate of Return (IRR)	26.69%
4	Net Present Value (at a discount rate of 10 per cent) - incorporating viability gap funding (grant) by GoH	NPV is positive and high (INR 176.18 lakhs) at a conservative project life of 10 years
5	Payback period	4.5 years with Grant-in-aid assistance from GOH
6	DSCR	Not Applicable (non-availment of term loan in this project)

As evident from the financials above, with viability gap funding under State Mini Cluster Developmen Scheme of GoH, the project is highly viable and sustainable. Risk and sensitivity analysis considering a decline in user charge/ capacity utilization also validates the project sustainability.

Project Implementation

Project implementation is envisaged to involve in a time-frame of about 7 months upon receipt of final approval of grant-in-aid assistance from the Government of Haryana under State Mini Cluster Development Scheme. The project will be implemented by the SPV in close association with DIC, Panipat and the state government.

In addition, for implementing this CFC project, a Project Management Committee (PMC) comprising of the GM, DIC Panipat, and representatives of the SPV, nodal bank, and EY experts shall be constituted to directly oversee effective monitoring and implementation. The project will be implemented through the SPV, and the Project Management Committee.

This cluster has the ability to increase its output and market share by manufacturing high quality, price competitive products. The proposed facility will be open to all cluster firms to enable them to get job work done in order to cater to the fabric design and development requirements of the market. The facility will also provide an opportunity to MSE units to increase their capacity utilization and profitability. The facility will provide a major technological push to the units reeling under high competition. The CFC will also enhance the co-operation and joint action among cluster stakeholders to improve their competitiveness to meet the demands of the domestic as well as international markets.

Introduction

1. Introduction

1.1 Overview of the Cluster

With changing trends and consumer preferences, handloom and textile products manufacturing are driven towards high design orientation to enhance the product's attractiveness, with higher number of units shifting towards products with various design options. The micro and small units in the cluster have low-end technology for designing and embroidery, which is most in vogue. They mostly have a traditional designing set-up with limited designing capabilities within their factory premise. As a result of this, they often have to outsource some of the fabric manufacturing and processing activities, such as carding and designing services, like embroidery, to private players, and they are charging significantly high costs from these MSEs which greatly affects the MSEs by increasing their costs. This reduces the competitiveness vis-a vis the medium and large enterprises within the region. It also often enhances the production time which delays their supplies. The units are also unable to take bulk orders at times due to outdated technology resulting in increased cost, low output, inconsistent quality.

In addressing this challenge and creating state of the art designing & development facility within the cluster, a group of 14 units have consented to join their hands &formed a special purpose vehicle (SPV) to set up a design and development centre as common facility centre for Panipat handloom and textile manufacturing cluster. This proposed intervention under the State Mini Cluster Development Scheme of Government of Haryana is expected to address the common technology upgradation and infrastructure related problems of the cluster.

1.2 Geographic and Economic Traits

The State of Haryana was formed on 01 November 1966. It is situated in the northwest part of India with the capital of Chandigarh as a Union Territory. The State is surrounded by Delhi, Rajasthan, & Uttar Pradesh with around 30% of the total area of the State falling under National Capital Region (NCR). The State stands 21st in terms of its area. According to the 2011 Census of India, the State is 18th largest by the population. Over the last 5 decades, since its formation in 1966, Haryana has transformed and matured into a diversified economy with a thriving secondary and tertiary sector. Although Haryana has an area covering just 1.3% of the country, Haryana contributes nearly 3.63% to India's GDP. During 2004-16, the State's GSDP grew at a compound annual growth rate (CAGR) of 12.12%.

1.3 Economic Scenario of the State

Haryana is 11th state in the country in terms of GSDP, with growth rate of around 6.5%. With just 1.3% of the total area of the country, Haryana contributes to nearly 3.4% of India's GDP. Haryana, with just 1.37% of the country's geographical area and 1.97% of country's total population, is counted among the first few states with the highest per capita income. The State economy is predominantly agricultural.

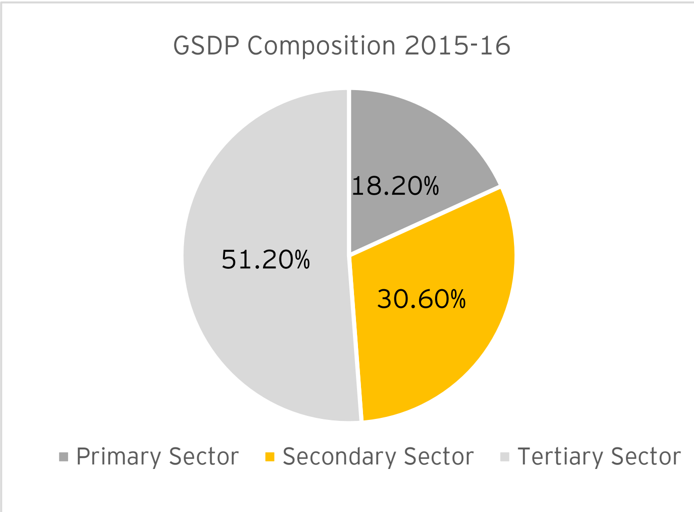


Figure 1: GSDP Composition 2015-16

The industry sector contributes about 18% of the total GSDP of the State. Haryana is fast emerging as one of the most favoured investment destinations in India. The globalization of markets and a resilient economy have given an incredible drive to the industrial sector in Haryana, which already has a competitive advantage in terms of strategic location, basic infrastructure as well as large skilled, educated and young workforce. Besides, the State has investor-friendly policies and regulatory environment as outlined in its recent EPP 2015. It is one of the leading states in terms of industrial production, especially passenger cars, mobile cranes, two-wheelers & tractors. It is the 2nd largest contributor of food grains to India's central pool, accounts for more than 60% of the export of basmati rice in the country and is 3rd largest exporter of software.

The State is in transition from agrarian to manufacturing sector. The State is gradually transforming from an agrarian economy to an industrial economy. To boost the growth rate further and make Haryana a favourable investment destination, the State has developed the Enterprise Promotion Policy in 2015. With the Enterprise Promotion Policy-2015, the State has envisaged a sustainable industrial spectrum in the State with a special focus on MSMEs in its endeavour for effecting a balanced regional and sustainable development. In order to accelerate the industrial growth in the State, the focus of the government is on holistic development, i.e., by encompassing initiatives for resource efficiency improvement, smarter technology, and environment friendly methods which reduce resource consumption

1.4 Demographic Trends of Panipat

Panipat is a city and municipal corporation in the district of the Indian state of Haryana. Panipat district first came into existence on November 1, 1989. This city has strategic location at National Highway No. 1, just 89 Km. from the National Capital. The district lies on the longitude: 76° 58' East and latitude: 29° 23' North. The city has one of the best rails and road connectivity to the State capital Chandigarh and other important commercial hubs of the adjoining states. The Panipat district is surrounded by Karnal in North, Jind in West and Sonipat district in South and Muzaffarnagar district of Uttar Pradesh in the East. It has a total geographical area of 130437.2 hectare.

Panipat has a special place in economy of Haryana. It has become a centre of Industry and trade. It has major Public Sector and Private sector operating companies operating their business in Panipat. There are 11172 number of MSME's generating employment for 89448 having investment INR 2,46,915 lakhs. The city has major Medium and Large-Scale Industries including refinery, Thermal, Fertilizers, Foundries for Agriculture and Food Processing apart from Handloom & Textile.

As per census report 2011, Panipat had population of 12,05,437 of which male and female were 6,46,857 and 5,58,580 respectively. There was change of 24.60 percent in the population compared to population as per 2001. Average literacy rate of Panipat in 2011 was 75.94% compared to 69.20% of 2001. Gender wise, male and female literacy were 83.71% and 67.00% respectively. Regarding Sex Ratio in Panipat, it stood at 864 per 1000 males compared to 2001 census figure of 829 per 1000 males. Total number of workers in Panipat district are 4,12,318 out of which 3,39,016 are main workers and 73.302 are marginal workers.[1]

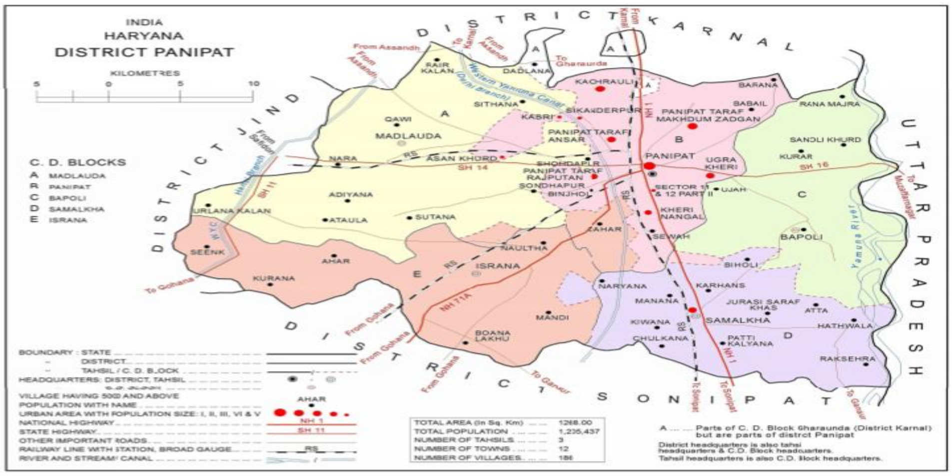


Figure 2: District Map of Panipat

1 http://censusindia.gov.in/2011census/dchb/0607_PART_B_DCHB_PANIPAT.pdf

Sector Overview

2. Sector Overview

The mass production of textiles in the 18th century was the dominant industry of the first industrial revolution, and the first to use modern production methods. Today, the industry is key to the economic and social development of many developing and emerging countries and are an entry point to global supply chains and export markets.

The textile value chain can be broadly categorised as shown below. The major raw materials for the textile industry include cotton, jute, silk, wool and man-made fibre. Technologically intensive process, the output of spinning depends on the quality of fibre and the cleaning process of raw materials. The output, threads or yarn, is weaved using looms to manufacture fabric. It could be done either through traditional loom, handloom, or power loom, etc. The fabric produced is processed using various techniques like dyeing, embroidery, etc. The processed fabric goes under production, like sewing, stitching, etc. depending upon the desired final product. The final product is dispatched to retail outlets or for further distribution.

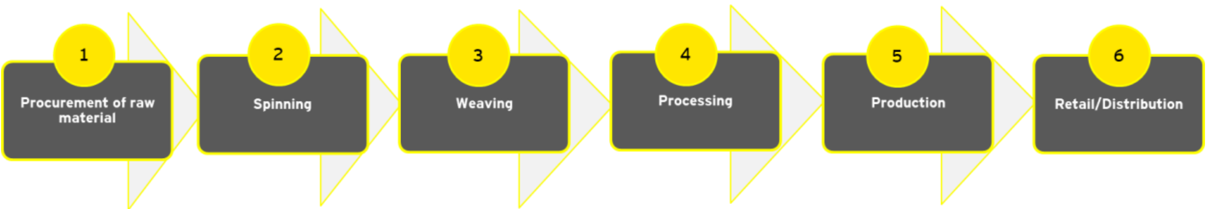


Figure 3: Textile Value Chain

The handloom industry is one of the oldest, and largest cottage industries in India. The industry is largely household-based and forms an integral part of rural and semi-rural livelihood. It has the advantage of being less capital intensive, minimal use of power, eco-friendly, flexibility of small production, openness to innovations and adaptability to market requirements.

2.1 Brief Global Scenario

Despite the global economic downturn, the global textile industry continues to grow at a healthy rate. The textile industry is of great importance to several economies in terms of trade, employment, investment and revenue. This industry has short product life cycles, vast product differentiation and is characterized by great pace of demand change coupled with rather long and inflexible supply processes.

The demand for textile and handloom products is increasing across both developed and developing markets with increasing urbanization and globalization trends. Globalization is now enabling easy and wide availability of such items, designs and ideas to consumers. The global textile market size is projected to reach at USD 1.23 trillion by 2025 expanding at a CAGR of 4.24%.[2]

Textile products are witnessing a strong growth due to rising levels of disposable incomes, recovery of the real estate industry, increase in urbanization and rising awareness levels. Rising levels of urbanization have resulted in an increasing number of new households being setup. Currently more than half of the global population live in urban areas and these levels are expected to increase further in the coming years, creating a positive impact on the demand of handloom and textile products. Moreover, handloom and textile products are income elastic, we expect global disposable incomes to increase continuously over the next few years, particularly in emerging economies such as Asia, Africa, Middle East, Eastern Europe, etc.

Additionally, the recovery of the global real estate industry is also expected to drive home ownership rates creating a positive impact on this market. Another major factor driving this market is the strong performance of the online retail sector. The advent of online retail has made handloom and textile products easily available, affordable and convenient to buy.

2.2 India Scenario

The textile sector is one of the largest employers in the country and within this sector, handloom weaving enjoys a pre-eminent status. The handloom sector occupies a place next only to agriculture in providing livelihood to the people. In the current economic climate, where there is high dependency on foreign capital and know-how, the handloom industry presents a sustainable model of economic activity. It is not energy-intensive and has low capital costs and an extensive skill base.

Textile industry in India encompasses the entire value chain – from fibre to garment manufacture. The industry is broadly divided into two major categories:

- **Organised sector**. Primarily includes mill-made industry, and highly modernized and capital-intensive textile manufacturing plants. The mill sector, with 3400 textile mills with installed capacity of more than 50 million spindles and 842000 rotors is the second largest in the world.
- **Decentralised sector**. Comprises of traditional sectors like handloom, handicraft and power loom. This segment typically has lower levels of technology and lesser overheads.

[2] Global Textile Market Size, Share & Trends Analysis Report (2019-2025)

The total production of cloth in all the segments (mill, handloom, power loom, hosiery, Khadi, wool & silk) is around 42,000 million square metres. Of this, power loom sector has the most dominating share of 60%, followed by the handloom sector with 18%. The organised mill-made segment constitutes for only 3.7% of the total fabric production.[3]

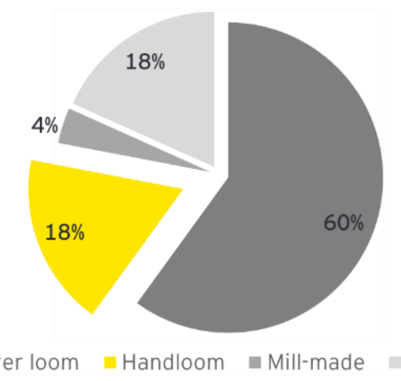


Figure 4: Sector-wise Production of Fabric

India's textile industry is one of the oldest industries in Indian economy dating back several decades. The size of India's textile and apparel market recorded USD 108.5 billion in 2015 and is expected to reach USD 226 billion by 2023, growing at a CAGR of 8.7 per cent between 2009 and 2023. Indian textile industry contributes to 7% of the industry output in value terms, 2% of India's GDP. It is one of the largest contributors to India's exports with approximately 15% of total exports. The textile industry is also labour intensive and is one of the largest employers with over 45 million people employed directly.[4] India accounts for ~14 per cent of the world's production of textile fibres and yarns (largest producer of jute, second largest producer of silk and cotton, and third largest in cellulosic fibre). India has the highest loom capacity (including hand looms) with 63 per cent of the world's market share.

As per IBEF data, the domestic textile and garment industry in India is estimated to reach US$ 141 billion by 2021 from US$ 67 billion in 2014. Increased penetration of organised retail, favourable demographics, and rising income levels are likely to drive demand for textiles.[5] The trend of exports of textiles and garments from India is illustrated in figure 5.

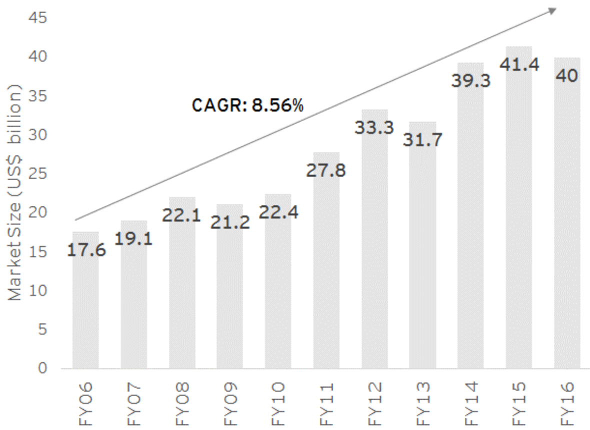


Figure 5: Textile and Garment Exports from India (US$ billion)

[3] Compendium of Textile Statistics (2002), Textiles Commissioner, Mumbai
[4] Annual Report 2017-2018, Ministry of Textiles, Government of India
[5] IBEF - Textile Industry in India

India was the third largest exporter of textiles in 2015, and the 8th largest exporter of clothing (behind China, European Union, Bangladesh Vietnam, and Hong Kong).[6]

The exports of Indian handloom products are valued at US$ 353.9 million in 2017-18 making India the second largest exporter of such products in the world. The major export destinations of the Indian handloom industry include US (26.3%), UK (7.4%), Spain (7.0%), Italy (5.1%) and Germany (5.0%). Presently, over 125 countries globally are buying handloom products from India.[7]

Some of the problems and challenges crippling the growth of handloom sector and diminishing its sustainability are - shortage of raw material, working capital, lack of credit, lack of marketing awareness, promotional campaign, inability to distinguish between handloom and power loom products, inconsistencies in output and quality of product, inefficiencies in supply chain, competition from power looms and mills, technological backwardness, lack of innovation and new designs, reduction in number of weavers, inaccurate database crunch etc.

The Government of India has introduced several schemes and policies to support growth of the sector. **The Ministry of Textiles** is responsible for the formulation of policy, planning, development, export promotion and regulation of the textile industry in India. There are several organizations and institutions working in handloom sector, under the administrative control of Ministry of Textiles. **The Development Commissioner for Handlooms** was set up on 20th November 1975. It is actively involved in the implementation of various schemes for the promotion and development of the handloom sector and providing assistance to the handloom weavers in around areas such as employment generation, modernization and upgradation of technology, input support, marketing support, publicity, infrastructural support, welfare measures, composite growth oriented package, development of exportable products and their marketing, and research & development.

2.3 Textile and Handloom Sector in Haryana

The textile industry in Haryana exhibits strength across the entire value chain from fibre to fashion. The State is one of the leading cotton producers in the country with Sirsa, Fatehabad, Bhiwani, Hisar and Jind being the main cotton producing districts. This bounteous availability of raw materials gives Haryana a competitive advantage in the textile sector. The cluster-based approach to industrial development has produced robust textile centres such as Panipat, Gurugram, Faridabad, Hisar and Sonipat. The sector today provides employment to approximately 1 million people with readymade garments worth USD 3 billion being exported from the State annually.[8] Besides, traditional handlooms and handicrafts are widespread across Haryana.

[6] WTO - World Trade Statistical Review 2016
[7] Indian Handloom Industry – Potential and Prospects, Working Paper No. 80, EXIM Bank of India
[8] Haryana Textile Policy 2019

Panipat is famously known as the "City of Weavers" and "Textile City" of India. Panipat is famous for home furnishing products, handloom products, furnishing fabrics, terry-towels and blankets. The total textiles and apparels exports (handloom and readymade goods) stood at INR 88,704 million as in 2015-16. The overall exports composition of textiles and readymade garments (including handlooms) as a percent of total exports from the State has averaged close to 10% from 2013-14 to 2015-16. Clearly, textiles and readymade garments is a leading export-oriented sector of the State[9].

Figure 6 provides details of the net value added, gross fixed capital formation, and employment by the textiles and apparel sector in Haryana as well as the State contribution of the sector to national levels from 2011-12 to 2013-14[10]:

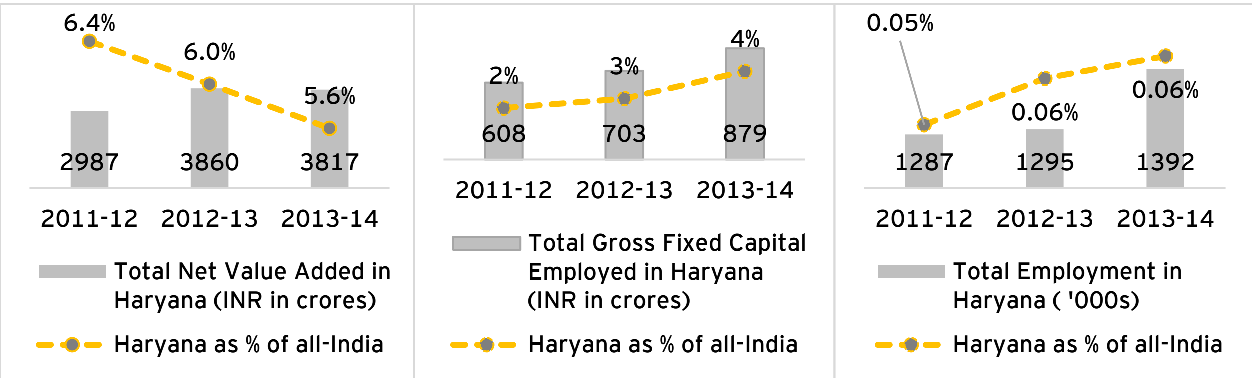


Figure 6: Indian Textile & Garment Industry Snapshot

The Textile Policy 2019 for the State is targeting an investment of INR 5000 crore in the sector, creation of 50,000 new jobs and CAGR of 20% during the policy period.

2.4 Cluster Scenario

The industrial activities in Panipat started in 1947 soon after the partition of India and Pakistan, when many professional weavers from Sindh and Multan were displaced from Pakistan and facilitated to settle in Panipat and started their traditional craft of weaving durries. Since then, the handloom sector of Panipat is growing steadily. As far as textile industry in Panipat is concerned, the business evolved because of yarn dyeing of woollens in 1970s and 1980s. Simultaneously, power looms were introduced to make curtains, bed covers and similar items. By 1990, many industries started manufacturing blankets. The business of blankets expanded exponentially, and in due course, Panipat became famous for blanket market. Panipat accounts for about three-fourth of total blankets produced in the country. It is biggest producer of Shoddy Yarn in World and top most supplier of barrack Blankets of Indian Armed Forces. It is well known for producing international quality of hand-woven rugs, carpets and other floor coverings and handloom made bed sheets and cushions

[9] Department of Industry and Commerce, Haryana
[10] Annual Survey of Industries

curtains, table covers, kitchen and bath linen made of Handloom cloth in a large quantity in Northern India.

At present, there are more than 25000 handlooms working in the district providing employment to about 60,000 people. Most of the weavers are migrants from U.P, Bihar and West Bengal. There are some local weavers also who have come from the neighbouring villages to work in the handloom units of Panipat.

Panipat is not lagging as far as export is concerned and it has established its name in the International Market. There are about 255 industrial units, which are exporting wide range of Handloom Products such as Durries, Mats, Table Covers, Bed Sheet, Curtain and Carpet etc. to various developed countries such as Canada, Japan, Germany and Australia etc counting for exports INR 10,000 Cr for FY 2017-18.

Panipat District has a significant place in international market for "handloom production". The famous products darri, carpet mat, table cover, bed sheet, bed cover, curtain etc. are exported to Canada, Japan, Germany & Australia.

