VISION, STRATEGY AND ACTION PLAN FOR INDIAN TEXTILE AND APPAREL SECTOR

Submitted by the Expert Committee to Ministry of Textiles
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1. Vision 2024-25

Over the last 10 years, India’s textile and apparel exports have grown at the rate of 11%. After the phasing out of export quotas in 2005 India’s export performance has been below expectations. Vietnam and Bangladesh have shown remarkable success. Vietnam could achieve a peak export growth rate of 30% while Bangladesh could achieve a growth rate of 18%.

There is no reason why India, provided it takes the necessary steps, cannot achieve 20% growth in exports over the next decade. In the domestic market, sustaining an annual growth rate of 12% should not be difficult.

This implies that with a 12% CAGR in domestic sales the industry should reach a production level of US$ 350 billion by 2024-25 from the current level of about US$ 100 billion for the domestic market.

With a 20% CAGR in exports India would be exporting about US$ 300 billion of textile and apparel by 2024-25. India should by then have a market share of 20% of the global textile and apparel trade from the present level of 5%.

During this period India should attempt a structural transformation whereby it exports only finished products. This would imply that growth rates in exports of fibre and yarn start declining and growth rates of apparel, homes furnishing, technical textiles and other finished products should grow very rapidly. This would maximise employment generation and value creation within the country. In the process, investment of about US$ 120 billion would take place and about 35 million additional jobs would get created.
2. Strategy

Achieving the ambitious Vision of exports of US$ 300 billion and 20% share of global trade by 2024-25 is not going to be easy. It is unlikely with business-as-usual approach. A clear Strategy which can be implemented and would enable success would be an essential prerequisite. Accordingly, the following 10 point Strategy is suggested for adoption.

2.1 Achieving Scale across the Value Chain

In the Indian textile and apparel sector, the sub sectors of weaving, processing and garmenting are fragmented and lacking in the requisite scale for success in global markets.

Most of the manufacturing units have small capacities and low manufacturing efficiencies which are a disadvantage in the global arena. To bring them at par with global counterparts there is a need to facilitate rapid growth and modernization of existing firms with potential for success.

In addition, it would be necessary to attract large scale investment to establish world class manufacturing set-ups at each level of the value chain. The advent of large manufacturing set ups which will be able to realize economies of scale will help India in achieving global competency. Large scale capacity additions will enable India to achieve the targets of higher global trade share and generate significant employment opportunities in the sector.

2.2 Attract Investment into the Sector

The sector needs to be made attractive enough for investors. Its needs to get US$ 120 billion investment for achieving the size of US$ 650 billion by 2024-25. This is a formidable challenge.

The key to getting investments on this scale is for returns on investments to appear attractive enough. Investments need to be adequately incentivised.

The essential prerequisites for getting investments on the scale required would be ready availability of developed land with adequate infrastructure, skilled manpower and easy connectivity to ports. Creating new mega textile parks would be the way forward.

Lowering the cost of production as well as the cost of logistics would be of paramount importance and should be given highest priority.

Attracting new entry, both through start-ups and FDI is essential and would need to be given focussed attention.

2.3 Skill, Quality and Productivity

For achieving the size of US$ 650 billion by 2024-25 we need additional skilled manpower of 35 million. This is going to be difficult.

Productive and skilled manpower is the only way to achieve global competitiveness and to achieve the full potential of the demographic and wage advantage that India would clearly have over the next decade. Investment in improving the skills and productivity of the workforce, by both private industry as well as the Government in genuine partnership, has been a weakness.
The recent initiatives on skill development through the textile skill sector council in partnership with the industry need to be scaled up vigorously. Abundant availability of trained and certified manpower should become the norm in three years.

The objective should be to achieve average per man hour, per machine output in terms of quality and quantity of the levels prevailing in China over the next three to five years.

The Ministry of Textiles needs to evolve a credible mechanism for tracking improvements in quality and productivity across the value chain as well as across individual enterprises. A program for assisting individual firms in improving on both parameters needs to be implemented.

2.4 Reforming Labour Laws

The current labour laws are cited as the major reasons for the inability of the sector to expand and acquire global scale. This is specifically valid for cut and sew operations where the labour involvement is maximum compared to other steps of the manufacturing value chain.

In order to attract large scale investments, acquire global scale and bring the Indian sector at par with other competing countries, there is an immediate need to review the labour laws to make them investor and labour friendly. The regulatory framework for labour should be fully implemented in compliance with India’s ILO obligations. This should be seen as a prerequisite for sustained growth as a part of the global supply chains.

Ideally the 44 labour laws, most of which were drafted in the earlier part of the last century, need to be repealed and replaced by one, or at best a few, user-friendly law(s) suited to the conditions of the 21st century.

