

EXPRESSION OF INTEREST

For

Development of Solar Charkha Clusters

under

Mission Solar Charkha

Ministry of MSME, Govt of India

Notice for Expression of Interest (EOI) for setting up of Solar Charkha Clusters with Integration of Charkhas, Looms and Garmenting Unit under Mission Solar Charkha

Last date of receipt of EOI: 45 days from the date of advertisement. i.e. 14.04.2019 at 17.30 hrs.

1. Introduction

Ministry of MSME has launched Mission Solar Charkha for production of solar-spun yarn through solar-powered charkhas. The spinners would be trained in operating the charkhas. A standard Solar Charkha with 10 spindles along with the specifications has been approved. A major pilot project was taken up at Khanwa village, Nawada District of Bihar in 2016. This experiment has shown excellent outcomes, especially in employment generation and wealth creation. Details of the Scheme are available **at www.kviconline.gov.in/msc**

1.1 Objective of EOI:

It has been envisaged to develop 50 such Solar charkha clusters across the country, whereby approximately 1,00,000 artisans/beneficiaries are to be covered under the various scheme components. Ministry of MSME intends to elicit interest from prospective promoter agencies/developers for selection of Promoter Agencies to develop the Solar Charkha Clusters.

2. Overview

2.1 Background:

'Cluster' would mean a group of villages in a radius of 8 to 10 kilometers of a focal village. Such a cluster will have 200 to 2000 beneficiaries, each of whom will be given two charkhas of 10 spindles. However, as the technology is ever growing, the maximum spindle would be capped at 20. Further, solar looms will be provided to another set of beneficiaries in the village to convert yarn to fabric. The cluster will finally be augmented with solar integrated garmenting unit, thus ensuring end-to-end product creation within the cluster. The execution of the Mission, for setting up and developing solar charkha clusters, is envisaged to be implemented through Promoter Agencies.

2.2 Broad Structure of a Rural Cluster:

A typical structure of a rural cluster, envisaged for setting up of integrated model of solar charkhas, solar looms and garment production unit, is as below:

- a. On an average, it is considered that 2000 solar charkhas will be installed in a typical rural cluster among 1000 spinners (2 charkhas per head).
- b. One unit of solar charkha will produce 2.0 kg of yarn on an average per day, resulting in production of 2.0 tons of yarn in a typical cluster. Thus, 500 solar looms will be required to convert the yarn to fabric engaging 500 weavers in a cluster.
- c. The fabric produced will be taken up for further production of clothes/end products in an integrated unit, requiring installation of a typical equipment set of twisting machines, dyeing machines and stitching machines (500 in number).

- d. The integrated unit will also require construction of workshed with a minimum space of 20,000 sq. ft. to house equipment, office, warehouse and other utilities.
- e. A solar plant of 50 kw capacity, installed on a workshed, will power the equipment and other loads of the unit.

3. Institutional Arrangement

A dedicated Mission Directorate, with CEO, KVIC, as the Director of the Mission, will oversee the implementation of the Mission. A fully functional Project Management Unit (PMU), with subject matter staff and other suitable staff, will be responsible for implementation of these clusters. Mission authority will be fully responsible for planning, implementation and execution of Mission objectives, and for keeping a track on timelines and progress. It will also undertake capacity building and handholding initiatives for Promoter Agency for effective setting up of clusters.

The Mission Directorate will report to Scheme Steering Committee (SSC), constituted under the chairmanship of Secretary (MSME). The SSC will consider the proposals of clusters, after having been scrutinized and forwarded by the Mission Directorate, and will be responsible for appraisal and final approval of the proposals. The Mission authority will recommend course correction measures to SSC from time to time, based on overall mission progress.

4. Implementation Methodology

Any eligible individual or a promoter agency can come up to submit proposals for setting up of a Solar Charkha Cluster anywhere in the country. Existing Khadi Institutions can also take up the work for setting up of such clusters. On the basis of evaluation and selection methodology, proposals from potential promoters will be selected for development of such clusters.