2.5 Nature of Cluster

There are almost 10,000 units in the cluster out which more than 7,000 units are micro, and 2,000 units are small.[11] These units are engaged in the manufacturing of handloom and textile products like Bed Sheets, Carpets, Cushions, Darris, Curtains, Floor coverings, Throll etc. Most of the units are exporting their products to Canada, Poland, Hong Kong, America, Nepal and Bangladesh as well as cater the local domestic market also. The average turnover range of the cluster units is INR 20 lakhs to INR 2.50 crore, average employment 4-10 workers & average salary INR 10,000 to 12,000 per month.

[11] Source: Stakeholder Consultation Inputs

2.6 Products of the Cluster

The cluster units are manufacturing several handloom and textile products such as upholstery fabric, bed sheets, carpets, cushions, cushion covers, darris, curtains, floor coverings etc.

A few of the products manufactured by the cluster are presented in figure 7:

Curtains

Upholstery fabric

Bathroom Mat

Floor coverings

Bed Sheets

Darris

Figure 7: Products of the Units

Diagnostic Study Findings

3. Diagnostic Study Findings

The diagnostic study was undertaken in the cluster during July 2019 to map the existing business processes in the cluster, identify the gaps, and understand the requirements of the cluster. The diagnostic study report (DSR) was compiled with inputs from cluster SPV in close coordination with the DIC, Panipat, and with inputs from members of Kutani Road Industrial Welfare Association. It was observed that most of the cluster units deploy obsolete low-end technologies and are unable to meet the requirements of the market due to lack of availability of modern designing and product development facilities. The finishing of products is ordinary due to dependence on manual techniques and conventional machines.

The DSR was approved by the Director of Industries & Commerce on **2nd September 2019** and the SPV was granted permission to go ahead with preparation of Detailed Project Report (DRP) for the cluster. The major findings of the DSR are presented in the following sections:

3.1 Cluster Actors and their Role

Many support institutions and agencies such as industry associations, government agencies, academic/R&D institutes, financial institutions, BDS providers etc. situated within and outside the cluster play a key role in developing the cluster as well in complementing initiatives of the cluster SPV. The key stakeholders of Handloom and Textile Cluster, Panipat are:

A. Government Bodies

- **District Industries Centre (DIC)**

  DIC is the most important government stakeholder for the cluster. The office of DIC comes under the Department of Industries & Commerce and is headed by Joint Director who is assisted by functional managers and technical field officers. DIC promotes and routes subsidy to micro and small enterprises in the region. The State Mini Cluster Development Scheme under which the handloom and textile units want to set up a CFC will also be implemented through the DIC office. The Panipat DIC is actively promoting cluster development in the district and helps the local units register under Udyog Aadhar Memorandum (UAM). It would play a key role in formulation of the handloom and textile manufacturing units SPV.

- **MSME-Development Institute (MSME-DI), Karnal**

MSME - Development Institute, Karnal is a field office of the Development Commissioner (MSME), Ministry of MSME, New Delhi, which is an apex body for formulating, coordinating and monitoring the policies and programmes for promotion and development of MSMEs in the country. MSME -DI provides a wide range of extension/support services to the MSMEs.

- **Haryana State Infrastructure & Industrial Development Corporation (HSIIDC)**

HSIIDC is a major agency in the State to promote the setting up and promotion of small, medium and large-scale industrial units. The Corporation also acts as a State-level financial institution and provides long term loans for industrial projects. The important activities of the Corporation are:

  - Development of industrial areas/ estates
  - Helps entrepreneurs on matters such as securing registrations/ licences/ clearances from the statutory/other authorities
  - Provision of term-loans

- **Haryana Shahri Vikas Pradhikaran (HSVP)**

HSVP is the urban planning agency of the State of Haryana in India. It was established in 1967. It plays a key role in land development and execution of development works like roads, water supply, sewage, and drainage etc.

- **National Small Industries Corporation (NSIC)**

National Small Industries Corporation (NSIC) was established in the year 1955 with a view to promote, aid and foster growth of small industries in the country. Panipat industry is served by the Panipat branch office. It provides diverse services to MSMEs in Panipat such as:

  - Helps entrepreneurs in purchasing machinery and equipment
  - Equipment leasing and working capital finance
  - Information on technological up gradation
  - Composite loan scheme and export assistance

- **Weavers' Service Centre, Panipat**

This service centre is committed to provide all possible technical assistance to handloom industry in term of design input and advice in weaving, printing etc. to weavers and all concerned to handloom sector. This centre conducts design exhibitions with a view to create awareness in the weaver cluster and to impart trainings in dyeing techniques and design development. This service centre also provides training to the artisans to enhance their employability and skills.

B. Industry Associations

- **Haryana Carpet Manufacturers Association (HCMA)**

Haryana Carpet Manufacturers Association was formed and registered in the year 2008 with an aim of representing and protecting the interest of carpet manufacturers of Haryana. The members are engaged in the manufacturing of different types of carpets and home furnishing products. The main objective of the Association is to inculcate awareness and provide platform to share knowledge and best practices home furnishing manufacturing and exporting. The Association works towards the promotion and development of industrial commerce and trade in the Panipat. The Association also acts as a forum to represent member's grievances to the Government.

- **Handloom Exports Manufacturers Association, Panipat (HEMA)**

The key association and the key stakeholder of home furnishing manufacturers and exporters in Panipat is Handloom Export Manufacturers Association, Panipat. The association was registered in 2003, comprising over 1200 units as members is undertaking several development activities in Panipat region. It provides assistance to Indian exporters as well as importers/international buyers who choose India as their preferred sourcing destination for handloom products. The association addresses issues of the handloom industry and takes up members' grievances with relevant government authorities. Mr. Ramesh Verma is the President and Mr. Ram Bhudiraja is the General Secretary of the association at present.

- **The Panipat Handloom Exporters Association (PHEA)**

PHEA is also one of the major associations of handloom exporters in Panipat. The association undertakes various awareness and development activities related to handloom exports in the Panipat region. Mr. Prem Sagar Vij is the President of the association at present.

- **Kutani Road Industrial Welfare Association**

The association was set up by and for the industrial units on Kutani Road, Panipat. The association has over 250 members and works towards the socio and economic welfare activities for the member industrial units in the region. Mr. Rakesh Chugh is the President of the association at present.

C. Educational Institutes

- **Institute of Apparel Management (IAM), Gurugram**

Institute of Apparel Management (IAM) provides short term courses, undergraduate, postgraduate and MBA courses in various areas related to apparels, apparel manufacturing, fashion & lifestyle design, fashion communication, fashion production management, fashion retail merchandising, apparel market merchandising, apparel manufacturing & entrepreneurship, etc. The institute also conducts workshops and value- added programmes for people in the apparel industry.

- **Apparel Training & Design Centre (ATDC), Faridabad**

The Apparel Training & Design Centre (ATDC) is India's largest Quality Vocational Training Provider dedicated to the Apparel Sector. The ATDC was set-up as a society for training of shop-floor and supervisory workforce for the apparel export sector in 1991 under the aegis of AEPC, the largest Export Promotion Council in the country. The Institute through its 200 Pan-India centres renders service to the downstream Apparel export and domestic industries having trained over 200,000 candidates in short-term courses under Integrated Skill Development Scheme (ISDS) of Ministry of Textiles (MOT), and about 80,000 candidates in longer duration Vocational courses, over the years[12].

- **The Technological Institute of Textile & Science (TIT&S), Bhiwani**

The Technological Institute of Textile & Science (TIT&S) provides training in textile technology, textile chemistry, fashion & apparel engineering, etc. Courses cover areas including fibre specialization, yarn specialization, fabric specialization, textile manufacturing, fashion & designing, garment & accessories, computerized designing, textile & garment surface designing, textile & garment quality

[12] http://www.aepcindia.com/aepc-initiative

assistance, etc. The institute also has a research & development wing which undertakes research on textiles and other streams.

- **National Institute of Fashion Technology (NIFT), Delhi**

National Institute of Fashion Technology (NIFT), set up in 1986 under the aegis of Ministry of Textiles, Government of India, is a Statutory Institute Governed by the NIFT Act 2006. The institute provides a firm foundation in fashion education in the domains of Design, Management and Technology. NIFT also has a network of NIFT Resource Centres, which serve as a Fashion Information System (FIS), catering to the needs of fashion professionals, entrepreneurs and fashion educators. The integrated collections of print, digital, audio and visual creative resources are the only systematically documented learning resources available in India for the study of international and contemporary Indian fashion. FIS is a decentralized network, computerized and coordinated by the National Resource Centre at NIFT.

- **North India Textile Research Association (NITRA), Ghaziabad**

Northern India Textile Research Association (NITRA) is one of the prime textile research institutes in the country. The textile industry and Ministry of Textiles, Govt. of India jointly established NITRA in 1974 for conducting applied scientific research and providing support services to Indian textile industry. NITRA's prime activities include R&D technical consultancy, quality evaluation of materials, manpower training and publishing technical books and papers. To meet industrial HRD needs, NITRA regularly conducts various industry-recognized job-oriented techno-management training programs across the complete textile & apparel supply chain on full-time and DLP modes. In addition to this, NITRA regularly organizes seminars, workshops and conducts on and off-shop customized training programs.

- **ITI Panipat**

Industrial Training Institute Panipat is running several courses to equip candidates on skills required by local industries. However, the institute is not offering any courses for the skills required in textile industry.

- **Indian Institutes of Handloom Technology (IIHTs)**

Indian Institutes of Handloom Technology (IIHTs) are government run, public institutes of higher education in the handloom sector. IIHTs provide a three-year Diploma in Handloom and Textile Technology. There are six institutes in central sector (Uttar Pradesh, Tamil Nadu, Assam, Rajasthan, Odisha and West Bengal) and four in State sector (Andhra Pradesh, Karnataka, Chhattisgarh and Kerala). Central sector IIHTs are under administrative control of Ministry of Textiles, Government of India and State sector IIHTs are under administrative control of respective state government and bodies. The employees of some of the big handloom and textile enterprises in Panipat district are trained at these centres.

D. Banks / FIs

- **Small Industries Development Bank of India (SIDBI)**

SIDBI is the apex financial institution responsible for the growth and development of the MSME sector. Almost all the government subsidy schemes and bilateral lines of credit are implemented through SIDBI. The business strategy of SIDBI is to address the financial and non-financial gaps in MSME eco-system. Financial support to MSMEs is provided by way of (a) Indirect / refinance to banks / Financial Institutions for onward lending to MSMEs and (b) direct finance in the niche areas like risk capital, sustainable finance, receivable financing, service sector financing, etc.

- **Punjab National Bank, Panipat**

Punjab National Bank of India is the lead bank of the Panipat district, and many local handlooms and textile manufacturing units have a banking relationship with the Punjab National Bank.

- **Syndicate Bank, Panipat**

Syndicate Bank is one of the oldest and major commercial banks of India. Some of the local handlooms and textile manufacturing units have an existing relationship with Syndicate Bank and have accounts there.

E. Leading Manufacturers

Some of the leading handloom and textile products manufacturers in Panipat includes Anchit Textile, Ganpati Loomtex, Maharaja Agarsain Handloom, Ganga Loomtex and Saraswati Cotton.

Key stakeholders of Handloom and Textile Cluster, Panipat are presented in figure 8:

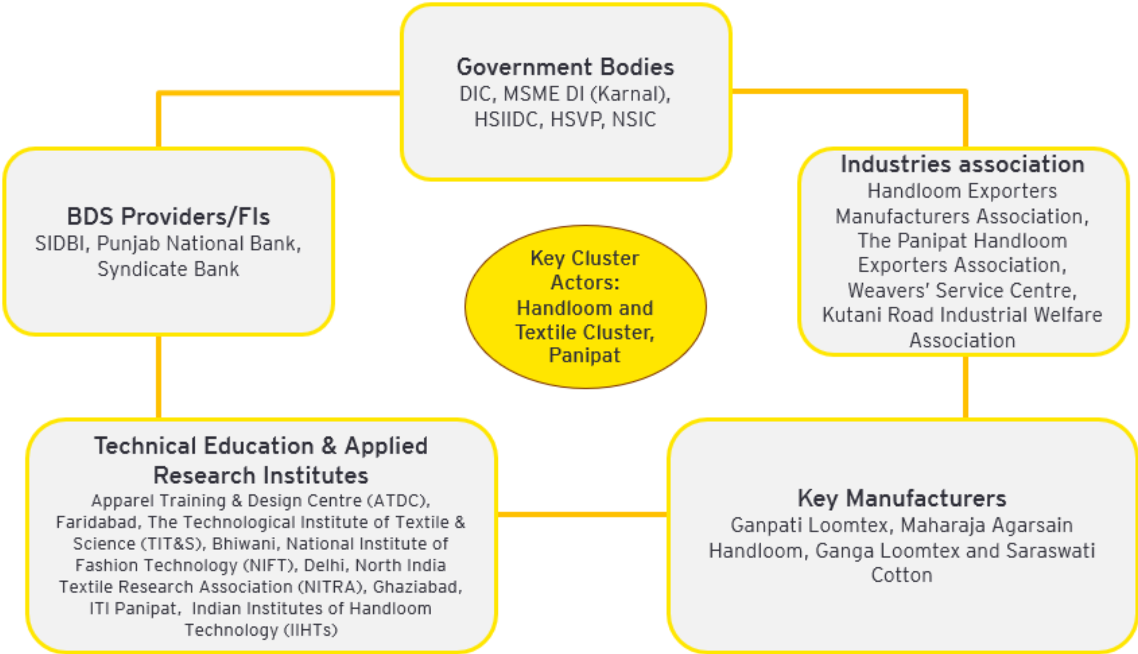


Figure 8: Key Cluster Actors

3.2 Cluster Market, Employment and Turnover

The units in the cluster operate across the spectrum – from completely domestic manufacturing to entirely export oriented, catering to both domestic and international markets with a sizeable share of international exports. Manufacturing is predominantly done as per the order received, according to buyer's specifications. The size of the orders is usually small, given the low-end technology and limited production capabilities. MSMEs product portfolio is also compact/niche due to restricted designing options, while larger players in the market cater to high volume orders.

Units in the cluster are exporting to countries such as USA, Canada, Europe, Japan along with neighbouring countries like Nepal and Bangladesh.

In the domestic market, the MSMEs are catering to the demands of handloom and textile products locally, from Panipat as well as pan India.

The Panipat handloom and textile industry is very labour intensive. On an average, a micro and small handloom unit employs 4-8 people which can go up-to 10 people. This takes the total employment by the cluster to around 50,000 on an average.[13] The units in the cluster are employed across unskilled, semi-skilled and skilled activities. On the trade front, the

[13]Source: Stakeholder Consultation Inputs

workforce is involved in designing, finishing, etc. The handloom and textile industry is an appealing industry for women, and one fifth of the manpower comprises of women.

The employees in the handloom and textile industry are reasonably paid, with average salaries of INR 10,000 – INR 12,000 per month depending on the skill sets of the employee.

The annual turnover of the MSE units (9000) in the cluster is about INR 2500 crores. However, there is an enormous potential of increasing the production from cluster units by deploying new designing machinery, increasing the output and quality of the products. This would also result in enhanced turnover. Some of the activities are outsourced to private players, thereby increasing the production cost. Currently, units have to pay a high price for the development and procurement of fabric, as well as for designing services such as knitting, embroidery, etc. This negatively affects their competitiveness.

Due to technological backwardness, lack of quality, lower production capacity and poor quality of products, cluster units are unable to obtain and cater to bulk orders from large customers. This cluster has ability to increase its output and market share through manufacturing quality products at competitive prices.

The proposed facility will be open to all cluster firms to enable them to get job work done in order to cater to the handloom and textile products requirement of the market. The proposed CFC will provide an opportunity to micro units to get job work done on modern machines and manufacture high quality products, thereby increasing their individual capacity utilization and profitability. The facility will provide a major infrastructural push to the units reeling under high competition. The CFC will also lead to creation of several jobs for supervisors, machine operators and unskilled workers like helpers both within the CFC and at an individual unit level due to enhanced capacity utilization.

3.3 Production Process

The units in the cluster are engaged in various activities across the value chain of handloom and textile manufacturing processes. From selection of raw materials, to the finished products; various activities involved in this process are outlined below.

The flow chart of the production process followed by handloom and textile units is shown in figure 9:

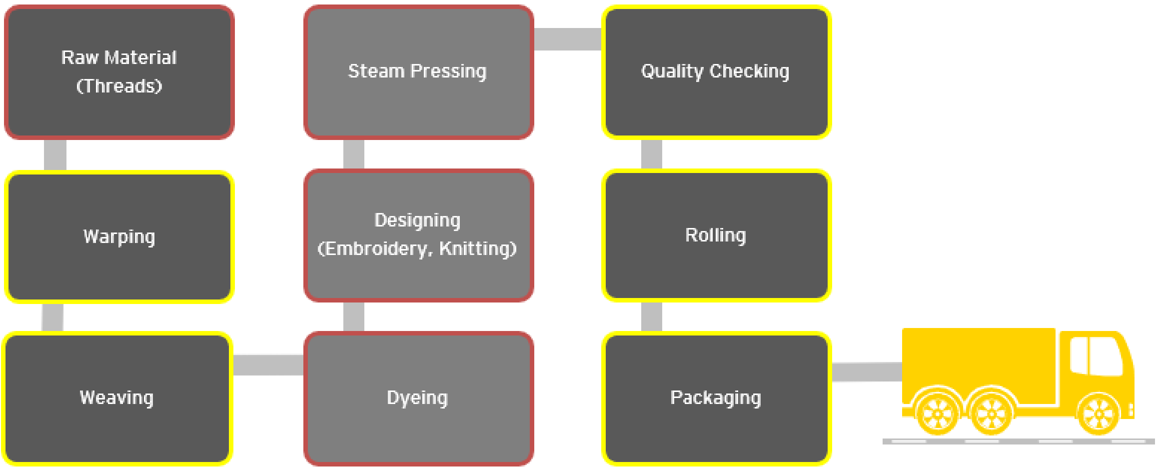


Figure 9: Flow Chart of the Process

As detailed in figure 9, manufacturing process for fabric roll involves the following steps:

1. <u>Raw Material:</u> The first step is raw material procurement. Raw material like cotton thread, polyester thread, chenille thread, etc. & packing material is required for weaving. Raw material is readily available in Panipat itself.

2. <u>Warping:</u> Warping plays an important role in the weaving process. The process involves transferring of thread from small packages onto beams of parallel lengths in preparation for weaving. The wrap beams are then loaded to weave machine for weaving.

3. <u>Weaving:</u> Depending upon the order and buyer's specification, two set of threads are interlaced so that they cross each other, normally at right angles, to produce desired fabric. The weaving is accomplished with a hand- or power-operated loom. Different weave patterns – Jacquard or Dobby can be produced by using different looms. The fabric could be plain, with simple geometric patterns or with design.

4. <u>Dyeing:</u> The fabric is then sent for dyeing in colour of choice. This is primarily an outsourced activity and therefore a major cost area in the production process.

5. **Designing:** If further designing is required, for instance embroidery, knotting, the activity is outsourced to a private player.

6. **Steam Pressing:** Heat, pressure and moisture is applied to the fabric to influence the fabric appearance to give it a finished look and hence increase the fabric appeal. The MSME units largely outsource this activity too.

7. **Quality Checking:** Internal checks are done to inspect the quality of fabric after processing. It involves cutting of extra threads, inspection of each unit for defects, shrinkages, and ironing of the fabric.

8. **Rolling:** If the manufactured item is found in ok condition, the fabric is rolled for easy packaging.

9. **Packaging:** The fabric rolls are then packed in packaging material made from polymer granules.

10. **Transportation:** Fabric rolls are then shipped to local or international buyers

3.4 Value Chain Analysis

Value chain analysis of the most commonly produced cluster products (fabric roll) has been conducted to ascertain the major cost areas and identify suitable interventions. The value chain analysis of a 1-metre fabric roll is provided in Table 1:

Table 1: Value Chain Analysis of Fabric Roll [14]

Particulars	Value Added	Total Value (INR)	% of cost of production
Thread (300 gm quality @INR 60 per metre)	60	60	67%
Manpower	7	67	8%
Overheads			
Electricity	1	68	1%
Warping (and filling)	6	74	7%
Processing			
Dyeing, Designing & Finishing	14	88	16%
Packaging **(1 roll of 100 meters fabric requires polymer granules worth @INR 25)**	0.25	88.25	0.3%
Transportation **(INR 10 per roll)**	0.35	88.65	0.4%
Total Production Cost		89	100%
Profit Margin (12%)		11	
Selling price		100	

The value chain analysis has been prepared based on the stakeholder consultations. It can be observed that the raw materials amount to over **67%** of the total cost of production. Post the implementation of the CFC, there will be reduction in raw material consumption thereby resulting in significant reduction of cost of production. The industry is labor intensive, with labor costs accounting for approximately **8%** of total production cost of a 1-meter fabric. The processing, including dyeing and designing, filling is outsourced which costs around **16%** of the total production cost. At present the cluster units are getting the **12%** profit margin.

[14] Source: Stakeholder Consultation inputs

The competitiveness of the cluster units can be increased by targeting these major cost areas and providing better facilities to the units in order to undertake designing and development at a lower cost.

3.5 Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis

A SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis of the MSME handloom and textile manufacturing units in the cluster has been carried out keeping in mind the technology, marketing, product quality, skills, inputs, innovation, business environment and energy/environment compliance of the units. The SWOT analysis is provided in Table 2:

Table 2: SWOT Analysis of the Cluster

Area	Current situation		Future	
	Strengths	Weaknesses	Opportunities	Threats
Market	▸ Steady local and international demand for cluster products. ▸ Cluster located within the Panipat industrial area, which is well connected with all major national and international industrial hubs. ▸ Cluster located in the proximity of NCR which is a major supply hub. ▸ Strong natural business ecosystem in the region with presence of a large number of buying houses.	▸ Presence of other large players to whom bulk orders are made. These units have a well-established clientele. This makes market penetration, a challenge. ▸ Units are unable to price their products competitively due to limited in-house designing and development capabilities, and more reliance on outsourcing. ▸ Loss of orders occasionally due to inordinate delay in processing of orders.	▸ Rising income levels and increasing urbanisation driving the growth of domestic market. ▸ Potential to price products competitively with acquisition of technology, in order to compete effectively with larger players and countries such as Vietnam, Bangladesh & China. ▸ Potential for assistance under State Textile Policy.	▸ Intense competition from global markets. ▸ Competition from other major players.

Area	Current situation		Future	
	Strengths	Weaknesses	Opportunities	Threats
Technology/ Product Quality	▶ High focus on product quality as raw material comes labelled with product information and can be inspected upon delivery both manually and by using specialized machinery. ▶ Each unit undertakes inspection of pieces at each stage in their manufacturing process. ▶ Buyer representatives also inspect the product at different stages of manufacturing. ▶ Some buyers specify testing labs from which products need to be certified for quality, composition, etc.	▶ Lack of technology access for fabric manufacturing. ▶ Lack of technology access of designing, knitting and embroidery on fabrics. ▶ Heavy reliance on low-end technology with some units using second-handlooms. ▶ Lack of relevant designing, processing facility, in-situ, results in units having to obtain these from private service providers at higher costs. ▶ For exports, there is growing importance on various ecological parameters, which makes for more stringent requirements for the units.	▶ Setting up of CFC for designing and development facility, resulting in units being able to obtain these services both timely and at lower costs and price their products competitively.	▶ Increase in cost of production. ▶ Increase in awareness of people on quality certifications shall lead to losing out to business/requirement for more stringent testing procedures. ▶ Competition from textile mills products at lower costs with state-of the art design machines. ▶ Rapid technology obsolescence.
Skill/ Manpower	▶ Skills acquired on-the-job. ▶ Presence of technical institutes.	▶ High labour costs. ▶ Lack of interaction between SMEs and technical institutes for providing technical training.	▶ Customized training programs on required skills (operations, soft skills etc.).	▶ Youth interested to work in other lucrative sectors. ▶ Big companies with better pay.