2.5 Structural Shift with increasing Value Addition in India

India has a share of approximately 5% of the global textile and apparel trade. The break-up of our current exports are as follows:

i. Cotton Fibre: 9%
ii. Cotton Yarn, Fabrics and Made ups: 23%
iii. Man-made Textiles: 14%
iv. Garments: 37%
v. Handlooms & Handicrafts: 11%
vi. Others: 6%

The structural transformation that needs to be pursued is towards enhancement of domestic value addition and gradually increasing the share of value added and finished products in our exports. Gradually, India should stop exporting first Cotton fibre and then yarn and fabrics. By 2024-25, India should endeavour to become a net exporter of finished products only.
2.6 Diversification of Exports in terms of Products and Markets

Indian exports of textile and apparel products have shown high growth in last decade or so; but they have been limited to only a few markets. In the year 2002, out of the total textile and apparel exports from India, 63% was exported to the EU and US markets. The market mix has not been diversified significantly till now with EU and US markets constituting 50% of the total textile and apparel exports from India in the year 2012.

The higher share of global trade that is envisaged can be attained only if Indian exporters also start looking beyond traditional products and markets.

Specific strategies for achieving a significant market penetration with a market share and product mix target would need to be evolved for individual countries such as Japan, China, Brazil, Russia, etc. This would need to be worked out by the Ministry of Textiles in partnership with the Indian industry. Country specific market studies by institutions in that country would need to be financed by the Ministry for this purpose. The study would form the basis for implementation of the country specific marketing strategy.

2.7 Promoting Innovation and R&D

The Indian textile and apparel sector is known for its traditional products.

India is yet to make its presence felt on the global stage with brands, chains, products and processes. Without innovation and R&D this would not happen. Government and industry need to work in partnership for this transformation. Business process innovation, in terms of, building brands and creating designs should be the immediate priority.

Environmental concerns would keep rising in this century and India should try and position itself in the global frontier as an eco-friendly hub in the entire value chain of the textile and apparel sector. This combined with being seen as labour friendly could become India’s USP as it tries to achieve a 20% share of the global trade over the next 10 years.

2.8 New Approach towards Handloom and Handicrafts

Handloom and Handicraft sectors employ 15 million people and provide livelihood to some of the weakest sections of the society. They embody the rich cultural heritage and traditions of India.

With development, increasing per capita incomes and change in popular tastes, the scale and share of production in this sector is experiencing a decline. This is a part of a historical process. According to the handloom survey conducted by NCAER on behalf of Ministry of Textiles the number of working handlooms have decreased from 3.61 million in the year 1987 to 2.15 million in the year 2010.

It is necessary to ensure that the weaker sections who are dependant for their livelihood on Handloom and Handicraft do not experience distress. Measures for supporting the sector need to be augmented for attainment of this objective.

It is also necessary to ensure that these rich crafts and traditions survive with higher wages as per capita income in the country rise. This would be first possible only if the demand for these products
at higher prices reflecting higher wages is nurtured, both in the domestic as well as the international market. This would need imaginative and sustained promotional efforts.

### 2.9 Partnership with State Government

Realizing the employment and value addition potential of the textile and apparel manufacturing sector, several State Governments have come out with their own Textile policies tailored to attract investment in specific sub-segments and specific areas within the State. This is a positive development for the sector.

For the attainment of the objective of 20% growth in exports and attracting investment of US$ 120 billion, a genuine and constructive partnership with the State Governments is absolutely essential.

To achieve full potential the schemes and programmes of the Ministry of Textiles need the cooperation and support of the State Governments. The initiatives of the Central and State Governments need to complement each other for the attainment of the shared national objective.

### 2.10 Reengineering of Existing Schemes and Policies

Ministry of Textiles has a large number of schemes and programmes for the textile and apparel sector. Some of the flagship schemes are Technology Upgradation Fund Scheme (TUFS), Scheme for Integrated Textile Parks (SITP), Mega Cluster, Integrated Skill Development Scheme (ISDS), etc.

These have been useful and have been contributing to the increasing growth and development of the sector. For the scale and growth momentum that is envisaged, these schemes need to be scaled up substantially. They also need re-engineering and re-calibration to suit the ambitious goals being adopted.
3. Action Plan

3.1 Achieving Scale across the Value Chain, and

Attract Investment into the Sector

3.1.1 Maintenance of a competitive exchange rate is an essential prerequisite in labour intensive manufacturing in mature industries. Textiles is such an industry. With the recent depreciation of the rupee has mitigated the severe real exchange rate appreciation over the earlier years, textile exports have grown by 13% in 2013-14 over 6% in 2012-13 (dollar terms). Government needs to work with RBI to ensure that India maintains a competitive exchange rate over the next 10 years as was done by Japan, South Korea and China in their phase of rapid growth in manufacturing and exports.

3.1.2 Lack of economies of scale is a major issue in Indian textile and apparel manufacturing sector. Countries like China and Bangladesh have developed large production set-ups whereas Indian sector is dominated by smaller units which lack economies of scale and have a low level of technology. Due to lack of large manufacturing capacities Indian manufacturers are unable to cater to large orders and become globally competitive. For stimulating investments in the sector, it is recommended investment allowance of 15% for next 10 years should be provided across entire textile and apparel manufacturing value chain, including garment accessories and textile machinery manufacturing.