- I. The promoter agency will fulfill the following criteria at the time of proposal submission:
 - a. The promoter would conduct baseline survey, and, at least, 200 members would be identified with Aadhaar number of which 50% of them shall be women.
 - b. Land of minimum of 20,000 sq.ft. and preferably upto 2 acres shall be provided by the promoter either owned or on long-term lease of minimum 15 years. The promoter will arrange the land and will make all the expenditure pertaining to the land.
- II. The promoter agency will deposit at least 15% of the requirement of the working capital or at least three months' projected amount of working capital on a proportionate basis in a separate dedicated account after final selection of the cluster by the SSC and before the release of the financial assistance from Govt. of India.

4.1 Promoter Agency/SPV:

On selection for setting up of the rural solar charkha cluster, the corresponding promoter agency will form a **Special Purpose Vehicle (SPV)**, before the release of the first instalment of funds. Formation of SPV is mandatory. The primary purpose of SPV will be to develop, manage and sustain the cluster-level activities. An SPV will be formed for each selected cluster, which may be any of the following:

- a) A Producer Company under section 465 (1) of Companies Act, 2013 (18 of 2013);
- b) A Section 8 Company under The Companies Act, 2013 (18 of 2013);

The Special Purpose Vehicle (SPV) formed will be a single/multi stakeholder cluster-level legal entity, which will be the recipient of grant support from the Ministry and other agencies for putting up the integrated model of solar charkhas, solar looms, sewing machines etc. with one village being a focal village which will be the headquarters of the agency.

4.2 Role of the Promoter Agency/SPV:

- a) Preparation of strategy and implementation plan;
- b) Obtaining approval from competent authority of the State Government/UT for the cluster and environmental clearances, if necessary, before submission of details as per the enclosed proforma to the Mission Authority for scrutiny;
- c) SPV will arrange funding for setting up and operation of the cluster, will meet the operational expenses including timely payment of wages etc., to all artisans & workers, and to achieve financial closure in a timely manner;
- d) SPV will arrange for the credit requirements, including working capital for activities within the cluster. They may also arrange credit to individual groups in the form of supplying raw materials on credit etc., if required.
- e) Preparation of details as per the proforma enclosed for approval of the SSC, mapping of technological and skill levels, number of artisans with their existing activities and their present earnings, strategies for delivering the cluster-level interventions, outcomes, resultant enhancement of wages of the artisans etc., backward forward linkages, sourcing of raw materials, marketing of finished products etc.
- f) Preparation of details, namely - business model for self-sustenance, skill up-gradation of artisans, inculcating new skills, setting up of physical and financial outcome targets for the project, proposed percentage enhancement of productivity and earnings of the artisans, brand building, product segmentation, promotion and advertising through regular publicity modes and participation in fairs and exhibitions, exploring possible export avenues with clear targets etc.;
- g) Promoter Agency will also ensure that the artisans are provided social security benefits as per extant laws & regulations.
- h) Sensitization and awareness generation in the clusters about Mission Solar Charkha;
- i) To identify focus products and product mix for the Cluster for domestic and export markets
- j) SPV may engage the services of a Design House/Designer with appropriate terms of reference and detailed scope of work for extending appropriate inputs for design, product processing, product development and proper packaging;

k) Promoter Agency will draw up a marketing strategy and detailed plan

4.3 Who can apply (Eligibility Criteria of Promoter Agency):

- A. **Existing Khadi and Village Industry Institutions (KVI)** could apply for setting up such a cluster. However, the following parameters must be fulfilled:
- a. KVI having a positive balance sheet and assets in favour of the institution;
 - b. KVI having an artisan base of not less than 200;
 - c. KVI having a sales turnover of not less than Rs. One Crore in each of the preceding three financial years;
 - d. Should have a significant increase in the number of new artisans in the last three years.
- B. **Other Institutions such as SPV, Society, Trust, Section 8 Company or LLP under Companies Act, 2013 registered under respective statutes could also apply for setting up a new Solar Charkha Cluster, with the following criteria:**
- a. Vision and Mission
 - b. Board and Governing Structure with sufficient experience
 - c. Proper Management Information System (MIS)
 - d. Financial Resources – equity and debt
 - e. Financial Performance for last three years – profitability and IRR
- C. **First Timers who want to join the village industry movement through solar charkha clusters could apply for a cluster, with the following criteria:**
- a. Highest Commitment to the cause of social and rural upliftment
 - b. Funding commitment from Scheduled Commercial Banks/NBFCs/Venture Capital Funds/Private Equity funds
 - c. Proper Management Information System (MIS)

