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**ABSTRACT**

Micro and Small Enterprises – Cluster Development Programme – Setting up of Common Facility Centre for Ceramic Cluster, Virudhachalam – sanction of Rs.9,57,000/- being State Government Contribution - Orders issued.

**MICRO, SMALL AND MEDIUM ENTERPRISES (D1) DEPARTMENT**

**G.O.(D).No.07**

**Dated:20.1.2014**

**திருவள்ளூர் ஆண்டு, 2045  
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**Read:**

1. From the Deputy Director (CD), Office of the Development Commissioner (MSME), Government of India, Letter No. 1(75)/CDD/ DSR/15/Cluster/DIC-Chennai/2007-A, dated 9.06.2010.
2. G.O.(Ms) No.33, Micro, Small and Medium Enterprises (D1) Department, dated 19.3.2010.
3. From the Deputy Director (CD), Office of the Development Commissioner (MSME), Government of India, Letter No. 1(75)/CDD/ DSR/15/Cluster/DIC-Chennai/2007-A, dated 20.01.2011.
4. From the Managing Director, Tamil Nadu Small Industries Development Corporation Limited, Letter No. 10047/Schemes-2/2011, dated. 24.7.2013 and 8.10.2013

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**ORDER:**

The Government of India in their letter first read above have conveyed the approval for setting up of Common Facility Centre for Ceramic Cluster, Virudhachalam at total project cost of Rs.73.10 lakhs with the following funding pattern:

<b>Sl. No.</b>	<b>Particulars</b>	<b>Amount (Rs. in lakh)</b>
1.	Government of India Grant (60% of Project Cost)	43.86
2.	Special Purpose Vehicle contribution (25.24% of Project Cost)	18.45
3.	Bank loan (14.75% of Project Cost)	10.79
	<b>TOTAL</b>	<b>73.10</b>

The break-up details are given below:

S.No.	Particulars	Amount (Rs. in lakhs)
1	Land	To be provided by State Government on long term lease.
2	Building	
3	Plant & Machinery	14.16
4	Tunnel Kiln	39.50
5	Electrical installation	2.00
6	Pre-operative expenses	2.00
7	Margin Money for working capital	0.44
8	Testing Laboratory	15.00
	<b>TOTAL</b>	<b>73.10</b>

2. In the Government Order second read above, the Government issued orders leasing out 2 sheds [B3(3672 Sq.ft) & B7 (3768 Sq.ft) in the Government Industrial Estate for Ceramic, Vridhachalam for a period of 10 years with a lease rent of Rs.500/- per annum per shed to the SPV of the Ceramic Cluster, Virudhachalam as State Government contribution. In the reference 3<sup>rd</sup> cited, the Government of India have released the 1st instalment of Rs.22.00 lakhs for setting up of Common Facility Centre for Ceramic Cluster, Virudhachalam. The Tender for erection of the Tunnel Kiln was awarded to M/s. Isso-jet Private Limited, Hosur at a cost of Rs.41.50 lakhs in December 2011.

3. Due to the delay in sanction and commissioning of the Tunnel Kiln, the cost increased to Rs.41.50 lakhs as against the approved cost of Rs.39.50 lakhs. Further due to the frequent power cuts, the SPV had to purchase a 30 KVA Genset at a cost of Rs.3.57 lakhs with loan from the Bank. Hence the Special Purpose Vehicle has proposed to establish only tunnel kiln in the 1st phase of the Project. The details of the Project proposed for the 1st phase are given below:

(Rs. in Lakhs)

Sl. No.	Project Detail	Project Cost	Means of Finance		
			Govt	SPV	Bank
1.	Land & Building (Leased land / shed given by GoTN)	-	-	-	-
2.	Tunnel Kiln	39.50	23.70	09.97	05.83
3.	Electrical Installation	02.00	1.20	0.50	0.30
4.	Pre-operative expenses	02.00	1.20	0.50	0.30
5.	Margin money for working capital	0.44	-	-	0.44
	<b>TOTAL</b>	<b>43.94</b>	<b>26.10</b>	<b>10.97</b>	<b>6.87</b>

4. The Tunnel Kiln has been erected and installed by the Supplier M/s. Issojet Private Limited, Hosur in Jan 2013 itself. So far Rs.27.83 lakhs have been released to the Supplier from the Government of India grant of Rs.22.00 lakhs and Rs.5.83 lakhs loan from the Bank. However due to non settlement of balance amount due to them, the Supplier has not commissioned the Kiln.