3.1.3 In order to achieve large scale technology upgradation in Powerloom and Knitting sector, scheme for Hire-Purchase is necessary. Cluster specific SPVs should be promoted in partnership with the State Governments. The SPVs for this purpose should be not-for-profit institutions which may get seed money from the Ministry of Textiles. The SPV could also choose to operate in the PPP mode. SPVs will purchase latest technology machines and lease them to weavers or knitters. The SPVs through bulk purchases should be able to get reasonable discounts from the machine manufacturers. Being promoted by the Ministry of Textile and the State Government, the SPVs should be able to raise debt at attractive rates for their operations. If necessary their debt could be guaranteed jointly by the Central and State Governments in the initial phase of operations till the track record would warrant the withdrawal the Government guarantees. To the extent feasible, new work-sheds may also be created for which land would need to be arranged for the SPVs by the State Government. The real income of the weaver after paying for the EMI to the SPV should increase adequately for the Scheme to be a real success. 4 to 5 pilot projects of this nature should be taken up initially. Accordingly the interest subsidy subvention would need to be calibrated. After the learning of few pilot projects, a robust delivery mechanism should be in place over the next 2 years. Thereafter, the programme should be scaled up to ensure complete replacement of old looms with modern shuttleless looms over the next 5 to 7 years.
3.1.4 The value chain in textile and apparel sector has differential tax treatment. The levy of different rates has created distortions. This concern would be addressed by the implementation of GST which would create a level playing field for the entire value chain. It is recommended that GST should be implemented at the earliest. Being an item of mass consumption, textile needs to be put in the lowest slab of GST.

3.1.5 In order to give strong impetus to textile and apparel sector, it is recommended all activities across the entire sector including skill development may be exempted from Service Tax.

3.1.6 The growth and expansion of the smaller units in the industry has been constrained by lack of easy availability of equity for rapid expansion. Similarly Venture Capital funding for start-ups in this sector is not available. Market forces on their own are unlikely to meet this need as very high rates of returns cannot be reasonably expected in this highly competitive sector with low margins. It is, therefore, recommended that initially a privately managed Government seeded Equity Fund for providing equity for start-ups and expansion should be set-up. The Fund should seek a threshold modest rate of returns, say 12%, and rapid off-take. The equity should be provided without seeking management control. There should be reasonable contractual agreement regarding valuation and exit in line with international practices. Private money from retail investors could be raised for such dedicated Equity Funds by providing income tax exemption.

3.1.7 Ministry of Textiles should plan in partnership with State Government creation of Mega Textile Parks so as to be able to absorb about US$ 5 bn. per year of fresh investment at the outset. This would enable the achievement of export growth of 20% per annum in addition to catering to increasing domestic demand.

- It is recommended that Mega Textile Parks should be developed in the planned Industrial Corridors.
- From the new Mega Textile Parks there should be expressway connectivity to the nearest seaport and airport.
- Textile parks should be provided direct supply of power through NTPC and other generating companies through the open access dispensation under the Electricity Act to provide cheaper and reliable power supply.

3.1.8 To achieve the scale and competitiveness required for achieving the ambitious growth targets, special efforts should be made to attract FDI into the sector. Special attention should be given to high priority sub-segments of fabrics, processing, garments, technical textile and textile machinery manufacturing. Individual countries and firms should be targeted for attracting FDI. Tailor-made SEZs / Textile parks may be created with requisite facilities to suit requirements of international investors.
3.2 Skill, Quality and Productivity

3.2.1 In order to achieve the sector growth targets, 35 million skilled manpower will be required by 2024-25. Initially training needs to be increased to generate the supply of about 1 million trained workers annually. It is necessary to ensure that in the next 3 years, the entire new workforce entering the sector is formally trained and certified. It is recommended that the existing skill development initiatives through the Sector Skill Council should be appropriately scaled up in partnership with the industry.

3.2.2 In order to promote skill development initiatives at company level, it is recommended that fee paid by textile and apparel sector companies to professional agencies for skill development should be eligible for tax relief.

3.2.3 Quality and productivity improvement in the sector are of utmost importance for global competitiveness. At present there is a lack of credible mechanism for assessing levels of quality and productivity in segments of the supply chain as well as in individual enterprises. It is, therefore, recommended that Ministry of Textiles should develop a credible mechanism for assessing and tracking improvements in quality and productivity levels in the sector.

3.2.4 In order to help individual enterprises to achieve zero defect production and improve productivity levels, textile sector should be covered by a Ministry of Textiles run National Manufacturing Competitiveness Programme. The key elements of NMCP are Lean Manufacturing, ICT, Technology & Quality Upgradation, Entrepreneurial and Managerial Development, Design Promotion, Quality Management, IPR, Marketing Assistance, etc. Given the size and importance of the textile industry it would be better if the Ministry of Textiles ran this programme and Ministry of MSME could cover rest of the manufacturing sectors. This programme should target to cover all the clusters in next 5 years so that Indian sector comes at par with its global competitors including Chinese sector at the earliest.