5. Project Interventions and Funding Pattern

5.1 Project Interventions:

One cluster of Mission Solar Charkha will involve a maximum subsidy of Rs. 9.599 crore. The scheme will cover three types of interventions, as mentioned below:

- A. Capital subsidy for individual and for Special Purpose Vehicle (SPV):
- a) Solar Charkha: Subsidy@35% at Rs. 15,750/- per charkha at the maximum price of Rs. 45,000/- per charkha;
 - b) Solar Loom: Subsidy@35% at Rs. 38,500/- per loom at the maximum price of Rs. 1,10,000/- per loom;

- c) Workshed: 100% subsidy at the maximum rate upto Rs. 1.20 crore per cluster for construction of workshed with a minimum space of 20,000 sq.ft;
 - d) Solar Grid: 100% subsidy for 50 kw capacity solar grid at the maximum rate upto Rs. 0.40 crore per cluster for the SPV;
 - e) Value addition equipment: One-time Capital Cost Subsidy for the SPV @35% at the maximum of Rs.0.75 crore per Cluster for the purchase of twisting machines, dying machines and stitching machines for making the unit self-sustainable and for value addition.
- B. Interest subvention for Working Capital: Ceiling of 8% of interest subvention on working capital irrespective of the interest rates charged by the Banks/Financial Institutions for a period of six months.
- C. Capacity Building: The scheme envisages training for the spinners/weavers and others involved in the garmenting unit at a total cost Rs. 0.595 crore per cluster for a period of two years

5.1 Pattern of Funding:

Release of subsidy funds to the SPV will be as per the following schedule:

- a) 1st instalment of 20% of the cost of workshed as advance on PA arranging land; and subsidy from the Government towards the cost of 200 charkhas or 10% of the total number of charkhas proposed for the cluster, whichever is lower; plus subsidy from the Government towards the cost of 50 looms or 10% of the total number of looms proposed for the cluster, whichever is lower;
- b) 2nd instalment of another 30% on utilization of 2/3rd of the 1st instalment for completing the workshed; and subsidy from the Government towards the cost of 1200 charkhas or 60% of the total number of charkhas proposed for the cluster, whichever is lower; plus subsidy from the Government towards the cost of 300 looms or 60% of the total number of looms proposed for the cluster, whichever is lower; along with subsidy from the Government towards the cost of 50% of the cost of other equipment such as twisting, stitching and dying machines; further, clearance will be given to the bank to release approved working capital (Interest subvention).
- c) 3rd instalment may take care of any balance releases as per the scheme.

In the event of an SPV withdrawing from executing the project, the SPV would immediately return the Government grant together with the applicable interest accrued thereon. Payment of penal interest by the SPV shall be decided by the Ministry at the time of submission of the proposal for withdrawal.

6. Project Coverage and Duration

The timeframe for the implementation of the project will be 2 years. The target is to cover 50 such solar clusters across the country, whereby approx. 1,00,000 artisans/beneficiaries are to be covered under the various scheme components. The scheme shall be implemented in all States of India. The geographical distribution of the clusters will be throughout the country, with at least 10% located in the North Eastern Region (NER), J&K and hilly states. Special focus will be given to 117 aspirational districts for soliciting project proposals under the scheme.

7. Submission of EOI

- A. Interested parties are required to submit information complete in all respects as per the annexed format.
- B. The interested parties will also need to submit details as per the proforma enclosed on development of clusters covering the approach & methodology of cluster development, strengths, cluster selection rationalization, proposed artisan support mechanism, impact assessment, and various activities including capacity development, product development, dealer/ distribution network, e-commerce/ technology integration, quality control and other appropriate areas.
- C. The responses will be carefully examined and evaluated by the Mission Directorate, which will decide on a suitable way forward on the submitted proposals. The directorate, after due evaluation of the received proposals, may call selected respondents for further discussion/presentation.
- D. Prospective parties may submit their 'Expression of Interest' duly signed by the authorized signatory along with relevant details as sought in the data sheet, latest by 14.04.2019 till 17:30 hours in a cover super scribing "**Expression of Interest (EOI) for setting up of Solar Charkha Clusters with Integration of Charkhas, Looms and Garmenting Unit under Mission Solar Charkha or by registering online through the website www.kviconline.gov.in/msc**".