Area	Current situation		Future	
	Strengths	Weaknesses	Opportunities	Threats
		► No mechanism to mobilize regional youth for training in the sector.	► Engage technical institutes for skill development programs.	
Inputs	► Availability of raw materials from local dealers. ► Buyers sometimes specify dealers from whom they want materials.	► No web portal displaying prices and sources of raw materials. ► Expensive raw material, threads. ► Old warping techniques leading to wastage of fabrics. ► Challenge in getting quality dyed fabrics at affordable prices with some of the units doing traditional dyeing in-house.	► Potential to develop a portal displaying information (price, suppliers) of raw materials. ► Potential to develop specialize threads in-house at lower costs.	► Cost of power in India is, on average, higher than key competing countries like China, Bangladesh, Vietnam.
Innovation	► Ability to manufacture handloom and textile products as per the manufacturer's specifications. ► Some units create their own designs and sell these.	► Low investment in development of designs. ► Lack of process automation.	► Structured processes for information sharing among SMEs in the cluster.	► Could lose business to other more price competitive manufacturers from countries such as Sri Lanka, Bangladesh, China if units do not innovate.
Business Environment	► Panipat is well known as a leading industrial hub of India for handloom. ► Steady growth in domestic demand.	► Lack of knowledge of regulatory frameworks and government schemes among micro level handloom and textile units.	► Establish CFC with latest technologies for designing and development.	► Change in policies and regulatory environment. ► Increase in land rates. ► Environmental policies result in shutting down of dying houses (traditional

Area	Current situation		Future	
	Strengths	Weaknesses	Opportunities	Threats
	▸ Cluster well known as a textile hub across North India. ▸ Conducive policy and regulatory initiatives. ▸ Active State Govt. and schemes for development of the sector. ▸ Proactive industries associations in Panipat.	▸ High cost of industrial land in the cluster. ▸ Lack of common infrastructure/CFC facilities. ▸ No long-term vision of industrialists.	▸ Create better awareness of government schemes and regulations.	dyeing methods) which is impacting handloom and textile manufacturing.
Energy/ Environment	▸ Increased focus on environment due to requirement from buyers.	▸ Lack of knowledge of energy efficiency resulting in higher energy consumption. ▸ High energy cost structure because of lack of efficient processes.	▸ Regular checks on maintaining quality and safety standards. ▸ Potential to reduce energy costs by energy auditing.	▸ Increase in power tariff. ▸ Increased focus on environment standards. ▸ Dyeing require environment compliances, and if units diversify into these services then these compliances and certifications would have to be met.

3.6 Major Issues / Problem Areas of the Cluster

The cost competitiveness of micro and small units engaged in handloom and textile products manufacturing in the cluster, is affected by absence of advanced high-end designing and development facility as most of the MSEs are unable to provide a lot of options, production volume or offer competitive prices individually. Because of which, the designing requirements of MSE's is being outsourced to the private players which end up charging exorbitant prices, sometimes double the prevailing market prices.

Only few MSEs have an in-house fabric development and designing facilities but each of these has a drawback as the output is relatively low with limited options for product innovation.

The key problems cluster related problems identified are:

- **Absence of development facility:** Raw material is the first step towards the production process. Though raw material availability is not a challenge, the high cost of procurement often results in higher production cost, hence reducing the competitiveness of the MSEs. Certain specialized threads, like chenille, are more expensive, thus limiting the product portfolio of the cluster units.

- **Lack of availability of designing equipment:** Embroidery machine can be used for creating great designs, hence enhancing the product portfolio and adding the product attractiveness. Similarly, knitting machines can be used to create various kinds of textile fabrics, enabling the MSE to offer a wider variety of products. However, currently the MSMEs are outsourcing these activities as most of the MSMEs do not have embroidery or knitting machines in-house.

- **Limited access to markets:** The cluster units are small in size with low production capacity. Individually, they have not been able to garner bulk orders. Moreover, they have been unable to diversify their products due to lack of technological capacities, which has led to limited access to market. In order to increase the production capacity as well as produce new products, units require modern efficient machinery. Lack of capital to purchase these machines has limited the production capacity of these units.

- **Production inefficiencies:** Deployment of obsolete machines and dependency on manual operation leads to operational inefficiencies and increased cost of production. This has hindered the ability of micro and small firms to obtain bulk orders from anchor units. Consequently, the units are witnessing declining market shares and lower sustainability.

Due to inexistence of these facilities, cluster units face frequent production delays, cost inefficiencies, rejections, material wastages and declining market shares. These facilities, if provided through a CFC in the cluster with government support, will help the units become more competitive and enable them to dramatically move up the value chain.

3.7 Key Technologies Missing

The technological gaps on various fronts that the CFC proposes to target, along with scope and illustration of major facilities is provided in Table 3.

Table 3: Rationale for Hard Interventions

Rationale for proposed hard interventions under CFC mode	
Critical technology gaps in the cluster	**Proposed technology interventions to enhance cluster's competitiveness through CFC mode**
Development facility	
Absence of a development facility is one of the primary challenges in the handloom and textile industry. The cluster units are using old, obsolete technology for some of the basic production process, which leads to more wastage and higher rejection rate. Further, the cluster units are completely dependent on the external suppliers for the raw material. They have to work with a limited option of threads, since more specialized threads are expensive to buy. This limits the product development, as MSEs units prefer to use more cost-effective raw material to contain the overall production cost. Without this facility, units are unable to do mass production and cannot meet the market demand. Presently, clusters units do not have any modern machines for thread/fabric development.	Most of the textiles are made either through weaving or knitting. Knitting is a popular technique of fabric or garment formation and getting this facility shall further enable cluster units to expand their market share and tie up with large buyers. Getting a high-speed knitting machine will significantly enhance the production process and timeliness, as the machine with mechanize the process of puling threads through loops to create stitches. Chenille is a very versatile yarn and has become the choice of fabric designers for many items. Setting-up a chenille machine under this facility in the CFC will enable the handloom and textile units to produce various types of yarn. As chenille yarn gains more popularity, having a chenille machine in-house will save cost intensively and also equip the units to manufacture a wide range of products. Further, carding is the first step of spinning process and plays a crucial role. Carding machine is used for fibres, which need to pass a sequence of processing to get yarn. Effective carding

	process is essential in order to obtain the level of quality required for the product. The development facility in the cluster shall run on a commercial basis and provide development facilities to cluster units for a range of products. This shall also increase the product credibility in terms of market acceptance. With this facility, cluster units will be able to increase their production and sell their products to bigger players.
Designing facility	
Designing is a critical element for the units in handloom and textile industry to stay relevant and attract buyers. Currently, the cluster units outsource the deigning facility to external players, and do not have any in-house designing facility. This leads to higher costs, production delays and an inability to meet the demand of customers.	Establishing an advanced embroidery machine under this designing facility will enable the SPVs to enhance their products aesthetically. Designing using a high-tech embroidery machine can give textile products a sleek and professional, hard-wearing and durable finish thereby, helping the cluster units in making different types of design for their products. Embroidery will be a value-add for the textile MSME units, allowing them to custom decorate their products and compete with large units. By establishing this facility under the banner of CFC, cluster units will be able to do mass production and meet the market demand.

3.8 Cluster Growth Potential

There is an enormous potential for the growth of Handloom and Textile Cluster, Panipat, owing to the soaring demand of handloom, home furnishing and textile products in India and internationally. Panipat's proximity to Delhi provides it with a strategic advantage in terms of access to a key supply hub. Additionally, the ready availability of raw material in Haryana, and presence of several textile units in the area contributes significantly to the growth of business in the area.

Currently, units are facing challenges in cost competitiveness and efficiency due to the absence of in-house design and development facilities. They are obtaining these services from external providers/vendors, which adds to their production cost substantially, as a result of which, the units often get priced out and face loss of orders. Against this backdrop, if state-of-the art design and development facilities are provided to the units under the CFC

Diagnostic Study Recommendations

4. Diagnostic Study Recommendations

Intensive discussions, interactions with the cluster members and field visits to the units led to identification of existing technology and infrastructure gap which forms the basis of recommendations (hard interventions) in the DSR.

The cluster has presence of multiple proactive industry associations which frequently organize awareness and training programs for the handloom & textile industry. The awareness level of the units is found to be satisfactory. Most of the units in the Panipat cluster are members of Kutani Road Industrial Welfare Association, which actively conducts trainings and workshops related to entrepreneurship development, Govt. of Haryana schemes, etc. Several units currently attend domestic and international textile exhibitions. Hence, the cluster does not intend to obtain government funding for soft interventions.

In this section, the hard interventions for setting up of CFC are being explained so as to enhance the competitiveness of the handloom and textile products manufacturing cluster units. Given that the related production processes are being outsourced at present to private players which entails substantial cost and inordinate production delays.

The recommendations for hard interventions have been elaborated in subsequent sections. The recommendations were finalized in a stakeholder consultation conducted with key members of the handloom and textile cluster in Panipat.

4.1 Hard Interventions for Setting up a CFC (Machines / Technology in the proposed CFC)

The cluster would require the following common infrastructure facilities on an urgent basis to improve the competitiveness of the micro and small handloom and textile manufacturing units, and to enable them to move up the value chain. The handloom and textile units are reeling under bitter competition and low margins, and require modern high capacity automatic machines and other related equipment to get their job work done and reduce their production costs. The members of the proposed SPV with support from the state government are willing to set up a dedicated common facility centre which shall have a state-of-the-art design and development facility. This facility shall provide a much-needed technical impetus to the cluster units and will enable them to become more competitive.

The following common infrastructural facilities are being proposed for the CFC, with support from the State Industries and Commerce Department. Currently, most of the units do not have these machines in-house and have to rely on external vendors for related process and job works. This leads to an escalation in the production costs and reduces the competitiveness of the micro and small units.

- **Carding Machine:**

Carding is one of the most important steps in the spinning process as it directly impacts the final features of the yarn produced. The carding machine will be used at the CFC to open individual fibres, eliminate impurities, getting rid of dust, detangling of naps, elimination of short fibres, blending of fibre, setting fibre orientation as well as sliver formation. By passing the material over the card in the carding machine undoes the tangles present in the fibres, thus making it possible to remove all kinds of impurities. The machine splits up the locks and tangled clumps of fibre and line each strand of fibre so that they are almost parallel with each other. Carding is often referred to as the heart of spinning and using a carding machine at CFC will ensure consistent sliver quality and quantity, better raw material utilization, energy and time efficiency thus increasing the production speed and volume.

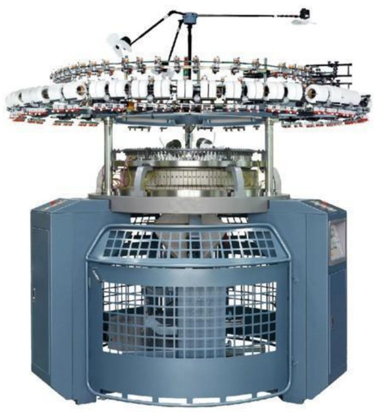
- **Chenille Machine:**

A chenille machine at the CFC will be used for the production of chenille yarn with high technological content. Chenille yarn is a specialized yarn used to make a variety of high-design products. Procuring chenille yarn from private players/external vendors is very expensive for the SPVs. By using the machine, the cluster units will be able to produce chenille yarn from acrylic, cotton, viscose, polyester, polypropylene. Manufacturing of Chenille yarn is a two-step process wherein the first step is manufacturing of chenille onto a chenille bobbin, followed by rewinding of the chenille onto a cone or dye tube.

This machine will help the cluster units to reduce raw material wastage, by providing uniform yarn tension, reducing yarn breakages and defects caused by tension irregularities, thereby increasing the production. The state-of-the-art machine has low energy consumption reducing yarn production cost and helps in production of uniform high-quality product.

- **Knitting Machine**

This machine will be used at the CFC for creating knitted fabrics. By using a knitting machine, thread or yarn can be turned into cloth. The popularity of knitted fabric has grown by leaps and bound, and getting a knitting machine will enable the cluster units to produce fabric in large quantity with high quality. The machine is capable of producing simple as well as complex designs very easily in a time-effective manner. There are majorly 2 types of knitting machines - Circular and Flatbed. In a circular knitting machine, the yarn is fed directly into the needle bed that spins around in one direction. This creates a tube on fabric through the centre. Flatbed knitting machines have horizontal needle beds where the yarn is moved across the vee shaped needle bed within feeders. Due to the gentle nature of the knitting process, circular knitting machines can produce very fine structures, and thus have high output capacity. On the contrary, Flatbed machines have much lower output than Circular machines. Hence, a Circular knitting machine will be deployed at the CFC by the SPV and will be used for development of knitted fabric.



- **Embroidery Machine:**

With this machine, the CFC will be able to design a lot more intricate and complex embroidery patterns on the product. Embroidery techniques can produce a wide range of effects and enhance the overall ornamental effect of the fabric/product increasing its aesthetic appeal. Usage of modern embroidery machine will assist in effective production of embroidery products.

4.2 Expected Outcome after Intervention

There is high demand for design innovation fabric. Currently, the units lack advanced technology that can add to the aesthetic appeal of their products. Integrating high-tech looms to the process will enable MSMEs to produce a wide range of designs as a result of the extended pattern options, the processing of a wide range of colors and threads, a high level of productivity, and the production of fabric of the highest quality.

The factors that necessitate include:

- Growing demand for designer fabric as it forms a part of a majority of tech pack specifications by the buyer.
- Current machines are low-speed and not compatible with a variety of threads, thus reducing the production capabilities.

With the upgradation of technology, a wide variety of threads such as silk yarns, air tex yarns, zari yarns and fine count chenille and polyester, etc. can be used, enabling the MSME units to develop wide variety of products.

The project will be beneficial both for individual handloom and textile units and the cluster as a whole. The setting up of the CFC is expected to generate the following benefits for the cluster units:

- Enhanced value addition for cluster products
- Significant reduction in cost of production and higher capacity utilization by each unit
- Increased productivity and reduced inefficiencies
- Higher degree of competitiveness of cluster enterprises
- Scope for the cluster to target new market segments by developing new and improved products
- All cluster firms shall be encouraged to use the facility. Many micro units' entrepreneurs who could not afford to significantly contribute by way of necessary investment to the equity base of the project have also been accommodated
- The CFC will generate more job opportunities both at the cluster and individual unit level due to enhanced capacity utilization
- The CFC is also expected to enhance the levels of cooperation and joint-action amongst cluster stakeholders and SPV members to cooperate in other areas such as joint marketing initiatives, common raw material procurement and so on.
- It will also complement the efforts of state government in promoting clusters in the State and serve as a model for upgrading micro enterprise clusters.

Special Purpose Vehicle (SPV) for Project Implementation

5. SPV for Project Implementation

After the diagnostic study, the cluster units formed a Special Purpose Vehicle (SPV) by the name and style of **Handloom & Textile CFC Private Limited**. The SPV has been set up as a private limited company under section 8 of the Companies Act, 2013. The DIC, Panipat has played an important role in SPV formation by cluster stakeholders. The certificate of incorporation of the company is attached as ***Annexure 2. a).*** The Memorandum of Articles (MoA) & Articles of Association (AoA) are attached *as* ***Annexure 2. b) and 2. c).*** The SPV includes 14 members who are subscribing to the necessary equity base of the company. The proposed CFC will be implemented on public-private partnership basis through the SPV by availing support from Government of Haryana (under Haryana EPP 2015).

The SPV members have a track record of cooperative initiatives. SPV members are also members of prominent cluster associations. Cluster members have been autonomously undertaking several soft interventions to enhance knowledge and exposure of the cluster units on new trends in handloom and textile industry and enhancing productivity of their units as mentioned in the previous sections. These include exposure to cluster development initiatives in other clusters, exposure visits to fairs, registration under UAM and awareness programs on new trends in textile industry, design interventions and new technologies.

The SPV has conducted a series of stakeholder consultations (with various members, DIC, Panipat and EY experts) during finalization of project components, selection of technologies and development of Detailed Project Report. The SPV has been instrumental in spreading awareness about cluster development under state mini cluster development scheme and has also helped in validation of DSR. The SPV has kept the state government and the DIC Panipat engaged during the entire period of development of DSR and DPR preparation.

5.1 Shareholder Profile and Shareholding Mix

List of Directors: The SPV has 3 directors. The details of the directors are furnished in the Table 4. Other than these directors, the SPV will have provision of having one member from the state government. The SPV comprises members from micro and small manufacturing units. It is homogeneous in nature due to similar products and activities performed by the cluster units**.**

Table 4: List of SPV Directors

S. No.	Director Name	Name of the unit	Unit address
1	Ritika Chugh	Anchit Textiles	Pehalwan Chowk, Kutani Road, Panipat
2	Gaurav Sardana	Ganpati Loomtex	Khasra No. 80/5/6, Gandhi Nagar, Kutani Road, Panipat
3	Manish	Maharaja Agrsain Handloom	Behind Yes Bank, Near Radha Swami Satsang Bhawan, Rajakheri, Panipat

The directors have several years of successful experience in production of handloom and textile products and are also well versed with the benefits of cluster development initiatives. These units are financially viable in nature. Post the DSR validation, the DIC Panipat also acknowledged the genuineness and enthusiasm of the SPV members to undertake project initiatives under state mini cluster development scheme and has recorded that the CFC demand is authentic. The SPV members list has been added in ***Annexure 3.***

Members of the SPV have been engaged in production of handloom and textile products in Panipat for several years. The Directors/members of the SPV also have considerable experience in marketing and manufacturing of handloom and textile products. The Directors/SPV members have had close interactions with technical experts, government institutions and machinery suppliers in the process of machinery finalization towards DPR preparation.

The SPV was formed with the objective of taking up cluster level activity in a joint and coordinated manner, wherein all units have equal say. The shareholding pattern of members of the registered SPV includes the contribution from every member of SPV and no individual shareholder holds more than 10% equity stake in the capital of the company. Details of SPV members along with their contact persons, unit details, UAM numbers and products manufactured are provided in Table 5.

Table 5: Details of SPV Members of Handloom and Textile Cluster, Panipat

S.N.	Contact Person	Company Name	Contact No.	Address	UAM No	Products
1	Ritika Chugh	Anchit Textile	8950000342	Pehlwan Chowk, Kutani Road, Panipat	HR14B0011525	Manufacturing of curtain, dariya and mats etc
2	Gaurav Sardana	Ganpati Loomtex	9992244432	Gandhi Nagar, Kutani road, Panipat	HR14A0006494	Manufacturing of durries
3	Manish	Maharaja Agarsain Handloom	8059339939	Behind Yes Bank, Rajakheri, Panipat	HR14A0006434	Manufacturing of curtain, dariya and mats etc.
4	Vinod Kumar Whadhwa	Ganga Loomtex	9466246213	Pehlwan Wali Gali, Kutani road, Panipat	HR14A0013565	Manufacturing of durries
5	Neeraj Arora	Saraswati Cotton	9416001122	Plot no220, sec 29, part 2, Panipat	HR14A0013794	Manufacturing of blankets and durries
6	Pawan Juneja	Kamal Krishan Hand Fab	9996780777	Pehlwan Chowk, Kutani Road, Panipat	HR14A0006495	Manufacturing of mats
7	Vinod	Anupurna Handloom	9416222245	Near Dalbir Nagar, Panipat	HR14A0006595	Manufacturing of yarn
8	Dharm Pal	Batta Handloom AVM Handicraft Sang	9215212027	Poorewal colony, Panipat	HR14A0006554	Manufacturing of curtain, dariya and mats etc.
9	Anshu Kumar	Master G handloom	9812100201	Gali no 3, Dhoop sigh Nagar	HR140006437	Manufacturing of curtain, dariya and mats etc.
10	Rohit Garg	Vanshika Handloom	9215200144	Gohana Road, near Goel filling station	HR14B0011794	Manufacturing of curtain, dariya and mats etc.
11	Rakesh Kumar	Rakesh Handloom	9728400020	Pehlwan Wali Gali, Kutani road, Panipat	HR14B0011526	Manufacturing of curtain, dariya and mats etc.

12	Raju Rafigul	RBN Embroidery & Printing	9813633937	Shamshan road, near FCI goodown, Panipat	HR14a0006559	Manufacturing of curtain, dariya and mats etc.
13	Deepak Jain	Navkar Fab	9813047553	Narender Colony, Near Ugra Kheri Road, Panipat	HR14A0013728	Manufacturing of curtain, etc.
14	Smt. Sudesh	Mahesh Handloom & handicrafts	9255908097	Shiv Nagar, Gali no 1, Haffed Goodown, Panipat	HR140006433	Manufacturing of dariya mats etc.

5.2 Initiatives Undertaken by the SPV

The SPV members have proactively undertaken a lot of capacity building initiatives to promote the cooperation among cluster units and enhance knowledge and exposure of the units. The major initiatives are:

- Regular member meetings for discussion on the CFC as well as technologies, marketing, discussion on incentives available to MSMEs, etc.
- Participation in various programs for capacity building, awareness generation and technological advancement in the cluster.
- Identification of building to be taken on lease for the SPV.
- The preparation of DSR was led by EY consultant and the validation & approval process for the DSR was also led by EY consultant.

5.3 SPV Roles and Responsibilities

The SPV will play an important guiding role in the overall management and operations of the CFC. It will provide direction to the management of the CFC and will monitor usage and performance of the CFC. The SPV will constantly report to the state government about the performance of the CFC. The major roles and responsibilities that are envisaged to be performed by the SPV post the submission of this DPR are mentioned below:

- Coordinating with the State industry department for DPR approvals in the SLSC
- Accompanying EY experts to various meetings at the state government departments
- Executing building lease deed in name of SPV
- Garnering the SPV project contribution from the members
- Formation of purchase committee for procurement of goods and services
- Establishing, operating and maintaining all common facilities as mentioned in the DPR
- Obtain any statutory approvals/clearances from various government departments
- Recruit appropriate professionals to ensure smooth execution of the CFC
- Collection of user charges from members and other users of the facilities as per the decided rates so as to meet the recurring expenses and future expansions of the CFC. While various estimates on user charges / service fee are presented in this DPR, all

decisions including usage priority of facilities by members will be made on the basis of decision by members of SPV.

- Preparation and submission of progress reports to state industry department

The Memorandum and Articles of Association of the Cluster SPV indicates the democratic process in terms of decision making on the basis of votes. All members of SPV will meet once every fortnight/month to discuss/resolve operational issues. The management of the CFC will be a two-tier structure for smooth and uninterrupted functioning. The executive body i.e. Board of Directors (BoD) will include office bearers elected/nominated from time to time, including one nominee of State Government (DIC).

While various estimates on user charges/service fees are presented in this DPR, all decisions including usage priority of facilities by members will be made by unanimous decision of the members. The CFC will seek direction and guidance from the BoD, and the day-to-day administration will be taken care of by the management that shall be appointed by the board of directors. Their role is detailed below:

1. **Board of Directors**:

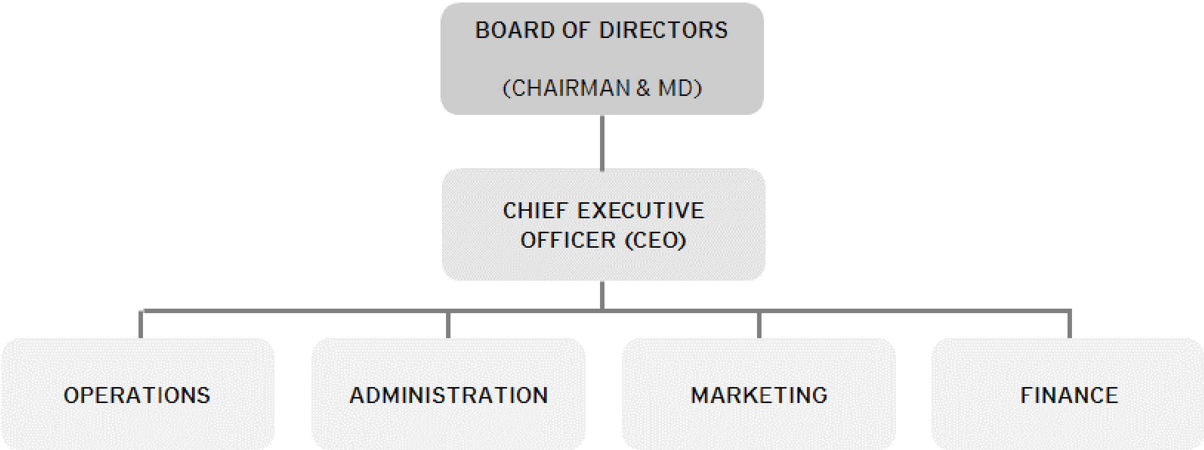
The BoD will oversee the operations of the CFC. They will have the decision-making power in terms of fixing user fees (for members and non-members) and usage of reserves etc. for future expansion. The Chairman and Managing Director will oversee the entire operations; each Director will be entrusted with specific responsibility like marketing, technical, finance, public relations etc. based on their interests and experience.

2. **Managerial, Technical and Administrative staff**:

A competent and well qualified professional with a background in the textile industry will be appointed as the Cluster Development Executive (CDE), also referred to as the Cluster Executive Officer, who will look after day-to-day operations of the CFC and shall be directly reporting to the Board of Directors. The facility will have its own expert staff (supervisors, operations and helpers) as per the requirement. The details of manpower and other requirements are already mentioned in the DPR in the Project Economics section. There shall be provisions for administrative staff such as accounts personnel, etc. to ensure effective functioning of the CFC.

The proposed organizational structure of the CFC is given in figure 10:

Figure 10: Organisational Structure of Proposed CFC



Project Economics

6. Project Economics

6.1 Project Cost

The total project cost is estimated at **INR 205.50 Lakhs.** The project cost for setting up a CFC in the Handloom and Textile Cluster, Panipat cluster includes the following:

1. Building (on-lease)
2. Machinery and equipment
3. Miscellaneous fixed assets
4. Preliminary & Pre-operative expenses
5. Contingency
6. Margin money for working capital

The detail of each project component is provided below:

6.1.1 Building

The SPV shall lease one floor of a building on a 10-year irrevocable lease. The SPV has identified the building and obtained a letter establishing the availability of the building. The building is located at Plot No 168, Sec. 29, Part II, Panipat Haryana. The available area is 11,250 square feet and the monthly rent for the first year would be INR 0.27 lakhs, with an annual increase at the market rate (estimated at 10%). The consent letter has been obtained from the owner of building placed as ***Annexure 4.***

6.1.2 Plant and Machinery

As detailed in section 4.2 (Hard interventions) several modern automatic and high capacity machines such as carding, embroidery, knitting and chenille machine etc. have been recommended to form the CFC as the primary machines. In addition, a list of 8 equipments including compressor and winders have been proposed as the secondary machines. The machines that shall be used primarily for job work have been categorized as primary, whereas, the auxiliary/supporting machines have been categorized as secondary machines. The total cost of plant and machineries has been estimated at **INR 188.87 lakhs** and contingency works out to **INR 9.44 lakhs**.

The details of the proposed machinery items are presented in the Table 6. The detailed specifications and quotations of the machines are provided in ***Annexure 5***. The SPV has considered quotations for machinery from suppliers based on the manufacturer's reputation, service support, price and quality. However, an open online tendering system shall be followed for procurement of these machines during project execution, and selected vendors will be further invited to negotiate.

Table 6: List of Proposed Plant & Machinery

PLANT & MACHINERY (INR Lakhs)								
S. No.	Machine Name	Quantity	Basic Price	Total Basic Price	Custom Duty as Applicable*	GST as Applicable *	Total Price	Supplier Options
		Indigenous	Indigenous	Indigenous	Indigenous	Indigenous	Indigenous	
A	**Primary Machinery**							
1	Embroidery Machine	2	13.24	26.48	-	4.77	31.24	Ramana Machines
2	Card Machine	2	18.00	36.00	-	6.48	42.48	Harish Enterprises
3	Chenille Machine	2	25.00	50.00	-	9.00	59.00	Dhatri Industries
4	Knitting machine	1	11.86	11.86	-	2.14	14.00	Ramana Machines
	Sub Total (A)	**7**	**68.10**	**124.34**	**-**	**22.38**	**146.72**	
B	**Secondary Machinery**							
1	Ring Frame	4	3.50	14.00	-	2.52	16.52	Harish Enterprises
2	Tichs Machine	2	1.50	3.00	-	0.54	3.54	Harish Enterprises
3	Rag Machine	2	2.00	4.00	-	0.72	4.72	Harish Enterprises
4	Grinder Adda Cumprit	1	1.00	1.00	-	0.18	1.18	Harish Enterprises
5	Cone Winder Machine	2	3.00	6.00	-	1.08	7.08	Harish Enterprises

6	Air Compressor	1	0.72	0.72	-	0.13	0.84	Cosco Air Compressor Industries
7	Screw Compressor	1	1.50	1.50	-	0.27	1.77	Dhatri Industries
8	Attucci winder	1	5.50	5.50	-	0.99	6.49	Dhatri Industries
	Sub Total (B)	**14**	**18.72**	**35.72**	**-**	**6.43**	**42.14**	
	Grand Total	**21**	**86.82**	**160.06**	**-**	**28.81**	**188.87**	

*Notes: Custom Duty & GST rates are Tentative

6.1.3 Miscellaneous Fixed Assets

The CFC would also require fixed assets such as furniture, fixtures, firefighting equipment, etc. for smooth operations of the CFC. The total estimated capital expenditure for purchase of miscellaneous fixed assets is estimated to be **INR 1.64 lakhs**. Details are provided in the Table 7.

Table 7: Miscellaneous Fixed Assets

Miscellaneous fixed assets Particulars	Amount (INR Lakhs)
Office Table (1)	0.10
Office Chair (4)	0.12
Guest Chair (4)	0.20
Fire-fighting equipment (8)	0.22
Miscellaneous Fixed Assets	1.00
Total	**1.64**

6.1.4 Preliminary and Pre-operative Expenses

Another major component of the project cost is the preliminary and pre-operative expenses. The preliminary expenses are envisaged as expenses incurred for registration of SPV, legal and administrative expenses, tendering forms, and tendering cost etc.

Pre-operative expenses include expenses for electricity connection charges, administrative establishment, travelling, bank charges, stationery, telephone, and machinery testing period such as salaries, machine testing cost, bank charges, traveling, etc. The total expenditure for preliminary and pre-operative expenses are estimated at **INR 2.96 lakhs** (details provided in the Table 8).

Table 8: Preliminary and Pre-Operative Expenses

S. No.	Particulars	Amount (INR Lakhs)
1	Company Registration Charges	0.50
2	Tender forms & tendering cost	0.25
3	Project Report Preparation (DSR & DPR)	Nil
4	Project Management Charges	Nil
5	Travelling Cost	0.50
6	Machine testing cost	0.35
7	Lease deed registration charges	0.77
8	Bank Appraisal Charges	0.59
	Total	**2.96**

6.1.5 Provision for Contingencies

As per the guidelines of State Mini Cluster Development Scheme, a provision for contingencies has to be made on plant/machinery and building (not applicable in this case as the building is being taken on a lease basis). Contingencies on plant and machinery is estimated at 5% that amounts to **INR 9.44 lakhs.**

6.1.6 Margin Money for Working Capital

The total working capital requirement during the first year of operation at 75% capacity utilization is estimated at **INR 10.34 lakhs** with margin money requirement of **INR 2.58 lakhs** (**25%** of working capital requirement as margin). The working capital requirement has been calculated based on requirement of one month of operational expenses and 1 month's debtor collection period. The calculation has been provided in the subsequent section.

6.1.7 Summary Project Cost

A summary of total estimated project cost as per actuals and as per the State Mini Cluster Development scheme is presented in the Table 9.

Table 9: Total Project Cost

PROJECT COST (INR Lakhs)				
S. No.	Particulars	Total Project Cost	Eligible Amount as per Guidelines	Remarks
1	**Land & Building**			
	a. Land Value	0.00	0.00	**Building on lease**
	b. Land Development	0.00		
	c. Building & Other Civil Works	0.00		
	d. Building Value	0.00		
	Sub Total (A)	**0.00**	**0.00**	
2	**Plant & Machinery**			
	a. Indigenous	146.72	146.72	**Eligible**
	b. Imports	0.00	0.00	
	c. Secondary Machines	42.14	42.14	
	Sub Total (B)	**188.87**	**188.87**	
3	**Miscellaneous fixed assets (C)**	1.64	0.00	**Not eligible for grant**
4	**Preliminary & Preoperative Expenses (D)**	2.96	0.00	
5	**Contingency**			
	a. Building @ 2%	0.00	0.00	
	b. Plant & Machinery @ 5%	9.44	0.00	
	Sub Total (E)	9.44	0.00	
6	**Margin money for working capital @ 75% CU (F)**	2.58	0.00	
	Grand Total (A+B+C+D+E+F)	**205.50**	**188.87**	

6.2 Means of Finance

The project will be financed from two sources: equity from SPV, and grant-in-aid from Govt. of Haryana (under State Mini Cluster Development Scheme, Haryana EPP-2015). Working capital loan, if required, will be secured from a preferred local bank. The assistance to the project from Govt. of Haryana under State Mini Cluster Development Scheme is envisaged to the tune of 90% of the project cost for project up to INR 188.87 lakhs. SPV will be required to contribute 10% of project cost for project cost up to INR 188.87 lakhs. Hence, the SPV members have proposed to contribute the entire amount beyond INR 169.98 lakhs. The total contribution of SPV members will amount to **INR 35.51 lakhs**. Support from the state government is envisaged for **INR 169.98 lakhs**.

Details of the means of finance are provided in the Table below:

Table 10: Means of Finance

Means of Finance		
S. No.	**Source of finance**	**Total Amount (INR Lakhs)**
1	Grant-in-aid under State Mini Cluster Development Scheme (Govt. of Haryana)	169.98
2	Contribution of SPV	35.51
	Total	**205.50**

Detailed Means of Finance						
S. No.	**Source of finance**	**Project cost upto eligible cost (INR 200 Lakhs)**		**Project cost over eligible cost (INR 200 Lakhs)**		
		Percentage Contribution	**Amount (INR Lakhs)**	**Percentage Contribution**	**Amount (INR Lakhs)**	**Total Amount (INR Lakhs)**
1	Grant-in-aid under State Mini Cluster Development Scheme (Govt. of Haryana)	90%	169.98	0%	0.00	169.98
2	Contribution of SPV	10%	18.89	100%	16.63	35.51
	Total	**100%**	**188.87**	**100%**	**16.63**	**205.50**

6.2.1 Capital

The contribution of the SPV members will be by way of capital contribution in the SPV registered as a Private Limited Company. The total obligation of contribution would be **INR 35.51 lakhs** contributed by the cluster SPV.

The extent of capital contribution by each member will be restricted to a maximum of 10% of total contribution to the capital of the company.

6.2.2 Grant-in-Aid

Grant-in-aid of **INR 169.98 lakhs** is expected from the Government of Haryana. The amount received by the way of grant under State Mini Cluster Development scheme will only be utilized towards procurement of plant and machinery for the project.

6.3 Expenditure Estimates

In this section, a detailed estimate of expenditure of the CFC has been conducted on eight-hour single shift (i.e. 8 hours) operation basis. This has been estimated based upon extensive inputs by the cluster members and the prevalent rates of consumables, utilities and manpower in the cluster. This section considers annual cost of undertaking job work and expenditure estimates. The critical components related to expenditure comprise consumables, manpower, electricity and also expenditure on repair and maintenance of assets, insurance and administrative overheads.

Other elements comprise expenditures by the way of interest toward working capital loans, miscellaneous expenses and non-cash depreciation expenditure.

6.3.1 Consumables

Machines installed at the CFC shall require consumables during operations and completion of the job work. Consumables are critical components of project facilities and may be understood in terms of oiling, greasing, tools required for machines, etc.

Table 11: Consumables

CONSUMABLES REQUIRED FOR MACHINES					
S. No.	Machine Name	No. Of Machines	Particulars	Total monthly Amount (INR)	Consumables required annually (INR Lakhs)
1	Embroidery Machine	2	Oiling, Greasing, Tools	1200.00	0.14
2	Card Machine	2	Oiling, Greasing, Tools	1800.00	0.22
3	Chenille Machine	2	Oiling, Greasing, Tools	1400.00	0.17
4	Knitting machine	1	Oiling, Greasing, Tools	800.00	0.10
	Total				**0.62**
	Consumables per month				**0.05**

6.3.2 Manpower Requirement

Another major expenditure head is the manpower. Facilities installed at CFC will require manpower to function effectively. The total manpower requirement for the project would be about **12 people**. The manpower required under project has been divided under two categories: Direct & Indirect. Direct manpower is required for operation of machines while indirect manpower is required for administrative purposes. The annual expenditure on salary component for direct manpower is estimated at **INR 12.32 lakhs** and for indirect at **INR 5.15 lakhs**. The total expense on manpower is projected at **INR 17.46 lakhs per annum**. The details of monthly and yearly expenses for manpower required for running the project is provided in Table 12 and 13:

Table 12: Expenditure Related to Salary (direct manpower - machine operators and helpers)

MANPOWER REQUIREMENT				
DIRECT MANPOWER				
Category	No. of Manpower Required	Salary per month per person (INR)	Total Salary Per Month (INR)	Total salary & wages per Year (INR Lakhs)
Embroidery Machine Operator	1	11,000.00	11,000.00	1.32
Card Machine Operator	2	11,000.00	22,000.00	2.64
Chenille Machine Operator	2	11,000.00	22,000.00	2.64
Knitting machine Operator	1	11,000.00	11,000.00	1.32
Embroidery Machine helper	1	9,100.00	9,100.00	1.09
Card Machine helper	1	9,100.00	9,100.00	1.09
Chenille Machine helper	1	9,100.00	9,100.00	1.09
	9	**0.71**	**0.93**	**11.20**
Add: Perquisites/Fringe Benefits @ 10%				**1.12**
Sub Total (A)				**12.32**

Table 13: Expenditure Related to Salary (indirect manpower – administrative and support staff)

MANPOWER REQUIREMENT				
INDIRECT MANPOWER				
Category	**No. of Manpower Required**	**Salary per month per person (INR)**	**Total Salary Per Month (INR)**	**Total salary & wages per Year (INR Lakhs)**
Cluster Development Executive (Supervisor)	1	20,000.00	20,000.00	2.40
Watchman	1	9,500.00	9,500.00	1.14
Peon	1	9,500.00	9,500.00	1.14
	3	**0.39**	**0.39**	**4.68**
Add: Perquisites/Fringe Benefits @ 10%				**0.47**
Sub-Total (B)				**5.15**
Total (A) + (B)	**12**			**17.46**

6.3.3 Utilities

The most important utilities required in the project is power supply. Proposed CFC requires power for operation of machinery as well as other supporting equipment for smooth operations. The total connected load requirement has been estimated at **86.90 kW**. The table below depicts the machine and equipment wise power requirement in the CFC. The drawn power is conservatively assumed at **70%** of the connected load in the case of operating facilities and shop floor.

Table 14: Machine & Equipment (facility) wise Power Requirement

UTILITIES			
S. No.	**Machine & Equipment**	**Power Requirement (kW)/ Connected Load**	**Total power requirement (70% of drawn power) kWh**
1	Embroidery Machine	6.00	4.20
2	Card Machine	50.00	35.00
3	Chenille Machine	20.00	14.00
4	Knitting machine	3.00	2.10
	Total Connected load for CFC	**79.00**	**55.30**
	Buffer Connected Load (10% of Total Connected Load)	**7.90**	
	Total	**86.90**	

The power requirement for operation of core machinery and equipment and administrative facilities is **79.00 kW**. The facility is heavily based on electricity for operations and will also require additional 10% connected load as a buffer to get the electricity connection, accordingly and the buffer connected load is **7.90 kW**. The total connected load for the CFC is estimated to be **86.90 kW**.

Fixed charges for connection of 86.90 kW @ **INR 212 per kW** equal **INR 18,422.80/-** per month and monthly consumption charge @ **INR 8.00** per unit consumption for **11060 units** amounts to **INR 1,06,902.80/-** per month. This has been calculated based on the prevalent rates of the power provider.

Table 15 presents the estimated annual expenditure in terms of power related charges.

Table 15: Annual Expenditure Statement vis-à-vis Power Charges

POWER CHARGES AT VARIOUS CAPACITY UTILIZATION (INR Lakhs)										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	75%	80%	85%	90%	95%	100%	100%	100%	100%	100%
Fixed	2.21	2.21	2.21	2.21	2.21	2.21	2.21	2.21	2.21	2.21
Variable	7.96	8.49	9.02	9.56	10.09	10.62	10.62	10.62	10.62	10.62
Total	10.17	10.70	11.24	11.77	12.30	12.83	12.83	12.83	12.83	12.83
Per month	0.85	0.89	0.94	0.98	1.02	1.07	1.07	1.07	1.07	1.07

6.3.4 Annual Repairs and Maintenance Expenses

The annual repair and maintenance expenses have been estimated to be **INR 5.77 lakhs**. The details are presented in the table below:

Table 16: Annual Repairs and Maintenance Expenditure

REPAIR & MAINTENANCE	
ANNUAL REPAIR AND MAINTENANCE EXPENSES (INR Lakhs)	
Repair & Maintenance of Building	0.10
Repair & Maintenance of Plant and Machineries @ 3%	5.67
Total	**5.77**

6.3.5 Insurance and Miscellaneous Administrative Expenses

Insurance is a critical component of asset protection at the CFC. Insurance is computed on the basis of 0.5% on the fixed assets. Cost of insurance shall remain as a fixed cost.

Miscellaneous administrative expenses are estimated at a lump-sum of **INR 0.60 lakhs per year**. The details are presented in the table below:

Table 17: Insurance and Miscellaneous Administrative Expenses

OTHER EXPENSES (INR Lakhs)	
Insurance Charges (Estimate @ 0.5% on fixed assets (such as buildings, civil works, and Plant & machinery, including related contingency expenses of approx. INR Lakhs)	0.99
Miscellaneous Expenses (Stationery, communication, travelling, and other misc. overheads)	0.60
Total	**1.59**

6.4 Working Capital Requirements

Working capital has been calculated in terms of one month's operating expenses required for the CFC and 1 month's debtor collection period. The operating expenses include consumables, utilities, salary and rent expenses. The details are presented in the table below:

Table 18: Working capital requirement

WORKING CAPITAL (INR Lakhs)												
S. No.	Particulars	Period	As per Capacity Utilisation									
			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
			75%	80%	85%	90%	95%	100%	100%	100%	100%	100%
1	Consumables	1 month	0.04	0.04	0.04	0.05	0.05	0.05	0.05	0.05	0.05	0.05
2	Utilities (Power)	1 month	0.85	0.89	0.94	0.98	1.02	1.07	1.07	1.07	1.07	1.07
3	Working Expenses (Manpower)	1 month	1.20	1.25	1.30	1.35	1.40	1.46	1.46	1.46	1.46	1.46
4	Sundry Debtors (Sales Value)	1 month	8.25	17.60	18.70	19.80	20.90	22.00	22.00	22.00	22.00	22.00
5	Working capital (Total expenses)		10.34	19.78	20.98	22.18	23.38	24.58	24.58	24.58	24.58	24.58
6	Working Capital Margin		2.58	12.03	13.23	14.43	15.63	16.82	16.82	16.82	16.82	16.82
7	Working Capital Loan		7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75
8	Interest on Working capital loan @11% p.a.		0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85
9	Working Cap Margin %age		25.00%	60.82%	63.06%	65.05%	66.84%	68.46%	68.46%	68.46%	68.46%	68.46%

The working capital requirement of the project for the one month of operation has been considered for consumables and expenses. The SPV will contribute the margin money for working capital and rest of working capital, if required, will be borrowed from local bank. While calculating the project cost **25%** of working capital is shown as margin for working capital and the remaining will be borne by SPV as borrowings. The total working capital is estimated to be **INR 10.34 lakhs** during the first year of operation (75% C.U.). Further, total working capital required at an operating capacity of 80% during the second year comes out to **INR 19.78 lakhs**. The corresponding margin money for working capital requirement at 75% and 80% capacity utilization in the first 2 years amounts to **INR 2.58 lakhs** and **INR 12.03 lakhs** respectively, and the corresponding loan is calculated at **INR 7.75 lakhs**.

6.5 Depreciation Estimates

Estimates of depreciation are non-cash expenditure and presented in this section on the basis of Written down Value (WDV) methods. Accounting for depreciation would facilitate sustainability of operations in terms of developing a fund for replacement of assets. The relevant fund that is accumulated could facilitate the replacement of such assets toward the end of the envisaged asset life of 10 years. Depreciation of plant and machinery is considered at 15% a year (envisaged project life of 10 years prior to replacement of assets); depreciation of furniture is considered at 10% per year, and miscellaneous fixed assets at 15% a year. The computation of depreciation as per WDV method is provided in the table below.

Table 19: Depreciation based on WDV

DEPRECIATION (WRITTEN DOWN VALUE METHOD) (INR Lakhs)										
Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Land										
Opening Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Less: Depreciation	-	-	-	-	-	-	-	-	-	-
Closing Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Building and Civil work										
Opening Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Less: Depreciation @ 10%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Closing Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Plant & Machinery										
Opening Balance	198.31	168.56	143.28	121.79	103.52	87.99	74.79	63.57	54.04	45.93
Less: Depreciation @ 15%	29.75	25.28	21.49	18.27	15.53	13.20	11.22	9.54	8.11	6.89
Closing Balance	168.56	143.28	121.79	103.52	87.99	74.79	63.57	54.04	45.93	39.04
Furniture										
Opening Balance	0.42	0.38	0.34	0.31	0.28	0.25	0.22	0.20	0.18	0.16
Less: Depreciation @ 10%	0.04	0.04	0.03	0.03	0.03	0.02	0.02	0.02	0.02	0.02
Closing Balance	0.38	0.34	0.31	0.28	0.25	0.22	0.20	0.18	0.16	0.15
Other Misc. Fixed Assets										
Opening Balance	1.22	1.03	0.93	0.84	0.75	0.68	0.61	0.55	0.49	0.44
Less: Depreciation @ 15%	0.18	0.10	0.09	0.08	0.08	0.07	0.06	0.05	0.05	0.04

Closing Balance	1.03	0.93	0.84	0.75	0.68	0.61	0.55	0.49	0.44	0.40
Total Depreciation	**29.97**	**25.43**	**21.62**	**18.38**	**15.63**	**13.29**	**11.30**	**9.61**	**8.17**	**6.95**
Depreciated value	**169.98**	**144.55**	**122.93**	**104.55**	**88.92**	**75.63**	**64.32**	**54.71**	**46.54**	**39.59**

6.6 Income/Revenue estimates

The CFC is expected to generate revenue by way of user charges that shall be levied based upon the hours a machine is operated for a particular job. The user charges shall vary based upon the user i.e. the SPV members and non-SPV members. The user charges will be less for the SPV members as compared to non-SPV members. Firms based outside Panipat shall be charged a premium for availing the CFC services. The major income sources for the CFC are envisaged by the way of providing designing and development facilities, through carding, embroidery, knitting, chenille production etc.