3.2.5 To ensure international standards of productivity it is essential that the workers in the industry in the new Mega Textile Parks, etc. should have decent accommodation and that too within reasonable proximity of the work place. Worker’s accommodation has not received the attention it deserves. It is, therefore, recommended that worker housing / dormitories should be an intrinsic part of development of Textile Parks with accommodation being either inside the Park or at a reasonable distance with appropriate transport arrangements.

3.2.6 In order to provide heath cover to the workforce of the sector, it is recommended that there should be universal coverage of all textile workers and handicraft artisans under Rashtriya Swasthya Beema Yojana (RSBY) within next 5 years.

3.2.7 Domestic manufacturing and consequent availability at affordable prices of state-of-the-art textile machinery is an essential requirement for cost and quality competitiveness. This would
ensure the success in exports that has been envisaged. Accordingly it is necessary to put in place measures to promote manufacturing of state-of-the-art machinery in the country.

3.2.7.1 In order to promote investment in textile machinery manufacturing it is recommended that incentives under Scheme of Hire-Purchase and TUFS in specific segments should be made available only on indigenous machinery after period of 3 years. This will give sufficient time for international and Indian investors to join hands or make independent investments for manufacturing machinery within India.

3.2.7.2 At present TUFS benefits are not available for second hand machinery except specific shuttleless looms. In order to promote usage of latest technology machineries and promote machinery manufacturing investments it is recommended that import of second hand machinery should not be encouraged except in case of select technical textile and nonwoven machinery.

3.2.7.3 Several machineries and components required for technology upgradation need to be imported as they are not made indigenously. Higher cost of such imported machinery/components is one of the major deterrent factor for large scale modernization of the sector. It is recommended that machinery/components not manufactured in India like certain shuttleless looms, knitting machines, nonwoven machines, etc. should be identified and their import should be permitted at zero or nominal rate of duty for a period of 3 years. After this timeframe, duty should be raised to 15%. This will facilitate Indian sector to acquire new, technically superior machinery at reasonable costs and also signal foreign machinery manufacturers to invest in India.

3.2.7.4 Existing customs tariff on Textile machinery and components are inverted in nature - import of complete machinery attracts 5% basic customs duty in general while raw materials and number of components attract an average duty rate of 7.5% and above. For promoting indigenization of machinery manufacturing, basic duty of complete machinery should be at least 5% higher that on inputs. It is recommended that a detailed exercise should be carried out to assess whether the import duty on the raw material needs to be decreased or import duty on complete textile machinery need to be increased to maintain this differential.
3.3 Reforming Labour Laws

3.3.1 The present labour laws are one of the major reasons for the modest success in the labour intensive part of the textile value chain in the country especially in comparison to Vietnam and Bangladesh in the recent years.

In order to attract large scale investments, acquire global scale and bring the Indian sector at par with other competing countries, there is an immediate need to review the labour laws to make them investor and labour friendly. The regulatory framework for labour should be fully in compliance with India’s ILO obligations. This should be seen as a prerequisite for sustained growth as a part of the global supply chains.

Ideally the 44 labour laws, most of which were drafted in the earlier part of the last century, need to be repealed and replaced by one, or at best a few, user-friendly law(s) suited to the conditions of the 21st century.

Till this happens, the following measures could be taken immediately:

3.3.1.1 Restriction on women from working in night shifts creates a lot of problems to garment manufacturers as women constitute majority of the garment workforce. This restriction on women to not work in night shifts should be removed subject to satisfactory safety and security arrangements.

3.3.1.2 Present labour laws do not encourage engagement of workforce on fixed term employment. This restriction limits employment creation in organised sector as manufacturers in organised sector become reluctant to take burden of permanent workforce during lean season. This forces workers to work in unorganised sector in sub-standard working condition. It is therefore recommended that fixed term employment should be allowed in the sector.

3.3.1.3 As per the current labour laws, workers are not allowed to work overtime for more than 50 hours in a calendar quarter, and total number of hours of work per week including overtime should also not exceed 60. Due to this, manufacturers face problems in case of business emergencies / peak season. It is recommended that such capping on overtime working should be revised.

3.3.1.4 Units employing over 100 people currently fall under the purview of the Industrial Disputes Act, 1947. The act stipulates that employers must obtain necessary approvals for lay-offs. This proves to be a hindrance especially for medium sized enterprises. There is need to relax the norms of the Industrial Disputes Act by keeping units employing up to 500 people outside its purview.

3.3.1.5 Exports business is seasonal and contractual in nature. Excess labour during lean periods or during initial stages of developing an export market(s), when order uncertainty is high, can lead to financial difficulties. Hence, Export Oriented Units should be given blanket exemption to allow contractual labour without any restriction.
3.4 Structural Shift with increasing Value Addition in India

3.4.1 Indian garment sector is highly fragmented with low capacities and manufacturing efficiencies. To increase garment exports by US$ 1 billion, approximately 45,000 additional sewing machines and a manufacturing set-up of approximately 4 million square feet area would be required.