The Chief Executive Officer,
Khadi Village and Industries Commission (KVIC),
Gramodaya 3, Irla Road, Ville Parle (West),
Mumbai - 400056,
Telephone (022-2671 1577), Telefax: (022-2671 8289)
Email: ceo.kvic@gov.in.

- E. Subsequently, the Mission Directorate may notify through website (www.kvic.org.in) about the decisions taken with respect to the EOI.

8. Disclaimer

- A. The document should be considered in conjunction with the Mission Solar Charkha guidelines.
- B. The Mission Directorate has issued this Expression of Interest with the intention to explore the market for eligible and interested Promoter Agencies, and has no compulsions to enter into definitive contractual agreements. This EOI does not guarantee conversion of this EOI into any definitive contractual agreements.
- C. The Mission Directorate may select respondent(s) based on its evaluation and call them for a presentation or discussion on their EOI response and related matters.
- D. The Mission Directorate may reject any and all proposals made by the respondent(s) and may cancel this EOI at any time, after obtaining the approval of SSC. The Mission Directorate will have no obligation or liability to the respondent(s) in the event of cancellation of EOI.
- E. Prospective respondent(s) shall understand that the response to the EOI is purely voluntary action on their part, and any expenditure on this account shall be borne by them only.

Note: Respondents are requested to keep themselves updated with the website www.kvic.org.in on regular basis for any addition / deletion / modification / clarification or notification in respect of this, at EOI stage.

PROFORMA OF APPLICATION FOR PROMOTER AGENCY

1. Name of the Institution/Organisation:

a. Address, Phone, Fax:

2. Name & Designation of Head of Organisation:

a. Address, Phone, Mobile, E-mail:

3. Name, Designation & contact details of Key person:

a. Address, Phone, Mobile, E-mail:

4. Promoter Agency -General:

- Legal Status of the organization (enclose certificate of registration) and whether a National or International organization
- Establishment date & summary of registered objectives
- List of Governing Body / Board of Directors
- Areas of activity
- Major Regular Donors (if any)
- List of organizations with which formal MoU / linkages exist
- Net Worth of Company (Last three years, including FY 2017-18)
- Annual Turnover of Company (Last three years, including FY 2017-18)
- Enclose Annual Audited statements & IT returns for last 3 years

5. Partner Institution's preparedness to host clusters under MSC

- I. Experience and Expertise of the Key person of the Promoter agency identified for setting up of the cluster. (Attach a brief CV/bio-data; a person with domain expertise and having conceptual understanding and deep interest for innovation and entrepreneurship would be preferred to steer the cluster till it gets operationalized and, thereafter, would be an active interface between government and cluster).
- II. Details of land, owned/purchased/leased/proposed to be acquired
- III. Details of artisans proposed to be covered (Name, Mobile number, Aadhar Number, Bank Account)
- IV. Certificate of incorporation/registration of the applicant firm, Memorandum and articles of association in case of company/Bye-laws of the Society, Cooperative, Self-help Group/registered partnership deed.
- V. Documents in support of net worth of the promoter/shareholder of the Promoter Agency
- VI. Annual reports and audited financial Statements of Accounts of Applicant Firm/Company/Cooperative/Partnership/SHG etc., for the last 3 years
- VII. List of projects undertaken, if any, in the previous three years.
- VIII. Awards & Recognition (Last 5 years): Details of Recognitions & Awards (having significant importance) received.
- IX. Any other notable activities in innovation and entrepreneurship:

- Indicate details of product development /clusterisation
- Staff or partner organisations with entrepreneurship orientation
- Organization of relevant cluster development programmes (courses, workshops, seminars, competitions, lectures etc.) in the cluster related activities.

6. FEASIBILITY OF Cluster:

Details on the institution's strength and preparedness in hosting Cluster:

- Strength of the Organisation for hosting Cluster
- Overall business environment of the location and ecosystem in the region
- Assessment of cluster needs
- Sources of tapping new artisans to the cluster
- Broad Financial model of the Promoter agency for operational sustainability of the cluster after 2/3 years as the support of Ministry of MSME is available for first two years only.
- Ability to partner with other organisations in building cluster projects

Name & Signature of the
Head of the Promoter agency

Name & Signature of the
Cluster Co-ordinator

Date:

Place: