

## Brief note on Implementation of Hank Yarn Obligation Scheme

The Hank Yarn Obligation (HYO) is a statutory obligation which enjoins upon spinning mills to pack yarn in hank form. This Scheme is meant for protection of the handloom industry by way of ensuring that the yarn in hank form is available in adequate quantity at reasonable prices to the handloom industry.

The current Hank Yarn Packing Notification No.2/TDRO/8/2003 dated 17-4-2003, as amended, in force from 1-1-2003, prescribes that every producer of yarn who packs 100% cotton yarn for civil consumption shall pack such yarn in hank form in each quarterly period in proportion of not less than 40% of total such yarn packed by him during each quarterly period for civil consumption.

- i) Provided that not less than 80% of the yarn required to be packed in hank form shall be of counts 80s & below
- ii) A producer of yarn who does not have reeling capacity to fulfill the obligation by own packing may fulfill in either of the following ways:
  - a) A producer of yarn may get his yarn reeled out by another producer having surplus reeling capacity, including independent outside reelers with prior permission of concerned Regional office of the Textile Commissioner and concerned Central Excise Department
  - b) The shortfall in respect of one producer of yarn for particular quarter may be met by another producer after fulfilling his own hank yarn obligation to the satisfaction of the concerned Regional Office of the Textile Commissioner.

To monitor the fulfillment of hank yarn packing obligation as stated above, it has been prescribed that every producer of yarn shall submit to its jurisdictional Regional Office of the Textile Commissioner, the particulars of categories of yarn packed by him in various forms in the prescribed quarterly return, Annexure-I and position of fulfillment of hank yarn packing obligation by transfer to other mills in prescribed proforma, Annexure-II on or before the 10<sup>th</sup> of the second month and the end of the second month respectively, after the expiry of the concerned quarterly period

In terms of the above provisions made in the Hank Yarn Packing Notification dated 17-4-2003,

- Each of the yarn manufacturing units in the country submits to the concerned Regional Office of the Textile Commissioner within 40 days from the end of the quarter, the statutory Hank Yarn Return in prescribed Annexure-I form duly signed by a qualified Chartered Accountant(CA) indicating the total quantum of yarn packed by them in the preceding quarter, separately in each category of non-obligatory variety i.e. hosiery yarn, sewing thread, industrial yarn, yarn for export, yarn spun for captive consumption, blended yarn, 100% man-made yarn etc. and total obligatory variety of yarn for sale in the local market i.e. 100% cotton yarn packed in cones, pirns, beams and hank forms.
- On receipt of such statutory Annexure-I quarterly returns through online followed by duly signed hard copy from the yarn manufacturing units after the end of each

quarter, each Regional Office of the Textile Commissioner prepares consolidated statement regarding total obligatory variety of yarn packed and actual quantity of hank yarn packed in its jurisdiction.

- On receipt of such statement from the Regional Office of the Textile Commissioner, consolidated statement regarding the total quantum of hank yarn obligation along with actual packing of hank yarn in a quarter is prepared and placed in the web site of the Office of the Textile Commissioner.
  
- Side by side, the Regional Office of the Textile Commissioner prepares list of units packed hank yarn including quantity and also list of the units packed excess i.e. more than their statutory 40% obligation in their jurisdiction. Such list, region-wise, are released through the web site to facilitate –
  - ✓ The handloom industry to source their requirement of hank yarn directly from the hank yarn manufacturing units;
  - ✓ The spinning mills having no hank yarn manufacturing facility will be in a position to find a unit having excess Hank Yarn for transfer of obligation.
  
- Similarly, all the yarn manufacturing units who do not pack hank yarn or have short fall in the obligation submits within 60 days after the end of the quarter the Returns in the prescribed proforma, Annexure-II, duly signed by transferor and transferee.

- On receipt of such statutory Annexure-II Return, the concerned Regional Office where the transferor mill has filed the Annexure-II Return will seek confirmation from the respective Regional Office where the transferee unit is located, about the transferee mill i.e. whether the transferee mill has filed the Annexure-I Return in time within 40 days after expiry of quarter (because for belated submission of Hank Yarn Return, transfer is not allowed). After receipt of such communication, the Regional Office of the transferee mill will verify the hank yarn packing details of the said transferee unit and thereafter they will debit the transferred quantity from the excess hank yarn balance of the transferee unit and confirm the position to the Regional Office of the Textile Commissioner of the transferor mill.
- After receipt of the said statutory quarterly Hank Yarn Return, the Regional Offices of the Textile Commissioner through their field staffs visit the units at random and cross check the details of the yarn packing figures mentioned in the quarterly Hank Yarn Returns from the mills' production and packing record. In cases of mis-declaration / non-fulfillment of HY Obligation / Non-submission of HY Return, FIRs are being filed with the Police after issuing two show cause notices. Apart from Hank yarn Packing figures, the yarn manufacturing units are also required to declare the stock of hank yarn lying with them on the last day of each of the three months of the quarter including unsold stock, stock sold but not lifted and total stock.

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