In order to accelerate the emergence of new start-ups it is recommended that concept of Plug & Play (flatted factories) should be implemented in partnership with State Governments. Initially four to five pilot projects should be developed and operated by SPVs. Based on the experience, the Scheme should be fine-tuned. Thereafter, it should be rapidly scaled up to fully cater to emerging and anticipated demand.

The SPVs for this purpose should be not-for-profit institutions which may get seed money from the Ministry of Textiles as was done earlier for Development Authorities. These may be provided long term debt at fixed interest rates as applicable for the housing sector.

The SPV should, with efficient management, be able to grow and cater to full demand as has been the case with successful Development Authorities. The SPV could also choose to operate in the PPP mode where private partner(s) manage the development and rental / hire-purchase / sale of the Plug & Play facilities.

3.4.2 To increase competitiveness and accelerate the growth of exports, it is recommended that export finance should be provided at 7% per annum.

3.4.3 Technical Textiles

3.4.3.1 Technical textiles is a knowledge based, research oriented sector which is steadily gaining ground in India. To promote this sector it is recommended that segment specific approach may be adopted wherein a strategy is developed and implemented to increase production of high priority technical textile products.

3.4.3.2 It is recommended that Ministry of Textiles should coordinate with Government organizations / bodies to promote their indigenous sourcing of technical textile products. Examples of such organizations include Armed Forces, ONGC, Railways, etc. which are large potential end-users of technical textile products like protective wear, geotextiles, etc. It should be endeavoured that suitable product specifications should be included in their tenders and from a prospective date they should only source indigenous technical textile products.
3.5 Diversification of Exports in terms of Products and Markets

3.5.1 There are several finished goods categories such as suits, women’s western wear, intimate wear, swimwear, outerwear, etc. which have multibillion dollar trade globally but India’s share in them is quite nominal. Also there are several large markets like Japan, Russia, South Korea, Switzerland, etc. in which India’s trade share is very low. To increase India’s share, it is recommended that country specific export strategies should be developed and implemented. Initially 4-5 major markets should be identified in which share of Indian exports can be increased. For each market, professional agencies should be hired from the target country to advice on the market specific strategy. While this may appear expensive, there is no real alternative for success of the kind envisaged. Implementation of recommendations for each market should be fully supported by Ministry of Textiles in partnership with industry. The initiative should subsequently be extended to cover all major markets by 2020.

3.5.2 To promote exports in non-traditional products, 5 year tax holiday for companies on exports of specific finished good items (apparel, made-ups and technical textiles), designated by the Ministry of Textiles, if their export growth is over 25% annually.

3.5.3 Presently, a number of Trade Exhibitions, Buyer Seller Meets, etc. are organized by various sector bodies and associations. But the scale of such events is limited by number of participants and sub-segments being addressed. It is recommended to organize a mega trade promotion event for the entire industry including manufacturers of textiles, apparel, accessories, technical textiles, ancillary sector and textile machinery. That event should be developed into a single most important event for international buyers to attend who are looking to source from India.

3.5.4 Indian textile and apparel sector needs to be showcased internationally by promoting ‘Brand India’.

3.5.5 All export promotion schemes should be implemented by Ministry of Textiles which could then be held accountable for results.
3.6 Promoting Innovation and R&D

3.6.1 Business Process Innovations

3.6.1.1 To gain global recognition, it is recommended that creation of global brands should be supported by Ministry of Textiles financially. The Turkish model for helping country’s brands to venture overseas is a good template, which can be adopted with suitable adjustments and modifications on a pilot basis to begin with.

3.6.1.2 Internationally e-commerce has emerged as a viable and efficient system of business transactions. It is recommended that active coordination should be done with various large international online marketing platforms such as eBay, Amazon, etc. to promote exports of Indian products through them.

3.6.1.3 Foreign Direct Investment policy does not allow any FDI in Indian brands or retail. It only allows FDI in a foreign brand/retail, which is owned and operated by an international company. Building brands and expanding retail footprint is capital intensive. It is felt that promotion of Indian brands in the domestic market needs to be supported with success in dedicated retail stores for single and multiple Indian brands. These brands would then get the confidence to move overseas aggressively. An Indian Zara needs to emerge in international markets over the next 5 years. To facilitate this it is recommended that FDI in single and multi-brand retail for Indian apparel brands only may be permitted in the automatic route.

3.6.2 In order to promote R&D at company level, it is recommended that expenses made by textile and apparel sector companies for contract R&D should get the same tax benefits as is available for in-house R&D.

3.6.3 There is a need to promote use of technologies and processes in textile and apparel sector which reduce consumption of water, chemicals and energy. For this large scale awareness creation at the user level about such technologies, chemicals, systems, etc. is recommended along with technical and financial support to adopt them. Use of such sustainable, eco-friendly, biotechnological tools should be developed as a USP of Indian manufacturing sector since being ‘green’ adds to competitive advantage. It is recommended that Indian companies should be supported to acquire relevant national and international certifications / norms for conformity to environmental standards.