The user charges have been estimated based upon the operational expenses of the CFC and the prevalent market rates in Panipat. User charges for secondary machineries have not been considered as a part of revenue. Estimation of user charges for availing services at CFC has been done on a conservative basis.

The relevance and appropriateness of user charges is also evident form the fact that the rates fixed help meet operating expenditures and provide sustainable replacement of assets. It is also envisaged that the CFC will generate enough income to sustain and grow, making it an absolutely viable project.

The estimated user charges for various machineries are presented in table below:

Table 20: User Charges for Machinery

REVENUE GENERATION AT CFC													
S. No.	Machine Name	No. Of Machines	User Charge per hour (INR)	No. Of Working hours per day	No. Of Working days per month	Revenue per month (INR Lakhs)	Annual Revenue generation (INR Lakhs)	Amount (INR Lakhs)	Amount (INR Lakhs)	Amount (INR Lakhs)	Amount (INR Lakhs)	Amount (INR Lakhs)	Amount (INR Lakhs)
								Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
								75%	80%	85%	90%	95%	100%
1	Embroidery Machine	2	500	8	25	2.00	24.00	18.00	19.20	20.40	21.60	22.80	24.00
2	Card Machine	2	1000	8	25	4.00	48.00	36.00	38.40	40.80	43.20	45.60	48.00
3	Chenille Machine	2	950	8	25	3.80	45.60	34.20	36.48	38.76	41.04	43.32	45.60
4	Knitting machine	1	600	8	25	1.20	14.40	10.80	11.52	12.24	12.96	13.68	14.40
	Total						**132.00**	**99.00**	**105.60**	**112.20**	**118.80**	**125.40**	**132.00**

6.7 Estimation of Profitability: Income and Expenditure statement

The projection for income and expenditures of the CFC has been conducted for ten years. The projections have been undertaken based upon the income and expenditure heads mentioned in previous sections. The projected statements highlight income, expenses, profits earned, income tax and net profit etc. The details are presented in the Table 21.

The total gross revenue is estimated to be **INR 99.00 lakhs per annum** at an operating capacity of 75%. For projection purposes, operating capacity of 75% is considered for first year, 80% during next year and 100% capacity from 6th year onwards.

The income tax rates have been considered as per rates applicable to a private limited company according to the Income Tax Act, 1961. Income tax has been considered at **26%** on taxable profit inclusive of all the tax components. The incidence of tax ranges from **INR 8.68 lakhs** in the first year to **INR 20.35** lakhs in Year 10.

As evident from Table 21, the project is financially viable. A cumulative surplus of about **INR 471.21** lakhs shall be earned by the SPV even after accounting for taxation and depreciation at the end of ten years. This surplus generated shall be used for further addition in the machinery or improvement and up-gradation of facilities. Additionally, the SPV intends to conduct a lot of other development activities in the cluster that shall be funded through the surplus earned at the CFC.

Table 21: Income and Expenditure Statement

PROFIT & LOSS ACCOUNT (INR Lakhs)										
Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Number of working days	300	300	300	300	300	300	300	300	300	300
Number of shifts	1	1	1	1	1	1	1	1	1	1
Capacity Utilisation in %	**75%**	**80%**	**85%**	**90%**	**95%**	**100%**	**100%**	**100%**	**100%**	**100%**
A. Income										
(User/ Service Charge)	**99.00**	**105.60**	**112.20**	**118.80**	**125.40**	**132.00**	**132.00**	**132.00**	**132.00**	**132.00**
B. Cost of Production:										
1. Utilities Power (Fixed + Variable)	10.17	10.70	11.24	11.77	12.30	12.83	12.83	12.83	12.83	12.83
2. Direct labour and wages	9.24	9.85	10.47	11.08	11.70	12.32	12.32	12.32	12.32	12.32
3. Consumable	0.47	0.50	0.53	0.56	0.59	0.62	0.62	0.62	0.62	0.62
4. Repair and Maintenance	4.32	4.61	4.90	5.19	5.48	5.77	5.77	5.77	5.77	5.77
5. Depreciation	29.97	25.43	21.62	18.38	15.63	13.29	11.30	9.61	8.17	6.95
Total Cost of production	**54.17**	**51.10**	**48.75**	**46.98**	**45.70**	**44.83**	**42.84**	**41.15**	**39.71**	**38.48**
C. Administrative expenses:										
6. Manpower (Indirect)	5.15	5.15	5.15	5.15	5.15	5.15	5.15	5.15	5.15	5.15
7. Rent	3.24	3.56	3.92	4.31	4.74	5.22	5.74	6.31	6.95	7.64
8. Insurance	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99
9. Misc. Expense	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
Total Administrative Expenses	**9.98**	**10.30**	**10.66**	**11.05**	**11.48**	**11.96**	**12.48**	**13.05**	**13.68**	**14.38**

D. Financial expenses:										
10. Interest on Working capital loan @ 11% per annum	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85
Total Financial Expenses	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**
E. Total Expenses B+C+D	**65.01**	**62.25**	**60.27**	**58.89**	**58.03**	**57.64**	**56.17**	**55.05**	**54.24**	**53.72**
F. Profit A – E	**33.99**	**43.35**	**51.93**	**59.91**	**67.37**	**74.36**	**75.83**	**76.95**	**77.76**	**78.28**
G. P&P Expenses written off	0.59	0.59	0.59	0.59	0.59	0.00	0.00	0.00	0.00	0.00
H. Income before Tax (F-G)	**33.40**	**42.76**	**51.34**	**59.32**	**66.77**	**74.36**	**75.83**	**76.95**	**77.76**	**78.28**
I. Adjustment of Loss	-	-	-	-	-	-	-	-	-	-
J. Income Tax (@26% for company)	8.68	11.12	13.35	15.42	17.36	19.33	19.72	20.01	20.22	20.35
K. Net Profit /Loss for the year	**24.72**	**31.64**	**37.99**	**43.90**	**49.41**	**55.03**	**56.12**	**56.94**	**57.54**	**57.93**
L. Cumulative Surplus	**24.72**	**56.36**	**94.35**	**138.24**	**187.65**	**242.68**	**298.80**	**355.74**	**413.28**	**471.21**

6.8 Cash Flow Statement

Cash flow statement indicates the cash balance and the liquidity position of the project over the years. The table below presents the sources and disposal/uses of funds statement of the project.

Table 22: Cash Flow Statement

CASH FLOW STATEMENT (INR Lakhs)											
Particulars	Construction Period	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
A. Source Funds:											
1. Cash Accruals (Net Profit + Interest Paid)		34.85	44.20	52.79	60.76	68.22	75.22	76.68	77.80	78.61	79.14
2. Increase in capital	35.51	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Depreciation		29.97	25.43	21.62	18.38	15.63	13.29	11.30	9.61	8.17	6.95
4. Increase in WC Loan		7.75	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5. Change in Expenses Payable		2.36	0.13	0.13	0.13	0.13	0.14	0.04	0.05	0.05	0.06
5. Increase in Grant-in-aid from GoH	169.98	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Sources of Funds	**205.50**	**74.92**	**69.75**	**74.53**	**79.28**	**83.98**	**88.65**	**88.03**	**87.46**	**86.83**	**86.14**
B. Use of Funds:											
1. P&P Expenses	2.96	-	-	-	-	-	-	-	-	-	-
2. Increase in fixed assets	199.95	-	-	-	-	-	-	-	-	-	-
3. Increase in other Assets	2.58	0.81	9.53	1.29	1.30	1.31	1.32	0.13	0.14	0.16	0.17

4. Increase in Sundry Debtors		8.25	9.35	1.10	1.10	1.10	1.10	0.00	0.00	0.00	0.00
5. Interest		0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85
6. Taxation		8.68	11.12	13.35	15.42	17.36	19.33	19.72	20.01	20.22	20.35
Total Use of Funds	205.50	18.60	30.85	16.59	18.67	20.62	22.60	20.70	21.00	21.23	21.38
C. Net Surplus (A -B)		56.33	38.90	57.94	60.61	63.36	66.04	67.33	66.46	65.61	64.76
D. Cumulative Surplus		56.33	95.23	153.18	213.78	277.14	343.19	410.52	476.98	542.58	607.35

The cash flow statement showcases the available net surplus for 10 years of the CFC operations. As most of the capital expenditure is being supported as grant under the State Mini Cluster Development scheme, EPP 2015, therefore it does not have any negative effect on the Cash flow, in terms of interest, etc.

6.9 Projected Balance Sheets

The annual balance sheets for the CFC have been projected based upon estimates in the earlier sub-sections about various current and fixed liabilities and also current and fixed assets. As evident from the projections, a considerable amount of reserves and surplus gets accumulated. These shall also be utilized for expansion of the CFC and undertaking other cluster development activities. Decision on deployment of reserves and surplus accumulated will be based on the performance of the project and requirements of cluster firms and members of the SPV. The projected balance sheets are provided in the table below:

Table 23: Balance Sheet

PROJECTED BALANCE SHEET (INR Lakhs)											
Particulars	At the end of impl. Period	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
1. Fixed Assets:											
Gross Block	199.95	199.95	169.98	144.55	122.93	104.55	88.92	75.63	64.32	54.71	46.54
Less: Depreciation (WDV)		29.97	25.43	21.62	18.38	15.63	13.29	11.30	9.61	8.17	6.95
Net Block	199.95	169.98	144.55	122.93	104.55	88.92	75.63	64.32	54.71	46.54	39.59
Total Fixed Assets (A)	**199.95**	**169.98**	**144.55**	**122.93**	**104.55**	**88.92**	**75.63**	**64.32**	**54.71**	**46.54**	**39.59**
2. Current Assets:											
Cash & Bank Surplus (B.F)		56.33	95.23	153.18	213.78	277.14	343.19	410.52	476.98	542.58	607.35
Sundry Debtors		8.25	17.60	18.70	19.80	20.90	22.00	22.00	22.00	22.00	22.00
Margin Money for WC Loan	2.58	2.58	12.03	13.23	14.43	15.63	16.82	16.82	16.82	16.82	16.82
Other Current Assets		0.81	0.89	0.98	1.08	1.19	1.30	1.43	1.58	1.74	1.91
P&P Exp	2.96	2.37	1.78	1.19	0.59	0.00	0.00	0.00	0.00	0.00	0.00
Total current Assets (B)		**70.34**	**127.53**	**187.27**	**249.68**	**314.86**	**383.32**	**450.78**	**517.38**	**583.14**	**648.08**

Total Assets (A+B)	**205.50**	**240.32**	**272.08**	**310.20**	**354.23**	**403.78**	**458.94**	**515.10**	**572.09**	**629.68**	**687.67**
3. Current Liabilities:											
Working Capital Loan		7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75
Expenses Payable		2.36	2.48	2.61	2.74	2.87	3.01	3.05	3.10	3.16	3.21
Total Current Liabilities (C)		**10.11**	**10.23**	**10.36**	**10.49**	**10.63**	**10.76**	**10.81**	**10.85**	**10.91**	**10.96**
4. Fixed Liabilities											
Shareholders' Contribution	35.51	35.51	35.51	35.51	35.51	35.51	35.51	35.51	35.51	35.51	35.51
Grant from GoH	169.98	169.98	169.98	169.98	169.98	169.98	169.98	169.98	169.98	169.98	169.98
Reserves and Surplus		24.72	56.36	94.35	138.24	187.65	242.68	298.80	355.74	413.28	471.21
Total Fixed Liabilities (D)	**205.50**	**230.21**	**261.85**	**299.84**	**343.74**	**393.15**	**448.18**	**504.29**	**561.24**	**618.78**	**676.71**
Total Liabilities (C+D)	**205.50**	**240.32**	**272.08**	**310.20**	**354.23**	**403.78**	**458.94**	**515.10**	**572.09**	**629.68**	**687.67**

6.10 Break-even Analysis

The break-even (BE) estimates of the project indicate the level of activity at which the total revenues of the project equal the total costs. The break-even percentage indicates whether the fixed costs are being covered by the revenue generated from the operations, as well as profits are being generated after paying for such fixed costs. As per the calculations, the CFC achieves break even in the first year itself as no major interest costs are being incurred. Hence, BE estimates at level of activity relevant to the first year and subsequent years of activity are provided in the table below:

Table 24: Break-Even Estimates

BREAKEVEN POINT AT VARIOUS C.U. (INR Lakhs)										
Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Capacity Utilization	75%	80%	85%	90%	95%	100%	100%	100%	100%	100%
A. Total Earning by way of user charges	99.00	105.60	112.20	118.80	125.40	132.00	132.00	132.00	132.00	132.00
B. Variable costs										
Consumables	0.47	0.50	0.53	0.56	0.59	0.62	0.62	0.62	0.62	0.62
Utilities (Power- variable charge)	7.96	8.49	9.02	9.56	10.09	10.62	10.62	10.62	10.62	10.62
Interest on WC Loan	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85
Repair & Maintenance	4.32	4.61	4.90	5.19	5.48	5.77	5.77	5.77	5.77	5.77
Manpower (Direct)	9.24	9.85	10.47	11.08	11.70	12.32	12.32	12.32	12.32	12.32
Misc. Expenditure (90% variable)	0.41	0.43	0.46	0.49	0.51	0.54	0.54	0.54	0.54	0.54
Total Variable Cost (B)	22.85	24.31	25.78	27.24	28.71	30.18	30.18	30.18	30.18	30.18
C. Contribution (A-B)	76.15	81.29	86.42	91.56	96.69	101.82	101.82	101.82	101.82	101.82

D. Fixed Overheads (Cash)										
Manpower (Indirect)	5.15	5.15	5.15	5.15	5.15	5.15	5.15	5.15	5.15	5.15
Utilities (Power - fixed charges)	2.21	2.21	2.21	2.21	2.21	2.21	2.21	2.21	2.21	2.21
Rent	3.24	3.56	3.92	4.31	4.74	5.22	5.74	6.31	6.95	7.64
Insurance	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99
Misc. Expenditure (10% fixed)	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06
Sub-total (D)	**11.65**	**11.97**	**12.33**	**12.72**	**13.15**	**13.63**	**14.15**	**14.72**	**15.36**	**16.05**
E. Fixed Overheads (Non-cash)										
Depreciation	29.97	25.43	21.62	18.38	15.63	13.29	11.30	9.61	8.17	6.95
Preliminary & Pre-operative expenses written off	0.59	0.59	0.59	0.59	0.59	0.00	0.00	0.00	0.00	0.00
Sub-total (E)	**30.56**	**26.02**	**22.21**	**18.98**	**16.22**	**13.29**	**11.30**	**9.61**	**8.17**	**6.95**
F. Total Fixed Overheads (D+E)	**42.21**	**37.99**	**34.54**	**31.70**	**29.38**	**26.92**	**25.45**	**24.34**	**23.53**	**23.00**
Break-even point (F/C)	**55.43%**	**46.74%**	**39.97%**	**34.62%**	**30.38%**	**26.44%**	**25.00%**	**23.90%**	**23.11%**	**22.59%**

Book break-even is achieved at **55.43%** (at 75% operational capacity) and at **46.74%** (at 80% operational capacity). The operations of the CFC are expected to break-even and realize profit from 1st year itself. Therefore, very low risk is involved in the project.

6.11 Feasibility Analysis Summary and Sustainability Indicators

A summary of the financial analysis in terms of key financial indicators such as Return on Capital Employed (ROCE), Net Present Value (NPV), Break Even Point (BEP) and the Internal Rate of Return (IRR) is presented in the table below. The indicators validate the financial viability and sustainability potential of the proposed project.

Table 25: Financial Analysis

FEASIBILITY		
S. No.	Particulars	Estimates
1	BEP (cash BEP at initial operating capacity of 75%)	55.43%
2	Av. ROCE (PAT/CE)	31.40%
3	Internal Rate of Return (IRR)	26.69%
4	Net Present Value (at a discount rate of 10 per cent) - incorporating viability gap funding (grant) by GoH	NPV is positive and high (INR 176.18 lakhs) at a conservative project life of 10 years
5	Payback period	4.5 years with Grant-in-aid assistance from GOH
6	DSCR	Not Applicable (non-availment of term loan in this project)

The annual estimates in the context of ROCE are presented in the table below:

Table 26: Calculation of Return on Capital Employed

RETURN ON CAPITAL EMPLOYED (ROCE) (INR Lakhs)											
Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	AVERAGE
Earnings Before Interest and Tax (EBIT)	34.25	43.61	52.19	60.17	67.63	75.22	76.68	77.80	78.61	79.14	64.53
Capital Employed (with grant)	205.50	205.50	205.50	205.50	205.50	205.50	205.50	205.50	205.50	205.50	205.50
ROCE = EBIT/Capital Employed											
ROCE	16.67%	21.22%	25%	29.28%	32.91%	36.60%	37.32%	37.86%	38.25%	38.51%	31.40%

The average value of ROCE (with grant-in-aid) is **31.40%.** This indicates the high techno-economic viability of the project should the government contribute a significant portion of the project cost as grant. Capital employed considered includes the SPV contribution as well as the grant component to the project.

The Net Present Value is estimated at **INR 176.18** at a discount rate of 10%. As reflected from the high values of NPV, it is positive at even 10%, the rate at which bank offers debt capital facility and even at higher discount rates. The project IRR is high at **26.69%** (at a conservative project life of 10 years). This substantiates the viability of the project.

6.12 Additional Revenue Sources

Additional sources of revenue shall also be explored by the SPV by offering procurement and marketing services in future to more enterprises. The SPV members are strong believers of the cluster concept and would like to explore the potential of undertaking cluster initiatives to improve the backward and forward linkages of the cluster units.

However, in order to ensure conservativeness in income estimates, in the initial years, the income earning possibilities of such revenues are not captured in this DPR.

6.13 Risk Analysis & Sensitivities

Risk in the project is relatively low in the context of the following:

- **Promoters are experienced:** Risk in the project is quite low given the strength and profile of the SPV members. They have considerable experience not only in the handloom and textile industry but also in undertaking cluster developmental initiatives.
- **Facility is pre-marketed:** Evidently, complete capacity of the core facility to be established in terms of various facilities may be easily availed by members of the SPV themselves, thus the facility would already have a captive market.
- **Sustainability indicators in terms of the strength of the SPV and the economics of the project:** Evidence of cooperative initiatives taken by the SPV members have been articulated in previous chapters; for instance, in terms of pursuing several joint efforts, registering the SPV and securing commitment from members, vis-à-vis progressively mobilizing necessary capital, all reflect the strength of the SPV.

High economic viability indicators upon considering the benefits of grant-in-aid under the State Mini Cluster Development scheme and Haryana EPP 2015 also serve as evidence of techno-economic viability and sustainability of the project. A sensitivity analysis has been carried out to ascertain the impact on the project, should there be any loss of revenue. This has been calculated assuming drop in user charges. Major financial parameters are still attractive.

The important parameters related to the sensitivity analysis are presented in the table below:

Table 27: Sensitivity Analysis

SENSTIVITY ANALYSIS					
S. No.	Particulars	Base case	With 5% decline in user charge	With 10% decline in user charge	With 15% decline in user charge
1	BEP (cash BEP at operating capacity of 75%)	55.43%	59.26%	63.65%	68.75%
2	Internal Rate of Return (IRR)	26.69%	24.41%	22.06%	19.63%
3	Av. ROCE (PAT/CE) (with Grant)	31.40%	28.45%	25.49%	22.52%
4	Net Present Value (at a discount rate of 10 per cent) - incorporating viability gap funding (grant) GoH	176.18	149.38	122.58	95.78

Even assuming a fall in user charge, ROCE is favourable. From the above it is evident that the project is very viable even under (unlikely) risky environment circumstances.

6.14 Assumptions for financial calculations:

The financial statements and project profitability estimate in this DPR are based on the following assumptions:

1. The total project cost is pegged @ INR 205.50 lakhs based on estimates and quotations.

2. To finance the project, a total of INR 205.50 lakhs is required. The financing will consist of grant from government to Haryana and contribution by SPV.

In the financial projections and analysis, year 2019-2020 is the envisaged period of project implementation also involving installation of plant, machineries and other equipments. This period will commence from the date of final approval by the State Level Steering Committee under State Mini-Cluster Development Scheme. The financial projections thereafter are prepared for 10 years of operation starting 2020.

3. The Registered SPV will manage CFC, and these services are to be used by the SPV to member as well as non-member units. The common facility will benefit registered SPV as well as non-member firms who (in some cases) may not afford to contribute to necessary equity capital.

4. The CFC will operate for **25 days a month**, that is, for **300 days a year** on an **eight-hour** single shift basis. Operation on single shift basis is assumed for purposes of projecting income estimates.

5. Capacity utilization is assumed at 75% in the first year; 80% for second year and 100% from 6th year and thereafter. Machines will operate for 1 shift (8 hours).

6. The workings regarding expenses related to the project have been tabulated and categorized in terms of those related to consumables, manpower, electricity, and miscellaneous administrative expenditures.

7. Repairs and maintenance is provided @ 3% of plant and machinery cost at varying capacity utilization.

8. Insurance is provided @ 0.5% on fixed assets including building & civil works, machinery, contingency as fixed cost at all capacity utilization.

9. Electricity connection will not be required as it is already present in the building.

10. Fixed charges per kW of electric connection shall be charged @ **INR 212** and variable charges @ **INR 8 per unit** consumed.

11. For calculation of working capital limits, the debtors' collection period has been taken for **1 month**.

12. One-month expenses (rent, utilities, manpower & consumables) have been taken as expenses payable in the Balance Sheet.

13. Income estimates have been projected most conservatively. The prescribed user charges are competitive vis-à-vis charges for similar services in other regions.

14. Depreciation on fixed assets is calculated on **Written Down Value (WDV)** method for all purposes.

15. Provision for income tax has been made @ **26%**. This is the rate prescribed for Private Limited Companies as per the recent Budget 2019.

16. Profitability estimates in terms of ROCE, NPV, IRR are computed considering operating results for first 10 years of operation.

Project Implementation and Monitoring

7. Project Implementation and Monitoring

7.1 Envisaged Implementation Framework

1. **Time frame:** Project implementation is envisaged to involve a time-frame of about 7 months upon receipt of final approval of grant-in-aid assistance from the Government of Haryana under state mini cluster development scheme.

2. **User Base:** The facilities may be used by SPV members and non-members. However, the charges will vary. The SPV will also be open for new entrants subject to them subscribing to the shareholding of the SPV, and them being genuinely pro-active and interested in cluster initiatives. The BoD of the SPV can decide on same or differential user charges for both members and non-members or based upon the volume of the output.

3. **Project implementation schedule:** The project implementation schedule envisaged over a period of 7 months involves several activities. The schedule is elaborated in the table below:

Table 28: Project Implementation Schedule

Activity/Month	1	2	3	4	5	6	7
Contribution from SPV members							
Receipt of final sanction from GoH							
Lease deed agreement of building in the name of SPV							
Refurbishment of building							
Formation of purchase committee							
Inviting E-tenders for purchase of machines							
Obtaining statutory clearances and approvals							
Purchase of machinery and equipment							
Installation and trial run of machinery and equipment							
Arrangement of working capital							

Activity/Month	1	2	3	4	5	6	7
Monitoring of the project by the Board of Directors							
Monitoring of the project by PMC							
Commencement of operations of the facility							

4. **Contractual agreements/ MoU with member units:** Agreements have been indicatively finalized in terms of utilization of assets in respect of shareholders.

   A total of 14 units are participating in the SPV and all these units have agreed to subscribe to the necessary equity base of the SPV. The utilization of the common facility will be in line with the proposed shareholding pattern. The consent letter wherein the member units agree for payments of 10% share of cost of CFC will be submitted in due course of time and as per final approval from Government of Haryana.

5. **Registration of the Private Limited Company:** Company registration is indicative of the management and decision-making structure of the SPV. All the members of SPV have paid an advance and are members of the registered private entity. Few other units are also willing to be members of the SPV and once the CFC is approved and sanctioned from government of Haryana, many more members will be interested to subscribe to the shares of the SPV.

6. **Availability of Land & Building:** A building will be leased by the SPV for the proposed CFC in Panipat district. The SPV has identified building in Sector 29, Part II of District Panipat. The area is 11250 sq. ft. and a letter establishing the proof of availability of the building has been acquired and attached as ***Annexure 4.***

7. **Availability of Requisite Clearances:** A building with all required clearances will be leased by the SPV. Electricity is already available in the area and the building is connected to the grid. The other required clearances (environment, labor etc.) shall be obtained in due course.

8. **O & M Plan:** The revenue stream for O&M is dependent on realization of user charges from the SPV members and other users/MSMEs in the case of various facilities. As detailed in the financial section, the cash incomes are sufficient to meet operating expenditures, overheads as well as depreciation for sustainable replacement of assets. The SPV will also have to keep a track of maintenance of assets through collection of user charges from the members/ users.

7.2 Monitoring Mechanism

As mentioned in the implementation schedule, the following key activities shall be conducted during establishment of the CFC:

- Purchase of machinery & commissioning
- Trial production
- Commercial production

The successful implementation of above activities will depend on the following aspects:

- Implementation of above within the time frame
- Supervising and overseeing the implementation of the proposals and fine tuning and advocating more measures if needed, depending on the site conditions
- Project level monitoring indicators to evaluate the implementation of the CFC proposal at recommended intervals
- Suitable purchase mechanisms for proposed plant & machinery
- Periodical reporting of the status of implementation and monitoring of the results of key performance indicators, and
- Constant evaluation of the measures implemented based on the data available from project level monitoring and status reports and providing directions accordingly.

The committee may operate under the overall monitoring of the State Level Steering Committee (SLSC). Other key stakeholders such as representatives of cluster SPV, related government departments, support institutions, cluster level industry associations and consultants may be inducted as members under the committee.

The members may comprise the following:

i. Director, Industries and Commerce, Government of Haryana (Chairman)
ii. JD, DIC Panipat
iii. President of related industry association
iv. Directors of related SPV
v. EY Cluster Development Expert under MSME project

The meeting of SLSC may be held on a quarterly basis to review performance of the clusters. The SLSC will guide monitoring and implementation of the project.

In addition, for implementing the CFC creation for the Handloom & Textile cluster, a Project Management Committee (PMC) comprising the JD, DIC, Panipat, and representatives of SPV, and EY experts shall be constituted to directly oversee effective monitoring and implementation.

The project will be implemented through SPV and PMC will report progress of implementation to the State Level Steering Committee and DIC Panipat.

Conclusion

8. Conclusion

There is a high demand for handloom and textile products with attractive aesthetical appeal in both domestic and international markets. Panipat, as one of the leading handlooms and textile hub of the country. However, the 10,000 cluster units in Panipat, are currently facing a major technology handicap in terms of the absence of an in-house design and development facility. This has resulted in units approaching private service providers, manifesting further into higher costs of manufacturing for the units, thereby reducing their competitiveness. This challenge can be overcome by setting up a CFC with these facilities, which can be availed at lower costs. The micro and small handloom and textile products manufacturing units of Panipat are dependent on external service providers for availing design and development services, as a result of which they often face increased costs and production inefficiencies. Job-work providers often do not accept low-volume orders from MSEs or charge high prices for this. MSEs are not priority customers for the job-work providers, and thus they often delay MSEs orders if they receive bulk orders from larger players. As a result, MSEs are unable to compete with other domestic and international players.

Against this backdrop, the handloom and textile products manufacturing units in Panipat require support for setting up a design and development facility. This will reduce their costs, increase efficiency and enable them to be more competitive in the market. Due to this, the following facilities have been proposed in the CFC:

- Design Facility
    - Embroidery Machine
- Development Facility
    - Card Machine
    - Chenille Machine
    - Knitting Machine

The total project cost (including plant & machinery and buildings) is estimated to be **INR 205.50 lakhs**. The project shall be implemented by the SPV '**Handloom & Textile CFC Pvt. Ltd.**' which has been constituted by the cluster firms. The SPV has proactively undertaken several initiatives for capacity building and knowledge enhancement of the cluster.

The CFC will be set up with support from DIC and the State government (Department of Industries & Commerce) under PPP mode. The building for the project has already been identified by the SPV and shall be acquired on 10 years irrevocable lease basis upon the final approval granted by the State Government. The Department of Industries & Commerce is envisaged to provide grant for setting up of the modern machines under the State Mini Cluster Development scheme, Haryana EPP 2015. The SPV members have proposed to contribute **INR 35.51 lakhs** of the project cost. Support from Mini Cluster Development

Scheme of the State Government of Haryana is envisaged for **INR 169.98 lakhs**. Working capital requirement for the project will be provided by the preferred bank, if required. The project is financially viable and is expected to generate enough revenue to ensure its sustainability.

Annexures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passionate
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options
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9. Annexures

Annexure 1. DSR Approval Letter from Department of Industries & Commerce, Government of Haryana

From

The Director of Industries & Commerce, Haryana,
Chandigarh.

To

M/s Ernst & Young LLP,
SCO-166-167, 1st Floor, Sector 9-C, Madhya Marg,
Chandigarh. Email :- upinder.dhingra@in.ey.com

Memo No. Mini Cluster/Handloom & Textile/Panipat/ 17155-A
Dated:- 02/09/19

Subject :- **Approval of Diagnostic Study Report (DSR) and directions for preparation of Detailed Project Report (DPR) of Panipat Handloom & Textile Cluster.**

Kindly refer to the subject cited above.

It is informed that the Diagnostic Study Report (DSR) of Panipat Handloom & Textile Cluster has been approved by Director of Industries and Commerce under the State Mini Cluster Development Programme scheme.

EY LLP is directed to ensure broad basing of the constitution of SPV before initiating steps for preparation of Detailed Project Report (DPR) of the above said cluster.

Advisor (MSME-Development)
for Director of Industries & Commerce, Haryana

Endst. No. Mini Cluster/Handloom & Textile/Panipat/17156-A Dated:- 02/09/19

A copy of the above is forwarded to the following:-

1. The Joint Director, District Industries Centre, Panipat for information. Email:- jddicpnp@gmail.com
2. Sh. Rakesh Chugh, C/o Rakesh Handloom, Pehlwan Chowk, Kutani Road, Panipat for information. They are directed to provide the requisite information desired by EY LLP so as to enable them to prepare the DPR at the earliest. Email:- rakeshchugh34@gmail.com

Advisor (MSME-Development)
for Director of Industries & Commerce, Haryana

Annexure 2. a) SPV Certificate of Incorporation

सत्यमेव जयते

GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS

Central Registration Centre

Certificate of Incorporation

[Pursuant to sub-section (2) of section 7 and sub-section (1) of section 8 of the Companies Act, 2013 (18 of 2013) and rule 18 of the Companies (Incorporation) Rules, 2014]

I hereby certify that HANDLOOM & TEXTILE CFC PRIVATE LIMITED is incorporated on this Fourteenth day of October Two thousand nineteen under the Companies Act, 2013 (18 of 2013) and that the company is limited by shares

The Corporate Identity Number of the company is U17299HR2019PTC083026.

The Permanent Account Number (PAN) of the company is **AAFCH0710E** *

The Tax Deduction and Collection Account Number (TAN) of the company is **RTKH06049B** *

Given under my hand at Manesar this Fourteenth day of October Two thousand nineteen .

Digital Signature Certificate
Mr MANGAL RAM MEENA
Deputy Registrar Of Companies
For and on behalf of the Jurisdictional Registrar of Companies
Registrar of Companies
Central Registration Centre

Disclaimer: This certificate only evidences incorporation of the company on the basis of documents and declarations of the applicant(s). This certificate is neither a license nor permission to conduct business or solicit deposits or funds from public. Permission of sector regulator is necessary wherever required. Registration status and other details of the company can be verified on www.mca.gov.in

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Mailing Address as per record available in Registrar of Companies office:

HANDLOOM & TEXTILE CFC PRIVATE LIMITED
HOUSE NO. 562, PEHLWAN CHOWK, PANIPAT, PANIPAT, Panipat,
Haryana, India, 132103

* as issued by the Income Tax Department

Annexure 2. b) Memorandum of Association (MoA)

(THE COMPANIES ACT, 2013)

(COMPANY LIMITED BY SHARES)

MEMORANDUM OF ASSOCIATION

OF

HANDLOOM &TEXTILE CFC PRIVATE LIMITED

I. The Name of the Company is **HANDLOOM & TEXTILE CFC PRIVATE LIMITED.**

II The Registered Office of the company will be situated in the National Capital Territory of Delhi & Haryana.

III. The objects for which the Company is established are:-

(A) THE MAIN OBJECTS TO BE PURSUED BY THE COMPANY ON ITS INCORPORATION ARE:

1. To function as Special Purpose Vehicle (SPV) and Set up Common Facilities Centre(CFC) and other infrastructure activities for Handloom and Textile Industry and for the benefits of its members and Industry/concerned stakeholders following the guidelines and notifications for State Mini Cluster Development Scheme of Govt. of Haryana.

2. To undertake works/scheme/programs of Government relating to growth and development of Handloom and Textile Industry and carry out/conduct soft and hard intervention activities under State Mini Cluster Development Scheme of Govt. of Haryana.

3. To act as a resource centre for development and strengthening network as Business Development Services related to Technology, Market, Capacity building and Hand holding support for the purpose of growth and development of the Handloom and Textile Industry under State Mini Cluster Development Scheme of Govt. of Haryana.

4. To make available raw and packing material to all members of Handloom and Textile Industry at competitive rates by opening of raw and packing material bank.

5. To arrange latest technology for upgrading all manufacturing units to provide Quality certificate to its members.

6. To render assistance and encouragement as may be necessary to persons engaged in Handloom and/or Textile Industry.

7. To undertake job work, manufacturing, import, export of all type of Handloom and Textile products and research work in connection with development of Handloom and Textile Industry.

8. To conduct training programs/seminars for capacity building and skill enhancement of workers in the Handloom and Textile Industry.

9. No salary/interest/dividend shall be paid to any stakeholder of the company.

10. No profit will be distributed amongst any member. All profit shall be ploughed back in the business & added to reserves & surplus.

(B) MATTERS WHICH ARE NECESSARY FOR FURTHERANCE OF THE OBJECTS SPECIFIED IN CLAUSE 3(A) ARE:

1. To purchase and otherwise acquire, own, import all materials, substances, appliances, machines, containers and such other articles and apparatus and things capable of being used in any of the main business and to own, otherwise acquire and use facilities of whatever kind as may be convenient or useful or conductive to the effective working of the main business of the Company.

2. To acquire, build, alter, maintain, enlarge, remove or replace and to work, manage and control any buildings, offices, factories, mills, shop machinery, conveniences which may seem necessary to achieve the main objects of the Company.

3. To carry on and transact every kind of guarantee and corporate guarantee and counter guarantee business and to guarantee the payment/repayment of loans, borrowings of any nature whatsoever granted by any institutions and/or any person to any individual, firm(s), HUF, company(s), association of person and money secured by or payable under or in receipt of stocks, bonds, debenture, debentures stocks, contracts, mortgages, charges, obligations and securities of any company whomsoever whether incorporated or not.

4. To purchase or in exchange, hire, take, options over or otherwise acquire any estate or interests whatsoever and to hold, develop work, concessions, grants, decrees, licenses, privileges, claims, options, property real or personal or rights or powers of any kinds which may appear to be necessary for the main business of the Company.

5. To pay preliminary and incorporation expenses of the Company.

6. To exchange, mortgage, royalty or tribute, grant licenses, easements, options and such other rights over dispose of the whole or any part of undertaking, property assets, rights and effects of the company for such consideration as may be thought fit and in particular stocks, shares, debentures whether fully or partially paid up or securities of any other such company having objects whole or in part similar to those of the Company.

7. To pay for any rights or property acquired by the Company and to remunerate any person, firm or body corporate rendering services to the company either by cash payment or by allotment to him or them of shares or securities of the Company as paid up in full.

8. To open account or accounts with any individual, firm or company or with any bank or banks or bankers or sheriffs and to pay into and to withdraw money from such account or accounts.

9. To undertake financial and commercial obligations, transactions and operations of all kinds.

10. To guarantee the performance of any contract or obligations and the payment of any money or dividends and interest on any stock, shares or securities of any company, corporation, firm or person in any case in which such guarantee may be considered directly or indirectly to further the main objects of the Company.

11. To guarantee the payment of money unsecured or secured or payable under or in respect of promissory notes, bonds, debenture stocks, contracts, mortgages, charges, obligations, instruments and securities of any company or of any authority, supreme, municipal, local or of any persons whether incorporated or not incorporated and to guarantee or become sureties for the performance of any contracts or obligations as may be necessary for the main business of the Company.

12. To subscribe for, acquire shares, share-stock, debentures, bonds, debenture stock, mortgages, obligations, securities of any kind issued or guaranteed by any company (body corporate undertaking) of whatever nature and whatsoever constituted or carrying on the main business and to subscribe for, acquire shares, debentures and debenture stocks and debenture bonds, mortgages, obligation and such other securities issued or guaranteed by any government, trust, municipal, local or such other authority or body of whatever nature whether in India or elsewhere as may be conductive to the main business of the Company.

13. To negotiate and/or enter into agreements and contracts with individuals companies, corporation and such other organizations, foreign or Indian for obtaining or providing technical or any other assistance for carrying out all or any of the main objects of the Company and also for the purpose of activating financial participation and for technical collaboration and to acquire or provide necessary formula and patent rights for furthering the main objects of the Company.

14. Subject to the provisions of Companies Act, 2013 to borrow or raise money in such manner as the Company shall think fit and in particular by the issue of debentures or debenture stock

(perpetual or otherwise) and to secure the payment of any money borrowed, raised or owing on the mortgage, charge or lien upon all or any of the property or assets of the company including its uncalled capital and also by similar mortgage, charge or lien to secure and guarantee the performance by the Company or any other such person or company , of any obligation undertaken by the company.

15. To draw, make, accept, endorse, discount, negotiate, execute and issue bills of exchange, promissory notes, bills of lading, debentures and other negotiable or transferable instruments or securities.

16. To apply for purchase or otherwise acquire and protect prolong and renew in any part of the world any patents, patent rights, brevets d' inventions, trademarks, designs, licenses, protection and confessions conferring any exclusive or non exclusive or limited right to their use of information as to any invention, process or privileges which may seem capable of being used for the main objects designs, licenses, protections, and concessions conferring any exclusive or non-exclusive or limited of the Company or the acquisition of which may seem calculated directly or indirectly to benefit the Company and to use, exercise, develop or grant licenses or privileges in respect of the property, rights and information so acquired.

17. To spend money in experimenting upon and testing and improving or seeking to improve any patents, rights, inventories, discoveries, processes or information of the Company or which the Company may acquire or propose to acquire.

18. To do all or any of the main objects either as principals, agents, trustees, contractors or otherwise and either alone or in conjunction with others and either by or through agents, sub contractors, trustees or otherwise.

19. To acquire and takeover the whole or any part of the business, goodwill, trademarks properties and liabilities of any person or persons, firms, companies or undertakings either existing or new engaged in or carrying on or proposing to carry on business which this company is authorized to carry on, possession of any property or rights suitable for the purpose of the Company and to pay for the same either in cash or in shares or partly in cash and partly in shares or otherwise.

20. To procure the registration or recognition of the Company in or under the laws of any place outside India.

21. To form, incorporate or promote any company or companies whether in India or elsewhere having amongst its or their objects the acquisition of all or any of the assets or controls management or development of the Company or any other such objects which in the opinion of the Company could or might directly or indirectly assist the Company in the management if it's main business or the development of its properties or otherwise prove advantageous to the Company and to pay all or any of the cost and expenses incurred in connection with any such

promotion or incorporation and to remunerate any person or company in any matter it shall think fit for services rendered or to be rendered in or about the formation or promotion of the company or the conduct of its main business or in about the promotion of any other such company in which the Company may have any interest.

22. Subject to the provisions of Companies Act, 2013, to amalgamate or to enter into partnership or into any arrangement for sharing profits, union of interests, co-operation, joint venture or reciprocal with any person or persons of the company or companies carrying on or engaged in the main business of the Company.

23. To enter into any arrangement and take all necessary or proper steps with governments or with such other authorities, supreme, national, local, municipal or otherwise of any place in which the Company may have interests and to carry on any negotiations or operations for the purpose directly or indirectly carrying out the objects of the company or effecting any modification in the constitution of the company or for furthering the interests of the members and to oppose any such steps taken by any other such company, firm or person which may be considered likely, directly or indirectly, to prejudice the interest of the Company or its members and to assist in the promotion whether directly or indirectly of any legislation which may seem advantageous to the Company and to obtain from any such government authority and company any charters, contracts, decrees, rights, grants, loans, privileges, or concessions which the company may think it desirable to obtain and carry out, exercise and comply with any such arrangements, charters, decrees, rights, privileges or concessions.

24. To adopt such means of making known the main business of the Company as may seem expedient and in particular by advertising in the press by circulars, by purchase and exhibition of works of art or interest, by publication of books and periodicals and by granting prizes and rewards.

25. (a) To undertake and execute any trust, the undertaking of which may seem to the Company desirable and either gratuitously or otherwise and vest any real or personal property, rights or interests acquired by or belonging to the Company in any person of company on behalf of or for the benefit of the company with or without any declared trust in the favor of the Company.

(b) To accept gifts including by way of awards/prizes from govt. and semi-govt. bodies and to give gifts to create trust for the benefit of the employees, members, directors and/or their dependents, heirs and children and for deserving object for and other persons.

26. To apply the assets of the Company in any way or towards the establishment, maintenance or extension of any association, institution or fund for the interests of the masters, owners and employers against loss by bad debt, strike, combustion, fire accident or otherwise or for the benefit of the employee, workman or others at any time employed by the Company or any of its predecessors in business or their families or dependents and whether or not in common with such other persons or classes of persons and in particular of friendly, co-operative and such other

societies, reading rooms, libraries, educational and charitable institutions ,dinning and recreation rooms, churches, chapels, schools and hospitals and to grant gratuities, pension, allowances and to contribute to any funds raised by public or local subscription for any purpose.

27. To distribute as dividend or bonus among the member or to place to reserve or otherwise to apply as the Company may from time to time determine any money received by way of premium on debentures issued at a premium by the Company and any money received in respect of forfeited shares, money arising from the sale by the company of forfeited shares, Subject to the provisions of the Companies Act, 2013

28. To aid peculiarly or otherwise any association, body or movement having for an object the solution, settlement of industrial or labor problems or troubles or the promotion of industry or trade.

29. To subscribe or guarantee money for any national, charitable, benevolent, public, general or useful object of and for exhibition subject to the provisions of Companies Act, 2013

30. To establish and maintain or procure the establishment and maintenance of any contributory or non contributory pension or superannuation funds for the benefit of and give or procure the giving of donation, gratuities, pensions, allowances or emoluments to any person who are or were at any time in the employment or service of the Company or is allied to or associated with the Company or with any such subsidiary company or who are or were at any time directors or officers of the company as aforesaid and the wives, widows, families and dependents of any such persons and also establish and subscribe to any institutions, associations, clubs or funds calculated to be for the benefit of or to advance the interest and well being of the company or of any such other company as aforesaid and make payments to or towards the protection of any such person as aforesaid and do any of the matters aforesaid, either alone or in conjunction with any such other company as aforesaid.

31. To agree to refer to arbitration any dispute present or future between the Company and any other company, firm, individual or any other body and to submit the same to arbitration in India or abroad either in accordance with Indian or any foreign system of law.

32. To appoint agents, sub-agents, dealers, managers, canvassers, sales representative or salesmen for transacting all or any kind of the main business of which this company is authorized to carry on and to constitute agencies of the Company in India or in any other country and establish depots and agencies in different parts of the world.

33. To guarantee the payment or performance of any contracts or obligations or become surety for any firm, person or company for any purpose and to act as agents for the collection, receipt or payment of money and to act as agents for the collection, receipt or payment of money and to act as agents for and render services to customers and others and to give guarantees and indemnities.

To give surety/mortgage / pledge of the property for raising fund/loan for and on behalf of the Company/associates concern/person/any other company.

34. To establish and run units, sister concerns operate for any of the main at places in or outside India as the Company may deem expedient.

35. To do all such other things as may be deemed incidental or conductive to the attainment of main objects.

36. To collaborate, merge, acquisition, joint venture with Indian and foreign experts, companies, firms to start industry and business in or outside India on such terms and conditions as the company may deem fit.

IV. The Liability of the Members is Limited.

V. The Authorized Share Capital of the Company is Rs. 15,00,000/- (Rupees Fifteen Lakhs) divided into 150000 (One Lakh Fifty Thousand) Equity Shares of Rs. 10/- (Rupees Ten) each.

We Several persons, whose names and addresses are subscribed below are desirous of being formed into a Company in pursuance of this Memorandum of Association and we respectively agree to take the number of shares in the Capital of the Company set opposite our respective names.

S.NO.	Subscriber Details					
	Name, Address, Description and Occupation	**DIN/PAN/Passport Number**	**No. of shares taken**		**Signatures of Subscribers**	**Dated**
1.	RAKESH KUMAR CHUGH S/O TARA CHAND CHUGH Address: House No.1369, N.H.B Colony, Near Sai Baba Chowk, Panipat Haryana-132103 Occupation: Business Nationality: Indian	AEHPC4310G	4000 (Four Thousand)	Equity	Sd/- Rakesh Kumar Chugh	05/09/2019
2.	GAURAV SARDANA S/O SURESH SARDANA Address: H. No. 69, Old Jagan Nath Vihar, Panipat, Haryana-132103 Occupation: Business Nationality: Indian	DEGPS4858F	3000 (Three Thousand	Equity	Sd/- Gaurav Sardana	05/09/2019
3.	MANISH S/O TEJRAM SHARMA Address: House No. 474, Ward No-20, Gali No.2, Shiv Nagar, Panipat, Haryana-132103 Occupation: Business Nationality: Indian	CSOPM8741C	3000 (Three Thousand)	Equity	Sd/- Manish	05/09/2019
Total Shares taken			**10,000**	**Equity**		

Signed Before Me						
Name		**Address, Description and Occupation**	**DIN/PAN/Passport Number/Membership Number**	**Place**	**Signatures of witnesses**	**Dated**
ACS	VIKAS S/O OM DUTT	R/o 126/5, Kot Mohalla, Ganaur, Sonipat,Haryana-131101 Occupation: Practicing Company Secretary	43099	Sonipat	Sd/- **(VIKAS)**	05/09/2019

Annexure 2. c) Article of Association (AoA)

(THE COMPANIES ACT, 2013)

(COMPANY LIMITED BY SHARES)

ARTICLES OF ASSOCIATION

OF

HANDLOOM &TEXTILE CFC PRIVATE LIMITED

TABLE -F

ARTICLES OF ASSOCIATION OF A COMPANY LIMITED BY SHARES

Interpretation

I. (*1*) In these regulations—

(*a*) "the Act" means the Companies Act, 2013,

(*b*) "the seal" means the common seal of the company.

(*2*) Unless the context otherwise requires, words or expressions contained in these regulations shall bear the
same meaning as in the Act or any statutory modification thereof in force at the date at which these regulations become binding on the company.

Share capital and variation of rights

II. 1. Subject to the provisions of the Act and these Articles, the shares in the capital of the company shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par and at such time as they may from time to time think fit.

2. (*i*) Every person whose name is entered as a member in the register of members shall be entitled to receive within two months after incorporation, in case of subscribers to the memorandum or after allotment or within one month after the application for the registration of transfer or transmission or within such other period as the conditions of issue shall be

Provided,—

(*a*) one certificate for all his shares without payment of any charges; or (*b*) several certificates, each for one or more of his shares, upon payment of twenty rupees for each certificate after the first.

(*ii*) Every certificate shall be under the seal and shall specify the shares to which it relates and the amount paid-up thereon.

(*iii*) In respect of any share or shares held jointly by several persons, the company shall not be bound to issue more than one certificate, and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all such holders.

3. (*i*) If any share certificate be worn out, defaced, mutilated or torn or if there be no further space on the back for endorsement of transfer, then upon production and surrender thereof to the company, a new certificate may be issued in lieu thereof, and if any certificate is lost or destroyed then upon proof thereof to the satisfaction of the company and on execution of such indemnity as the company deem adequate, a new certificate in lieu thereof shall be given. Every certificate under this Article shall be issued on payment of twenty rupees for each certificate.

(*ii*) The provisions of Articles (*2*) and (*3*) shall *mutatis mutandis* apply to debentures of the company.

4. Except as required by law, no person shall be recognized by the company as holding any share upon any trust, and the company shall not be bound by, or be compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by these regulations or by law otherwise provided) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder.

5 (*i*) The company may exercise the powers of paying commissions conferred by sub-section (*6*) of section 40, provided that the rate per cent. or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by that section and rule made there under.

(*ii*) The rate or amount of the commission shall not exceed the rate or amount prescribed in rules made under sub-section (6) of section 40.

(*iii*) The commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in the one way and partly in the other.

6. (*i*) If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of section 48, and whether or not the company is being wound up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

(*ii*) To every such separate meeting, the provisions of these regulations relating general meetings shall *mutatis mutandis* apply, but so that the necessary quorum shall be at least two persons holding at least one-third of the issued shares of the class in question.

7. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further share ranking *pari passu* therewith

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8. Subject to the provisions of section 55, any preference shares may, with the sanction of an ordinary resolution, be issued on the terms that they are to be redeemed on such terms and in such manner as the company before the issue of the shares may, by special resolution, determine.

Lien

9 . (*i*) The company shall have a first and paramount lien—

(*a*) on every share (not being a fully paid share), for all monies (whether presently payable or not) called, or payable at a fixed time, in respect of that share; and

(*b*) on all shares (not being fully paid shares) standing registered in the name of a single person, for all monies presently payable by him or his estate to the company:

Provided that the Board of directors may at any time declare any share to wholly or in part exempt from the provisions of this clause.

(*ii*) The company's lien, if any, on a share shall extend to all dividend bonuses declared from time to time in respect of such shares.

10. The company may sell, in such manner as the Board thinks fit, any shares on which the company has a lien:

Provided that no sale shall be made—

(*a*) unless a sum in respect of which the lien exists is presently payable; or

(*b*) until the expiration of fourteen days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share or the person entitled thereto by reason of his death or insolvency.

11. (*i*) To give effect to any such sale, the Board may authorize some person to transfer the shares sold to the purchaser thereof.

(*ii*) The purchaser shall be registered as the holder of the shares comprised in any such transfer.

(*iii*) The purchaser shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

12. (*i*) The proceeds of the sale shall be received by the company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable.

(*ii*) The residue, if any, shall, subject to a like lien for sums not presently payable as existed upon the shares before the sale, be paid to the person entitled to the shares at the date of the sale.

Calls on shares

13. (*i*) The Board may, from time to time, make calls upon the members in respect of any monies unpaid on their shares (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times:

Provided that no call shall exceed one-fourth of the nominal value of the share or be payable at less than one month from the date fixed for the payment of the last preceding call

(*ii*) Each member shall, subject to receiving at least fourteen days' notice specifying the time or times and place of payment, pay to the company, at the time or times and place so specified, the amount called on his shares.

(*iii*) A call may be revoked or postponed at the discretion of the Board

14. A call shall be deemed to have been made at the time when the resolution of the Board authorizing the call was passed and may be required to be paid by instalments.

15. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

16. (*i*) If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest thereon from the day appointed for payment thereof to the time of actual payment at ten per cent. per annum or at such lower rate, if any, as the Board may determine.

(*ii*) The Board shall be at liberty to waive payment of any such interest wholly or in part.

17. (*i*) Any sum which by the terms of issue of a share becomes payable on allotment or at any fixed date, whether on account of the nominal value of the share or by way of premium, shall, for the purposes of these regulations, be deemed to be a call duly made and payable on the date on which by the terms of issue such sum becomes payable.

(*ii*) In case of non-payment of such sum, all the relevant provisions of these regulations as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

18. The Board—

(*a*) may, if it thinks fit, receive from any member willing to advance the same, all or any part of the monies uncalled and unpaid upon any shares held by him; and

(*b*) upon all or any of the monies so advanced, may (until the same would, but for such advance, become presently payable) pay interest at such rate not exceeding, unless the company in general meeting shall otherwise direct, twelve per cent. per annum, as may be agreed upon between the Board and the member paying the sum in advance.

Transfer of shares

19. (*i*) The instrument of transfer of any share in the company shall be executed by or on behalf of both the transferor and transferee.

(*ii*) The transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the register of members in respect thereof.

20. The Board may, subject to the right of appeal conferred by section 58 decline to register—

(*a*) the transfer of a share, not being a fully paid share, to a person of whom they do not approve; or

(*b*) any transfer of shares on which the company has a lien.

21. The Board may decline to recognize any instrument of transfer unless—

(*a*) the instrument of transfer is in the form as prescribed in rules made under sub-section (*1*) of section 56;

(*b*) the instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; and (*c*) the instrument of transfer is in respect of only one class of shares.

22. On giving not less than seven days' previous notice in accordance with section 91 and rules made there under, the registration of transfers may be suspended at such times and for such periods as the Board may from time to time determine:

Provided that such registration shall not be suspended for more than thirty days at any one time or for more than forty-five days in the aggregate in any year.

Transmission of shares

23. (*i*) On the death of a member, the survivor or survivors where the member was a joint holder, and his nominee or nominees or legal representatives where he was a shareholder, shall be the only persons recognized by the company as having any title to his interest in the shares.

(*ii*) Nothing in clause (*i*) shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by him with other persons.

24. (*i*) Any person becoming entitled to a share in consequence of the death or insolvency of a member may, upon such evidence being produced as may from time to time properly be required by the Board and subject as hereinafter provided, elect, either

(*a*) to be registered himself as holder of the share; or

(*b*) to make such transfer of the share as the deceased or insolvent member could have made.

(*ii*) The Board shall, in either case, have the same right to decline or suspend registration as it would have had, if the deceased or insolvent member had transferred the share before his death or insolvency.

25. (*i*) If the person so becoming entitled shall elect to be registered as holder of the share himself, he shall deliver or send to the company a notice in writing signed by him stating that he so elects.

(*ii*) If the person aforesaid shall elect to transfer the share, he shall testify his election by executing a transfer of the share.

(*iii*) All the limitations, restrictions and provisions of these regulations relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or insolvency of the member had not occurred and the notice or transfer were a transfer signed by that member.

26. A person becoming entitled to a share by reason of the death or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, before being registered as a member in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the company:

Provided that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the share, until the requirements of the notice have complied with.

27. In case of a One Person Company—

(*i*) on the death of the sole member, the person nominated by such member shall be the person recognized by the company as having title to all the shares of the member;

(*ii*) the nominee on becoming entitled to such shares in case of the member's death shall be informed of such event by the Board of the company;

(*iii*) such nominee shall be entitled to the same dividends and other rights and liabilities to which such sole member of the company was entitled or liable;

(*iv*) on becoming member, such nominee shall nominate any other person with the prior written consent of such person who, shall in the event of the death of the member, become the member of the company.

Forfeiture of shares

28. If a member fails to pay any call, or installment of a call, on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or installment remains unpaid, serve a notice on him requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued.

29. The notice aforesaid shall—

(*a*) name a further day (not being earlier than the expiry of fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made; and

(*b*) state that, in the event of non-payment on or before the day so named, the shares in respect of which the call was made shall be liable to be forfeited.

30. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may, at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect

31. (*i*) A forfeited share may be sold or otherwise disposed of on such terms and in such manner as the Board thinks fit.

(*ii*) At any time before a sale or disposal as aforesaid, the Board may cancel the forfeiture on such terms as it thinks fit.

32. (*i*) A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares, but shall, notwithstanding the forfeiture, remain liable to pay to the company all monies which, at the date of forfeiture, were presently payable by him to the company in respect of the shares.

(*ii*) The liability of such person shall cease if and when the company shall have received payment in full of all such monies in respect of the shares.

33 (*i*) A duly verified declaration in writing that the declarant is a director, the manager or the secretary, of the company, and that a share in the company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share;

(*ii*) The company may receive the consideration, if any, given for the share on any sale or disposal thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed of;

(*iii*) The transferee shall thereupon be registered as the holder of the share; and

(*iv*) The transferee shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.

34. The provisions of these regulations as to forfeiture shall apply in the case of nonpayment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

Alteration of capital

35. The company may, from time to time, by ordinary resolution increase the share capital by such sum, to be divided into shares of such amount, as may be specified in the resolution.

36. Subject to the provisions of section 61, the company may, by ordinary resolution,—

(*a*) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

(*b*) convert all or any of its fully paid-up shares into stock, and reconvert that stock into fully paid-up shares of any denomination;

(*c*) sub-divide its existing shares or any of them into shares of smaller amount than is fixed by the memorandum;

(*d*) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.

37. Where shares are converted into stock,—

(*a*) the holders of stock may transfer the same or any part thereof in the same manner as, and subject to the same regulations under which, the shares from which the stock arose might before the conversion have been transferred, or as near thereto as circumstances admit:

Provided that the Board may, from time to time, fix the minimum amount of stock transferable, so, however, that such minimum shall not exceed the nominal amount of the shares from which the stock arose.

(*b*) the holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividends, voting at meetings of the company, and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except participation in the dividends and profits of the company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage.

(*c*) such of the regulations of the company as are applicable to paid-up shares shall apply to stock and the words "share" and "shareholder" in those regulations shall include "stock" and "stock-holder" respectively.

38. The company may, by special resolution, reduce in any manner and with, and subject to, any incident authorized and consent required by law,—

(*a*) its share capital;

(*b*) any capital redemption reserve account; or

(*c*) any share premium account.

Capitalisation of profits

39. (*i*) The Company in general meeting may, upon the recommendation of the Board, resolve—

(*a*) that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the company's reserve accounts, or to the credit of the profit and loss account, or otherwise available for distribution; and

(*b*) that such sum be accordingly set free for distribution in the manner specified in clause (*ii*) amongst the members who would have been entitled thereto, if distributed by way of dividend and in the same proportions.

(*ii*) The sum aforesaid shall not be paid in cash but shall be applied, subject to the provision contained in clause (*iii*), either in or towards—

(*A*) paying up any amounts for the time being unpaid on any shares held by such members respectively;

(*B*) paying up in full, unissued shares of the company to be allotted and distributed, credited as fully paid-up, to and amongst such members in the proportions aforesaid;

(*C*) partly in the way specified in sub-clause (*A*) and partly in that specified in sub-clause (*B*);

(*D*) A securities premium account and a capital redemption reserve account may, for the purposes of this regulation, be applied in the paying up of unissued shares to be issued to members of the company as fully paid bonus shares;

(*E*) The Board shall give effect to the resolution passed by the company in pursuance of this regulation.

40. (*i*) Whenever such a resolution as aforesaid shall have been passed, the Board shall—

(*a*) make all appropriations and applications of the undivided profits resolved to be capitalised thereby, and all allotments and issues of fully paid shares if any; and

(*b*) generally do all acts and things required to give effect thereto.

(*ii*) The Board shall have power—

(*a*) to make such provisions, by the issue of fractional certificates or by payment in cash or otherwise as it thinks fit, for the case of shares becoming distributable in fractions; and

(*b*) to authorize any person to enter, on behalf of all the members entitled thereto, into an agreement with the company providing for the allotment to them respectively, credited as fully paid-up, of any further shares to which they may be entitled upon such capitalisation, or as the case may require, for the payment by the company on their behalf, by the application thereto of their respective proportions of profits resolved to be capitalised, of the amount or any part of the amounts remaining unpaid on their existing shares;

(*iii*) Any agreement made under such authority shall be effective and binding on such members.

Buy-back of shares

41. Notwithstanding anything contained in these articles but subject to the provisions of sections 68 to 70 and any other applicable provision of the Act or any other law for the time being in force, the company may purchase its own shares or other specified securities.

General meetings

42. All general meetings other than annual general meeting shall be called extraordinary general meeting.

43. (*i*) The Board may, whenever it thinks fit, call an extraordinary general meeting.

(*ii*) If at any time directors capable of acting who are sufficient in number to form a quorum are not within India, any director or any two members of the company may call an extraordinary general meeting in the same manner, as nearly as possible, as that in which such a meeting may be called by the Board.

Proceedings at general meetings

44 (*i*) No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business.

(*ii*) Save as otherwise provided herein, the quorum for the general meetings shall be as provided in section 103.

45. The chairperson, if any, of the Board shall preside as Chairperson at every general meeting of the company.

46. If there is no such Chairperson, or if he is not present within fifteen minutes after the time appointed for holding the meeting, or is unwilling to act as chairperson of the meeting, the directors present shall elect one of their members to be Chairperson of the meeting.

47. If at any meeting no director is willing to act as Chairperson or if no director is present within fifteen minutes after the time appointed for holding the meeting, the members present shall choose one of their members to be Chairperson of the meeting.

48. In case of a One Person Company—

(*i*) the resolution required to be passed at the general meetings of the company shall be deemed to have been passed if the resolution is agreed upon by the sole member and communicated to the company and entered in the minutes book maintained under section 118;

(*ii*) such minutes book shall be signed and dated by the member;

(*iii*) the resolution shall become effective from the date of signing such minutes by the sole member.

Adjournment of meeting

49. (*i*) The Chairperson may, with the consent of any meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn the meeting from time to time and from place to place.

(*ii*) No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

(*iii*) When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting.

(*iv*) Save as aforesaid, and as provided in section 103 of the Act, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

Voting rights

50. Subject to any rights or restrictions for the time being attached to any class or classes of shares,—

(*a*) on a show of hands, every member present in person shall have one vote; and

(*b*) on a poll, the voting rights of members shall be in proportion to his share in the paid-up equity share capital of the company.

51. A member may exercise his vote at a meeting by electronic means in accordance with section 108 and shall vote only once.

52. (*i*) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.

(*ii*) For this purpose, seniority shall be determined by the order in which the names stand in the register of members.

53. A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee or other legal guardian, and any such committee or guardian may, on a poll, vote by proxy.

54. Any business other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll.

55. No member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the company have been paid.

56. (*i*) No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes.

(*ii*) Any such objection made in due time shall be referred to the Chairperson of the meeting, whose decision shall be final and conclusive.

Proxy

57. The instrument appointing a proxy and the power-of-attorney or other authority, if any, under which it is signed or a notarised copy of that power or authority, shall be deposited at the registered office of the company not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll; and in default the instrument of proxy shall not be treated as valid.

58. An instrument appointing a proxy shall be in the form as prescribed in the rules made under section 105.

59. A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the previous death or insanity of the principal or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given:

Provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the company at its office before the commencement of the meeting or adjourned meeting at which the proxy is used.

Board of Directors

60. The number of the directors and the names of the first directors shall be determined in writing by the subscribers of the memorandum or a majority of them.

61. (*i*) The remuneration of the directors shall, in so far as it consists of a monthly payment, be deemed to accrue from day-to-day.

(*ii*) In addition to the remuneration payable to them in pursuance of the Act, the directors may be paid all travelling, hotel and other expenses properly incurred by them—

(*a*) in attending and returning from meetings of the Board of Directors or any committee thereof or general meetings of the company; or

(*b*) in connection with the business of the company.

62. The Board may pay all expenses incurred in getting up and registering the company.

63. The company may exercise the powers conferred on it by section 88 with regard to the keeping of a foreign register; and the Board may (subject to the provisions of that (section) make and vary such regulations as it may thinks fit respecting the keeping of any such register.

64. All cheques, promissory notes, drafts, *hundis*, bills of exchange and other negotiable instruments, and all receipts for monies paid to the company, shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be, by such person and in such manner as the Board shall from time to time by resolution determine.

65. Every director present at any meeting of the Board or of a committee thereof shall sign his name in a book to be kept for that purpose.

66. (*i*) Subject to the provisions of section 149, the Board shall have power at any time, and from time to time, to appoint a person as an additional director, provided the number of the directors and additional directors together shall not at any time exceed the maximum strength fixed for the Board by the articles.

(*ii*) Such person shall hold office only up to the date of the next annual general meeting of the company but shall be eligible for appointment by the company as a director at that meeting subject to the provisions of the Act.

Proceedings of the Board

67. (*i*) The Board of Directors may meet for the conduct of business, adjourn and otherwise regulate its meetings, as it thinks fit.

(*ii*) A director may, and the manager or secretary on the requisition of a director shall, at any time, summon a meeting of the Board.

68. (*i*) Save as otherwise expressly provided in the Act, questions arising at any meeting of the Board shall be decided by a majority of votes.

(*ii*) In case of an equality of votes, the Chairperson of the Board, if any, shall have a second or casting vote.

69. The continuing directors may act notwithstanding any vacancy in the Board; but, if and so long as their number is reduced below the quorum fixed by the Act for a meeting of the Board, the continuing directors or director may act for the purpose of increasing the number of directors to that fixed for the quorum, or of summoning a general meeting of the company, but for no other purpose.

70. (*i*) The Board may elect a Chairperson of its meetings and determine the period for which he is to hold office.

(*ii*) If no such Chairperson is elected, or if at any meeting the Chairperson is not present within five minutes after the time appointed for holding the meeting, the directors present may choose one of their number to be Chairperson of the meeting.

71. (*i*) The Board may, subject to the provisions of the Act, delegate any of its powers to committees consisting of such member or members of its body as it thinks fit.

(*ii*) Any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may be imposed on it by the Board.

72. (*i*) A committee may elect a Chairperson of its meetings.

(*ii*) If no such Chairperson is elected, or if at any meeting the Chairperson is not present within five minutes after the time appointed for holding the meeting, the members present may choose one of their members to be Chairperson of the meeting.

73. (*i*) A committee may meet and adjourn as it thinks fit.

(*ii*) Questions arising at any meeting of a committee shall be determined by a majority of votes of the members present, and in case of an equality of votes, the Chairperson shall have a second or casting vote.

74. All acts done in any meeting of the Board or of a committee thereof or by any person acting as a director, shall, notwithstanding that it may be afterwards discovered that there was some defect in the appointment of any one or more of such directors or of any person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such director or such person had been duly appointed and was qualified to be a director.

75. Save as otherwise expressly provided in the Act, a resolution in writing, signed by all the members of the Board or of a committee thereof, for the time being entitled to receive notice of a meeting of the Board or committee, shall be valid and effective as if it had been passed at a meeting of the Board or committee, duly convened and held.

76 In case of a One Person Company—

(*i*) where the company is having only one director, all the businesses to be transacted at the meeting of the Board shall be entered into minutes book maintained under section 118;

(*ii*) such minutes book shall be signed and dated by the director;

(*iii*) the resolution shall become effective from the date of signing such minutes by the director.

Chief Executive Officer, Manager, Company Secretary or Chief Financial Officer

77. Subject to the provisions of the Act,—

(*i*) A chief executive officer, manager, company secretary or chief financial officer may be appointed by the Board for such term, at such remuneration and upon such conditions as it may thinks fit; and any chief executive officer, manager, company secretary or chief financial officer so appointed may be removed by means of a resolution of the Board;

(*ii*) A director may be appointed as chief executive officer, manager, company secretary or chief financial officer.

78. A provision of the Act or these regulations requiring or authorizing a thing to be done by or to a director and chief executive officer, manager, company secretary or chief financial officer shall not be satisfied by its being done by or to the same person acting both as director and as, or in place of, chief executive officer, manager, company secretary or chief financial officer.

The Seal

79. (*i*) The Board shall provide for the safe custody of the seal.

(*ii*) The seal of the company shall not be affixed to any instrument except by the authority of a resolution of the Board or of a committee of the Board authorized by it in that behalf, and except in the presence of at least two directors and of the secretary or such other person as the Board may appoint for the purpose; and those two directors and the secretary or other person aforesaid shall sign every instrument to which the seal of the company is so affixed in their presence.

Dividends and Reserve

80. The company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Board.

81. Subject to the provisions of section 123, the Board may from time to time pay to the members such interim dividends as appear to it to be justified by the profits of the company.

82. (*i*) The Board may, before recommending any dividend, set aside out of the profits of the company such sums as it thinks fit as a reserve or reserves which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the company may be properly applied, including provision for meeting contingencies or for equalizing dividends; and pending such application, may, at the like discretion, either be employed in the business of the company or be invested in such investments (other than shares of the company) as the Board may, from time to time, thinks fit.

(*ii*) The Board may also carry forward any profits which it may consider necessary not to divide, without setting them aside as a reserve.

83. (*i*) Subject to the rights of persons, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid, but if and so long as nothing is paid upon any of the shares in the company, dividends may be declared and paid according to the amounts of the shares.

(*ii*) No amount paid or credited as paid on a share in advance of calls shall be treated for the purposes of this regulation as paid on the share.

(*iii*) All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.

84. The Board may deduct from any dividend payable to any member all sums of money, if any, presently payable by him to the company on account of calls or otherwise in relation to the shares of the company.

85. (*i*) Any dividend, interest or other monies payable in cash in respect of shares maybe paid by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of that one of the joint holders who is first named on the register of members, or to such person and to such address as the holder or joint holders may in writing direct.

(*ii*) Every such cheque or warrant shall be made payable to the order of the person to whom it is sent.

86. Any one of two or more joint holders of a share may give effective receipts for any dividends, bonuses or other monies payable in respect of such share.

87. Notice of any dividend that may have been declared shall be given to the persons entitled to share therein in the manner mentioned in the Act.

88. No dividend shall bear interest against the company.

Accounts

89. (*i*) The Board shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations, the accounts and books of the company, or any of them, shall be open to the inspection of members not being directors.

(*ii*) No member (not being a director) shall have any right of inspecting any account or book or document of the company except as conferred by law or authorized by the Board or by the company in general meeting.

Winding up

90. Subject to the provisions of Chapter XX of the Act and rules made there under—

(*i*) If the company shall be wound up, the liquidator may, with the sanction of a special resolution of the company and any other sanction required by the Act, divide amongst the members, in specie or kind, the whole or any part of the assets of the company, whether they shall consist of property of the same kind or not.

(*ii*) For the purpose aforesaid, the liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members.

(*iii*) The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories if he considers necessary, but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.

Indemnity

91. Every officer of the company shall be indemnified out of the assets of the company against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in which relief is granted to him by the court or the Tribunal.

Note: The Articles shall be signed by each subscriber of the memorandum of association who shall add his address, description and occupation, if any, in the presence of at least one witness who shall attest the signature and shall likewise add his address, description and occupation, if any, and such signatures shall be in form specified below:

Subscriber Details					
S.NO.	**Name, Address, Description and Occupation**	**DIN/PAN/Passport Number**	**Place**	**Signatures of Subscribers**	**Dated**
1.	RAKESH KUMAR CHUGH S/O TARA CHAND CHUGH Address: House No.1369, N.H.B Colony, Near Sai Baba Chowk, Panipat Haryana-132103 Occupation: Business Nationality: Indian	AEHPC4310G	Panipat	Sd/- Rakesh Kumar Chugh	05/09/2019
2.	GAURAV SARDANA S/O SURESH SARDANA Address: H. No. 69, Old Jagan Nath Vihar, Panipat, Haryana-132103 Occupation: Business Nationality: Indian	DEGPS4858F	Panipat	Sd/- Gaurav Sardana	05/09/2019
3.	MANISH S/O TEJRAM SHARMA Address: House No. 474, Ward No-20, Gali No.2, Shiv Nagar, Panipat, Haryana-132103 Occupation: Business Nationality: Indian	CSOPM8741C	Panipat	Sd/- Manish	05/09/2019

Signed Before Me						
Name		**Address, Description and Occupation**	**DIN/PAN/Passport Number/Membership Number**	**Place**	**Signatures of witnesses**	**Dated**
ACS	VIKAS S/O OM DUTT	R/o 126/5, Kot Mohalla, Ganaur, Sonipat,Haryana-131101 Occupation: Practicing Company Secretary	43099	Sonipat	Sd/- **(VIKAS)**	05/09/2019

Annexure 3. SPV members list

Handloom and Textile CFC private Ltd

SPV Members list

S No	Contact Person	Company name	Contact No	Address of unit	UAM No	Products	Status	Signature
1	Ritika Chugh	Archit Textile	8950000342	Pehlwan Chowk, Kutani Road, Panipat	HR14B0011525	Manufacturing of Curtain, dariya and mats etc	Existing	
2	Gaurav Sardana	Ganpati Loomtex	9992244432	Gandhi Nagar, Kutani road, Panipat	HR14A0006494	Manufacturing of durries	Existing	Sardana
3	Manish	Maharaja Agarsain Handloom	8059339939	Behind yes bank, Rajakheri, Panipat	HR14A0006434	Manufacturing of Curtain, dariya and mats etc	Existing	Manish
4	Vinod Kumar Whadhwa	Ganga Loomtex	9466246213	Pehlwan wali gali, kutani road, panipat	HR14A0013565	Manufacturing of durries	New	Vinod Kumar
5	Neeraj Arora	Saraswati Cotton	9416001122	Plot no220, sec 29, part 2, Panipat	HR14A0013794	Manufacturing of Blankets and durries	New	Neeraj Arora
6	Pawan Juneja	Karnal krishan Hand fab	9996780777	Pehlwan Chowk, Kutani Road, Panipat	HR14A0006495	Manufacturing of mats	New	
7	Vinod	Anupurna Handloom	9416222245	Near Dalbir Nagar, Panipat	HR14A0006595	Manufacturing of shenil Yarn	New	Vinod
8	DharmPal	Batta Handloom AVM Handicraft Sang	9215303611	Poorewal Colony, Panipat	HR14A0006554	Manufacturing of Curtain, dariya and mats etc	Existing	
9	Anshu Kumar	Master G handloom	9812100201	Gali No. 3, Dhoop Singh Nagar	HR140006437	Manufacturing of Curtain, dariya and mats etc	Existing	
10	Rohit Garg	Vanshika Handloom	921520044	Gohana Road, Near Goel Filling Station	HR14B0011794	Manufacturing of Curtain, dariya and mats etc	Existing	
11	Rakesh Kumar	Rakesh Handloom	9728400020	Pehlwan wali gali, kutani road, panipat	HR14B0011526	Manufacturing of Curtain, dariya and mats etc	Existing	
12	Raju Rafigul	RBN Embroidery & Printing	9813633937	ShamShan road, near FCI goodown, Panipat	HR14a0006559	Manufacturing of Curtain, dariya and mats etc	Existing	Rafikul
13	Deepak Jain	Navkar Fab	9813047553	Narender Colony, Near Ugra Kheri Road, Panipat	HR14A0013728	Manufacturing of Curtain, embridery etc	New	
14	Smt. Sudesh	Mahesh Handloom & handicrafts	9255908097	Shiv Nagar, Gali no 1, Haffed Goodown, Panipat	HR140006433	Manufacturing of Darriya mats etc	Existing	

Annexure 4: Building Availability Proof

4TH Oct, 2019

To,
The Director,
Department of Industries & Commerce
Govt. of Haryana
Sector 17, Chandigarh

Subject: Regarding building lease for Handloom & Textile Cluster, Panipat

Reference: Cluster project to establish Common Facility Centre (CFC) under State Mini Cluster development scheme of Government of Haryana

Dear Sir,

This is to confirm that I, Rohit Arora am willing to provide the first floor of my building at Plot No. 168, Sec. 29, Part II on a 10 year irrevocable lease to the Handloom & Textile CFC Private Limited for the establishment of a Common Facility Centre, provided the cluster is approved by the Government of Haryana. The area which will be provided is 11250 sq ft (1250 square yards) and shall be provided on a lease basis with rent of Rs. 27,000 per month for the first year, with a standard annual increase as per the market norms.

Yours sincerely,

Rohit Arora

Plot No. 168, Sec. 29, Part II

Mob : 9215657340

Annexure 5. Machinery Quotations

A. Embroidery Machine

RAMANA MACHINES
Happy Knitting To You...

GSTIN : 03AAJPW0822H2ZT

QUOTATION

Handloom And Textile CFC Pvt. Ltd **DATED: - 30-08-2019**

ADD- PANIPAT

NEW COMUTERISED EMBROIDERY MACHINEMOUNT				
BRAND	**DESCRIPTION**	QTY	**UNIT AMOUNT**	**TOTAL AMOUNT**
SHEEN BRAND	New Computerized High Speed embroidery Machine Tripple Servo 912 Head Embroidery Area 400*800*1200MM & with All Standard Accessories.	2	1323891	26,47,782
	GST @ 18%			**4,76,600**
	GRAND TOTAL			**31,24,382**

WARRANTY : ONE YEAR WARRANTY INSTALLATION
PAYMENT : 75% ADVANCE AND 25% BEFORE MACHINE DELIVERY
DELIVERY : 60 DAYS
PACKING : STANDARD EXPORT CASE
ORIGIN : CHINA MADE

Hope you will find the above in order Kindly Favor Us with your valued order at the earlist

Thanking You

RAMANA MACHINES
BANK : HDFC BANK
BRANCH : BRSNAGAR, LUDHIANA
A/C NO : 50200039111375
IFSC CODE: HDFC0001336

B. Knitting Machine

RAMANA MACHINES
Happy Knitting To You...

GSTIN : 03AAJPW0822H2ZT

Quotation

M/S MAHESH HANDLOOM & HANDICRAFT.
ADD: SHIV NAGAR,
GALI NO. 2,
PANIPAT

DATE : 29.08.2019

NEW FULLY FASHIONED HIGH SPEED KNITTING MACHINE				
BRAND	**DESCRIPTION**	**QTY.**	**UNIT AMOUNT**	**TOTAL AMOUNT**
Gold Plus - G680T	New Fully Fashioned High Speed Knitting Machine Double Carriage 3+3System 80" & All Standard Accessories. Make Gold Plus Brand.	2	1186441	2372881
	AMOUNT			**2372881**
	IGST @18%			**427119**
	TOTAL AMOUNT (Rs.)			**2800000.00**

WARRANTY : TWO YEAR WARRANTY INSTALLATION
PAYMENT : 25% ADVANCE AND 75% BEFORE MACHINE DELIVERY
DELIVERY : 60 DAYS
PACKING : STANDARD EXPORT CASE
ORIGIN : CHINA MADE
MOTOR CAPACITY : 1.5 KV
INSURANCE WILL BE DONE BY RAMANA MACHINES & FREIGHT WILL BE PAYABLE BY MAHESH HANDLOOM

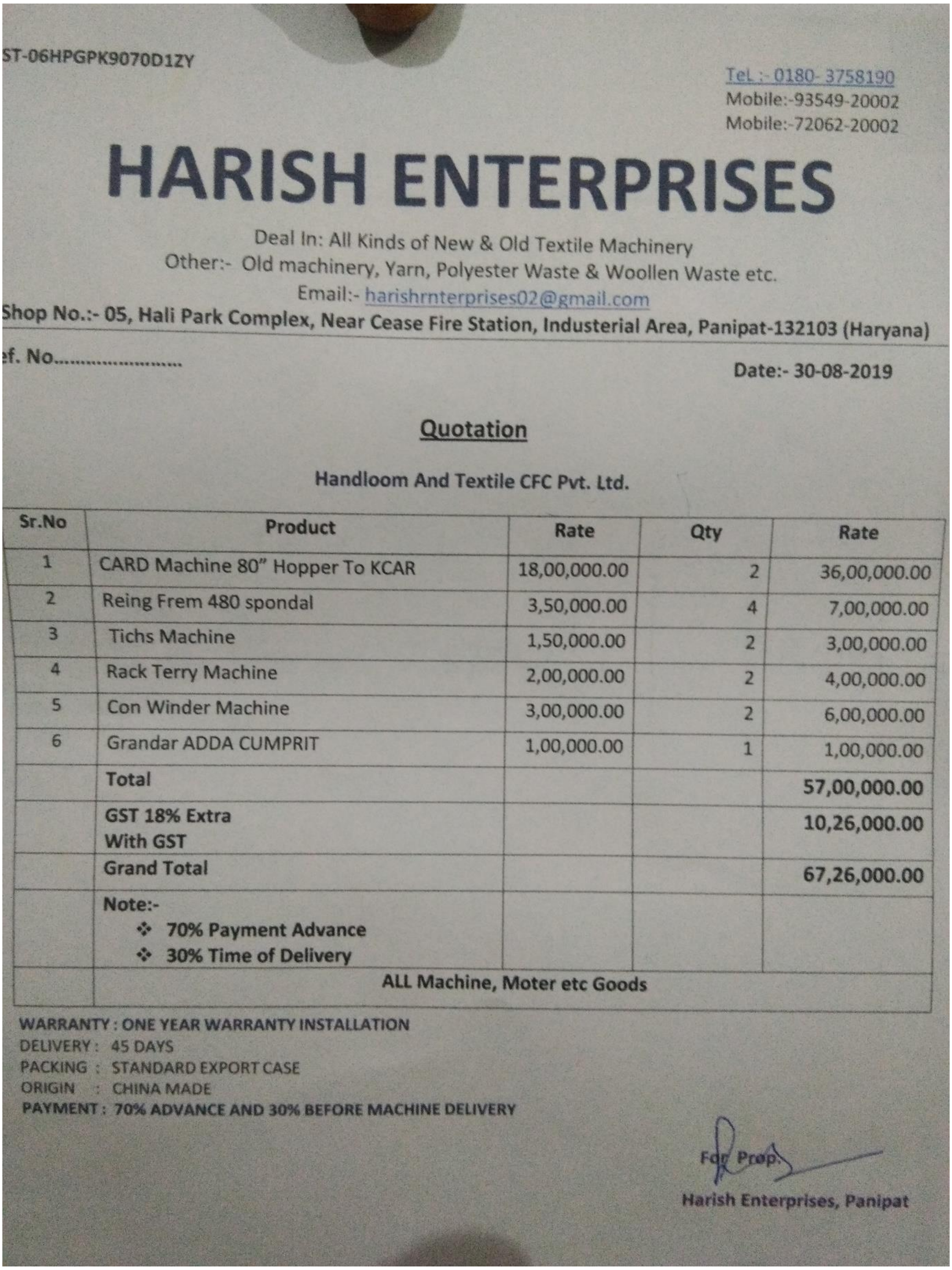
Hope you will find the above in order Kindly favor us with your valued order at the earlist

Thanking You

RAMANA MACHINES
BANK : HDFC BANK
BRANCH : BRS NAGAR, LUDHIANA
A/C NO. : 50200039111375
IFSC CODE : HDFC0001336

B-VI 186/1, Street No. 6, Old Madhopuri, Ludhiana +91-98159-02561, +91-161-5002561, 5012561

C. Card Machine, Ring Frame, Tichs Machine, Rag Machine, Con Winder Machine, Grinder Adda Cumprit



ST-06HPGPK9070D1ZY

Tel.:- 0180- 3758190
Mobile:-93549-20002
Mobile:-72062-20002

HARISH ENTERPRISES

Deal In: All Kinds of New & Old Textile Machinery
Other:- Old machinery, Yarn, Polyester Waste & Woollen Waste etc.
Email:- harishrnterprises02@gmail.com
Shop No.:- 05, Hali Park Complex, Near Cease Fire Station, Industerial Area, Panipat-132103 (Haryana)

ef. No........................

Date:- 30-08-2019

Quotation

Handloom And Textile CFC Pvt. Ltd.

Sr.No	Product	Rate	Qty	Rate
1	CARD Machine 80" Hopper To KCAR	18,00,000.00	2	36,00,000.00
2	Reing Frem 480 spondal	3,50,000.00	4	7,00,000.00
3	Tichs Machine	1,50,000.00	2	3,00,000.00
4	Rack Terry Machine	2,00,000.00	2	4,00,000.00
5	Con Winder Machine	3,00,000.00	2	6,00,000.00
6	Grandar ADDA CUMPRIT	1,00,000.00	1	1,00,000.00
	Total			**57,00,000.00**
	GST 18% Extra With GST			**10,26,000.00**
	Grand Total			**67,26,000.00**
	Note:- ❖ **70% Payment Advance** ❖ **30% Time of Delivery**			
	ALL Machine, Moter etc Goods			

WARRANTY : ONE YEAR WARRANTY INSTALLATION
DELIVERY : 45 DAYS
PACKING : STANDARD EXPORT CASE
ORIGIN : CHINA MADE
PAYMENT : 70% ADVANCE AND 30% BEFORE MACHINE DELIVERY

For Prop.

Harish Enterprises, Panipat

D. Chenille Machine, Screw Compressor, Attucci Winder

DI
Inovations Defined

GSTIN, 06ACQPS7968D1ZW

DHATRI INDUSTRIES

Mfrs. & Supplier Export Quality
Home Furnishing Product, Polyester Yarn & Chenille Yarn

Mob. 921577717, 9813093111
Office:37 Model Town Enclave
Model Town Panipat132103

Works:- Behind Shamboo Spinning Mill
Vidyanand Colony Ugrakheri Mod, Panipat-132103

Email:- dhatriindustries @gmail.com

Performa Invoice

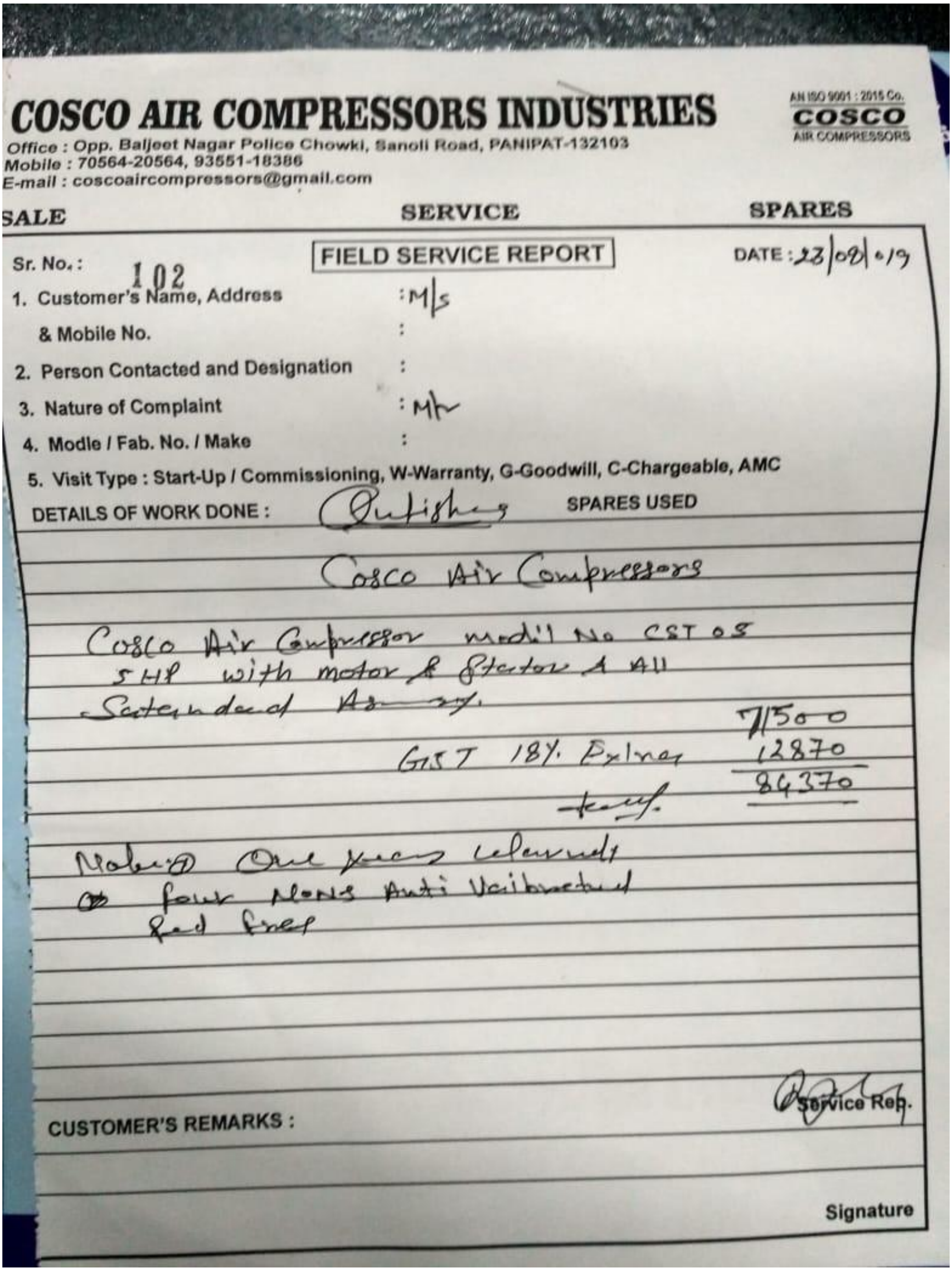
Dated – 30-08-19

Handloom And Textile CFC Pvt. Ltd.

Sr.No	Product	Qty	Rate	Total
1	Machine of Chonille Yarn Huzur Make Model No.SL-2005,SL-2005, Yom 2007 Sr.No 122 & 123 Taughantial belt, Electronic Penel 380Vfor each Machine	2	25,00,000.00	50,00,000.00
2	Screw Compresser 15hp, Feeranza	1	1,50,000.00	1,50,000.00
3	09 Attucci Winder Z Itecosensors	1	5,50,000.0	5,50,000.00
	Total			**57,00,000.00**
	GST 18% Extra With GST			10,26000.00
	Grand Total			**67,26,000.00**
	Note:- ❖ 50% Payment Advance ❖ 50% Time of Delivery			
	ALL Machine, Motor Goods, etc			

For Prop.
Dhatri Industries,Panipat

E. Air Compressor



COSCO AIR COMPRESSORS INDUSTRIES

AN ISO 9001 : 2015 Co. COSCO AIR COMPRESSORS

Office : Opp. Baljeet Nagar Police Chowki, Sanoli Road, PANIPAT-132103
Mobile : 70564-20564, 93551-18386
E-mail : coscoaircompressors@gmail.com

SALE SERVICE SPARES

FIELD SERVICE REPORT

Sr. No. : 102 DATE : 23/08/019

1. Customer's Name, Address : M/s
   & Mobile No. :
2. Person Contacted and Designation :
3. Nature of Complaint : M/r
4. Modle / Fab. No. / Make :
5. Visit Type : Start-Up / Commissioning, W-Warranty, G-Goodwill, C-Chargeable, AMC

DETAILS OF WORK DONE : Quotation SPARES USED

Cosco Air Compressors

Cosco Air Compressor model No CST 05
5HP with motor & Stator & All
Standard Assy.

	71500
GST 18% Extra	12870
	84370

Note ① One year warranty
② four Nos Anti Vibration
Pad free

Service Rep.

CUSTOMER'S REMARKS :

Signature

Our offices

Ahmedabad
2nd Floor, Shivalik Ishaan
Near CN Vidhyalaya,
Ambawadi,
Ahmedabad - 380 015
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Fax: + 91 79 6608 3900

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+ 91 44 6632 8400
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Hyderabad – 500081
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Fax: +91 40 6736 2200

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NH-49, Maradu PO
Kochi, Kerala 682304, India
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Fax: + 91 484 2705393

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22, Camac Street
Block 'C', 3rd floor
Kolkata - 700 016
Tel: + 91 33 6615 3400
Fax: + 91 33 2281 7750

Mumbai
6th floor & 18th floor
Express Towers
Nariman Point
Mumbai - 400 021
Tel: + 91 22 6657 9200 (6th floor)
+ 91 22 6665 5000 (18th floor)
Fax: + 91 22 22876401 (6th floor)
+ 91 22 2282 6000 (18th floor)

Block B-2, 5th Floor,
Nirlon Knowledge Park,
Off Western Express Highway,
Goregaon (E), Mumbai – 400 063
Tel: +91 22 6749 8000
Fax: +91 22 6749 8200

15th Floor, The Ruby, 29,
Senapati Bapat Marg, Dadar (W), Mumbai
- 400 028, India
Tel: +91 22 6192 000

NCR
Golf View Corporate Tower – B
Near DLF Golf Course
Sector 42
Gurgaon – 122002
Tel: + 91 124 464 4000
Fax: + 91 124 464 4050

6th floor, HT House
18-20 Kasturba Gandhi Marg
New Delhi - 110 001
Tel: + 91 11 4363 3000
Fax: + 91 11 4363 3200

4th and 5th Floor, Plot No. 2B, Tower 2,
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