5. The Special Purpose Vehicle members have spent Rs.9.32 lakhs from their own funds towards foundation work for the Tunnel Kiln, which was not included in the project cost prepared by ITCOT. Besides they have contributed Rs.6.90 lakhs towards modification of the sheds, Electrical Works etc., The actual expenditure incurred on the Project so far is given below:

(Rs. in Lakhs)

Sl. No.	Project Detail	Project Cost	Expenditure Incurred			Total
			Gol	SPV	Bank	
1	Tunnel Kiln	39.50	22.00	9.32*	5.83	37.15
2	Generator Set	---	---	---	3.58	3.58
4	Electrical Installation	2.00	---	1.87	0.40	2.27
5	Pre-operative expenses	2.00	---	5.03	0.97	6.00
6	Margin money for working capital	0.44	---	0.44		0.44
	<b>TOTAL</b>	<b>43.94</b>	<b>22.00</b>	<b>16.66</b>	<b>10.78</b>	<b>49.44</b>

The details of payment made to the Supplier towards erection of the Tunnel Kiln and the balance mode of payment proposed by the Special Purpose Vehicle are given below:

Mode of Payment	Amount (Rs in lakhs)
Revised project cost	41.50
Amount released to the Supplier so far	27.83
Final amount to be settled to L1	13.67
Less: Gol 2 <sup>nd</sup> Instalment	4.10
Amount required by Special Purpose Vehicle	9.57
Grant from Government of Tamil Nadu	9.57

6. The SPV requires Rs.13.67 lakhs to make the balance payment to the Supplier. However they are not in a position to bring the money as they have exhausted all their contribution and the Bank has also contributed their portion in full. The Special Purpose Vehicle has to pay Rs.30,451/- p.m. towards repayment of Bank loan from July 2013 onwards and any additional loan would further enhance their

repayment burden. Hence, they are not in a position to bring anymore funds to the project. They have also requested the State Government to contribute Rs.9.57 lakhs as grant and save their project from becoming sick.

7. The above proposal was placed before the State level project Co-ordination and Monitoring Committee in its meeting held on 25.9.2013 and the Committee has recommended the proposal.

8. The Managing Director, Tamil Nadu Small Industries Development Corporation Limited sent proposal to the Government for sanction of a sum of Rs.9.57 lakhs as State grant to the Ceramic Cluster, Vridhachalam under Micro and Small Enterprises-Cluster Development Programme to tide over financial constraints faced by them in the reference 4<sup>th</sup> cited.

9. The Government after careful consideration of the proposal of the Managing Director, Tamil Nadu Small Industries Development Corporation Limited accord sanction for a sum of Rs.9.57,000/- (Rupees Nine lakhs and fifty seven thousand only) being State Government contribution in respect of the Ceramic Cluster, Virudhachalam to tide over the financial constraints.

10. The Industries Commissioner and Director of Industries and Commerce is authorized to draw and disburse the amount sanctioned in Para 9 above to the Managing Director, Tamil Nadu Small Industries Development Corporation Limited, Chennai-32.

11. The amount sanctioned in para 9 above shall be debited to the following head of account:

“2851-00 – Village and Small Industries - 102. Small Scale Industries - Schemes in the Twelfth Five Year Plan – II . State Plan - MG – Provision of Common facilities for Small Industries Cluster Development Programme 09. Grants- in-aid- 02. Grants for creation of capital Assets.

**(DPC 2851 00 102 MG 0927)**

12. This expenditure shall be constituted as ‘New Instrument of Service’ and the approval of Legislature will be obtained in due course. Pending approval of the Legislature, the expenditure will be initially met by sanction of an advance from Contingency Fund orders regarding, which will be issued by Government in Finance (BG.I) Department. The Industries Commissioner and Director of Industries and Commerce is directed to apply in the prescribed format along with a copy of this order to Finance (BG.I) Department for sanction of advance from the Contingency Fund. He is also directed to send necessary draft explanatory notes for inclusion of this expenditure in the Supplementary Estimates 2013-14 to Finance (Ind) Department at an appropriate time without fail.

13. This order issues with the concurrence of Finance Department vide its U.O.No. 373/Ind/2014 dated 13.1.2014 and ASL No. 2657 (Two thousand six hundred and fifty seven)

**(BY ORDER OF THE GOVERNOR)**

**K. DHANAVEL  
SECRETARY TO GOVERNMENT**

To  
The Managing Director,  
Tamil Nadu Small Industries Development Corporation Limited,  
Chennai - 32.  
The Industries Commissioner and  
Director of Industries and Commerce,  
No.36, South Canal Bank Road,  
Mandaivelipakkam, Chennai-28.  
The Accountant General, Chennai-6/18.  
The Pay and Accounts Officer, Chennai - 8.  
The Development Commissioner (MS&ME),  
Ministry of Micro, Small and Medium Enterprises,  
Government of India, New Delhi - 110 108.

**Copy to: -**

The Finance (Ind / BG-I / BG-II) Department, Chennai-9.  
The Additional Industrial Adviser,  
MSME - Development Institute,  
Chennai - 32.  
The Micro, Small and Medium  
Enterprises (OP) Department, Chennai-9.  
SF / SC

**//FORWARDED BY ORDER//**

**Sd/xxx  
SECTION OFFICER**

**//TRUE COPY//**

**SECTION OFFICER**