3.6.4 Despite being one of the largest consumer bases in the world, there is no standard apparel sizing system in the country specific to Indian consumers. Apparel available in Indian market today market are either European or American size which do not fit body size of typical Indian person. Providing right size and fit to the market will promote domestic demand and sector growth. Hence, it is recommended that a scientific, systematic anthropometric study of Indian population should be undertaken for developing a standard Indian sizing system.
3.6.5 Cotton

3.6.5.1 To improve cotton farm yield, adoption of improved irrigation and agriculture practices should be promoted. International best practices to improve yields with reduction in the inputs should be reviewed and adopted in Indian context. Another important step to be taken in this direction is the adoption of technique of high density plantation.

3.6.5.2 Presently, about 1,000-1,500 varieties of cotton seeds are being sold in market. Each type of cotton seed has its own properties which results in difficulties in fibre grading and testing and quality inconsistencies at mill level. To improve fibre homogeneity, it is recommended that restriction be placed on number of cotton seed varieties. Any new developments in seed technology should be adopted by process of replacement and not by addition.

3.6.5.3 Any development in field of production of niche cotton varieties for example Organic Cotton or Coloured Cotton should be promoted to tap their full market potential.

3.6.5.4 A system of third party cotton certification system at ginning level should be implemented to standardize and benchmark cotton so that units following good practices and packing standard quality get better prices. Widespread recognition of such system will create a need at picking and ginning level to modernize by investing in mechanized picking, warehousing, etc.

3.6.6 Jute

3.6.6.1 Jute yield has hardly changed over the years. In order to provide competitive returns to the farmers it is imperative to increase productivity in raw jute. Due to non-availability of adequate quantity of certified seeds, large quantities of spurious seeds are in use. Hence, there should be a direct government intervention in production and distribution of certified jute seeds to ensure 100% utilisation of certified seeds.

3.6.6.2 Quality of Jute fibre is dependent largely on the care given during retting process. In absence of clean flowing water, retting is done in stagnant water in ditches and ponds where water is used for repeated retting. This results in fibre of inferior strength and darker colour. Alternative retting methods which are developed by various jute research institutes are yet to be commercialized and gain acceptance by farmers. It is recommended that pilot projects should be set-up in jute producing areas in CFC mode deploying a suitable retting technology to showcase benefits to large number of jute growers.

3.6.6.3 Jute mills are not very forthcoming in making investments to replace old equipment with modern energy saving equipment because of risk of non-realization of energy savings and also because of limited fund availability. To overcome this challenge, it is recommended that Energy Services Company (ESCO) concept should be promoted and implemented in Jute mills.
3.6.6.4 New product design and development is an urgent requirement for the Jute sector in order to reduce its dependence on low value added products of sacking and hessian. For this it is recommended that design institutes such as NID and NIFT should be engaged for jute product and design development projects.

3.6.6.5 In absence of Life Cycle Analysis and Disposal Protocols for Jute, its market entry in several international markets has been hindered. It is recommended that an internationally recognised research agency should be appointed to conduct Life Cycle Analysis of Jute and develop Disposal Protocols in line with requirements of various markets.

3.6.6.6 Eco-labelling of Jute products is necessary to position them as environment-friendly products which are acceptable in developed countries. It is recommended to provide subsidy for getting eco-label certification for Jute products.

3.6.7 Technical Textiles

3.6.7.1 Absence of well-defined standards and certifications, and lack of regulatory framework to implement / enforce technical textile usage in certain areas are two issues which has restricted consumption of technical textile products in India. It is therefore recommended that regulatory mechanism including standardization and certification of technical textile products at par with global standards should be implemented and enforced in close coordination with the competent authorities.

3.6.7.2 Development of innovative technologies, products, processes and applications holds the key for growth of technical textiles sector. R&D efforts supported by industry will encourage innovation capabilities and bring high-risk innovations to the market. It is recommended to promote industry collaboration with various institutes like CSIR, IITs, etc. for undertaking R&D in the sector.

3.6.8 Textile machinery sector is dependent on research and development for its survival and prosperity. In India at present there are select few centres undertaking textile machinery R&D activity. In order to promote indigenization of technology, it is recommended to incentivize R&D activity for development of new / upgraded machinery.
3.6.9 Use of IT Tools

3.6.9.1 For benefit of farmers, mobile applications providing information related to agriculture and irrigation techniques, seed information, support schemes, prevailing weather and soil conditions, market information, etc. should be developed in local languages in association with Ministry of Agriculture and State Governments. Each type of fibre in a State should be covered by a different application to maintain simplicity and ease of operations.

3.6.9.2 It is recommended that Ministry of Textiles and its related offices / bodies should develop mobile applications in local languages for providing extension services to MSMEs across the value chain – farmers, weavers, artisans, garment manufacturers, knitters, etc. Each sector should be covered by a different application to maintain simplicity and ease of operations. This should be supported by a call centre which should be operated in local languages.

3.7 New Approach towards Handloom and Handicrafts

To be submitted later
3.8 Partnership with State Government, and

Reengineering of Existing Schemes and Policies

3.8.1 Scheme for Integrated Textile Parks (SITP)

3.8.1.1 For the success of SITP, involvement of the State Government is required for facilitating assembly of land and other clearances. Further, the existing model does not provide for development and availability of workspace for new entrants after the formation of the SPV. Workspaces should be available off-the-shelf on demand. This is essential for achieving the high growth rates targeted. It is, therefore, recommended that the Scheme be modified and implemented in the following three modes:

a. SPV formed by the entrepreneurs or industry associations (as allowed currently in the Scheme)
b. A not-for-profit SPV formed by the State Government through any of its institutions for development of the Textile Park.
c. A not-for-profit SPV formed by State Government which operates in a PPP mode.

The last two SPV options will be the major ones to implement Plug & Play and Worker’s Housing programmes.

3.8.1.2 To develop large, world-class manufacturing infrastructure, development of Mega Parks with large areas, ideally 1,000 acres or more is recommended. SITP should be modified to also promote development of Mega Textile Parks of 1,000 acres and above. For this there should be no financial ceiling on assistance which should be linked to the area developed.

3.8.1.3 In NPV terms, any capital subsidy can be made equivalent to an interest subsidy. In order to permit limited budgetary outlays to support much larger programme of development of textile parks including mega textile parks, it is recommend that the scheme may be modified to convert the existing capital subsidy provision to an interest subsidy provision with same NPV effect. The Ministry of Textiles should also work with Department of Financial Services to provide Long term fixed interest rate financing for these SPVs. The longer the tenure of the loan, lower will be the outgo on interest subsidy annually and hence with the same budgetary provision an even larger programme can be supported.

3.8.1.4 Indian manufacturing capacities across textile value chain are not proportionate. To stimulate investments across the chain, theme based integrated textile parks should be encouraged e.g. Denim Park, Intimate Wear Park, Nonwovens Park, Home Décor Park, etc. Such parks should be self-sufficient to manufacture all the key requirements while the output should be finished goods only i.e. garments, home textiles or technical textiles.
3.8.2 Technology Upgradation Fund Scheme (TUFS)

3.8.2.1 TUFS was designed to incentivize investments by lowering the effective interest rates through interest subsidy. However, delay in reimbursement causes companies to pay higher interest rates for the period during which reimbursement is being processed. This need not be the case. The implementation mechanism of TUFS should be reengineered with FIs, so that the borrower gets the effective rate from the outset and the FIs take reimbursement from the Ministry for the interest subsidy involved.

3.8.2.2 Credit available to the sector through banks usually has a repayment period consisting of 2 years of moratorium and 5 years of repayment. However, the life of plant and machinery extends much beyond this term – sometimes more than 20 years even. Shorter repayment period puts considerable pressure on the business in form of higher annual repayment costs. In order to reduce repayment pressure on businesses, it is recommended that loan repayment period should be extended to 2 years of moratorium and 7 years of repayment. The Ministry of Textiles should coordinate with Department of Financial Services to get the banking system to agree to this change.

3.8.2.3 A large number of low-end, plain powerloom units do not find it feasible to upgrade straightaway to auto looms, which is minimum benchmark under TUFS. To support such units, Government provides financial assistance for upgradation under ‘In-Situ Upgradation of Plain Powerloom’ scheme. It is recommended that there should also be a provision for ‘Rapier Drive Kit’ for converting existing plain looms/ semi-auto looms into rapier shuttle-less loom for which assistance should be increased to Rs. 35,000 per loom i.e., 50% of the estimated cost of Upgradation.

3.8.2.4 Government has extended additional benefit for installation of high-tech weaving machines. It is recommended that weaving preparatory and knitting machines should also be benchmarked for similar benefits under TUFS as available for new shuttleless looms.

3.8.2.5 For installation of high-tech machinery for manufacturing silk and woollen items, additional financial assistance in form of 10% capital subsidy (in addition to 5% interest re-imbursement) should be provided under TUFS on imported machinery which are not manufactured in India.

3.8.2.6 Group Workshed Scheme provides support to weavers for construction of worksheds for installation of shuttles looms in existing or new clusters. Support for establishing large scale work-sheds is now also made available under the new scheme of Hire-Purchase scheme under TUFS which was launched on 4.10.2013. It is recommended that Group Workshed Scheme should be merged with Hire-purchase scheme under TUFS.
3.8.2.7 Modernization of Ginning and Pressing units was earlier covered under Technology Mission on Cotton (TMC) wherein financial assistance was made available to them. In order to support modernization at ginning and pressing level beyond TMC, it is recommended that ginning and pressing units should be brought under ambit of TUFS.

3.8.3 Integrated Processing Development Scheme (IPDS)

3.8.3.1 The processing sector in India has complex challenges. It is recommended that 3 or 4 pilot projects should be attempted in partnership with the State Governments in identified clusters to evolve a workable model. Provision of long term loan for 30 years with fixed interest rate of 7% with interest subsidy would help in generating a sustainable business model. A suitable PPP model would need to be evolved in partnership with the State Government.

3.8.3.2 New large scale processing units coming up should be encouraged to be established closer to coastline having ETPs with Marine Outfall.

3.8.4 To enhance the attractiveness of SEZ policy it is recommended that:

3.8.4.1 Units in SEZs should be permitted to dispose-off seconds and rejects by paying nominal duty. The rate of duty can be fixed to a percentage based on the study done by organizations like Textile Committee, TRAs, EPCs, etc.

3.8.4.2 Units in SEZs should be permitted to utilize their surplus capacities to do job work for DTA units.

3.8.4.3 Use of underutilized common facilities created in SEZs based textile parks should be allowed by the units located in DTA. This will augment fiscal benefits accruing from utilization of created assets.

3.8.5 Minimum Support Price (MSP) Operations:

3.8.5.1 Current system of declaring MSP for two cotton types needs to be revised to help cotton producers realise fair price for their high quality produce. Ministry of Textile should take up with the Ministry of Agriculture to declare MSP for all 5 types of cotton varieties viz. short staple, medium, medium long, long and extra-long staple length.

3.8.5.2 Tussar silk has a good market potential which needs to be tapped through increased production. The production can be increased, especially in North- Eastern region and tribal regions in Central India through a price support mechanism. It is hence recommended that Minimum Support Price (MSP) must be declared for Tussar silk.
3.8.6 A large part of sector workforce is of migratory nature. Workers from various states such as Bihar, Orissa, West Bengal, Chhattisgarh, Uttar Pradesh etc. migrate to work in textile/garment clusters across India. It is recommended that apparel parks be promoted in these states in partnership with the state governments.

3.8.7 To promote fabric production not only modern weaving factories but modern knitting factories should also be encouraged as knitting sector plays an equally important role. Hence, it is recommended that knitting sector should be considered at par with weaving/powerloom sector for financial assistance under all available schemes of the Ministry of Textiles.

3.8.8 Indian manufacturing of garment accessories at present is limited both in terms of variety and quantum. As a result significant quantity of garment accessories like Velcro, zips, interlinings, etc. is imported into the country, specifically by garment exporters. In order to promote indigenous manufacturing of garment accessories for import substitution and to promote garment exports from the country, it is recommended that garment accessories manufacturing should be considered at par with garment sector for assistance under all schemes including TUFS.

3.8.9 There are several textile and garment inputs which are not made in India e.g. specialty fibres, chemicals, specialty fabrics, trims, accessories, etc. These products can be imported under advance licensing mechanism (for export orders) wherein a specified amount of inputs can be imported duty free based on established Input/output norms. But with changing fashion, functional application, and other buyer requirements, need of such input materials changes frequently for same level of output. For example a garment may need extra trims as per design or a fabric may need extra chemical to meet more stringent finish quality requirement. Hence, it is recommended that current input/output norms should be reviewed and should be made more flexible wherein deviation from standard norms should be approved on by competent authority.

3.8.10 For promotion of Silk and its products in domestic and international markets, the current schemes in place for its branding should be scaled up.

3.8.11 Presently garments are subject to provisions of Standard Weights and Measurement Act as well as the Packaged Commodity Rules. Under the Act, a packaged commodity is defined as one which is securely packed and cannot be removed from the package even at the time of sale. Garments on the other hand are frequently removed from their package by potential customers to try and feel the product before making a purchase decision. In several stores, garments are also displayed in open form to attract customers and help them choose easily. Provisions of label marking under the Act like Length of garment; Count, etc. also do not have much relevance. To simplify the trade and sale systems, it is recommended that Ministry of Textiles should take up the matter with Ministry of Consumer Affairs to remove Garments from ambit of Packaged Commodity Act.
3.8.12 Cotton Advisory Board’s (CAB) main role is to finalize balance sheet of cotton production, consumption and stocks. Some industry segments have raised issue of authenticity of data which is being collected and published since some states take single crop while some take double/triple crop due to better irrigation facilities, which makes it difficult to arrive on correct production statistics. It is recommended that process for gathering / finalizing production, consumption, export, import and stock data of cotton should be reviewed and fine-tuned in coordination with all sector stakeholders to address such issues. Also, role of CAB should be expanded and empowered so that it may act as an advisory body for use of seed, farming practices, R&D apart from finalizing the cotton balance sheet. Maximum numbers of members may be kept up to 20 (twenty), which should be from related departments of Central/ State Governments and industry representatives/ experts.

3.8.13 Cotton Corporation of India (CCI) should be empowered to play a proactive role in cotton sector, besides doing MSP operations. It is recommended that role of CCI may be redefined to function as business trading house/ body for procurement of cotton and sale to industry on commercial lines operating at arm’s length policy. However, such role should not be at the cost of affecting price stability in market. CCI in association with the Industry associations may carry-out R&D / trials on pilot basis for increasing the production, improvement of quality, demonstration of best practices for reducing the contamination of cotton, developing new varieties of cotton, etc.

3.8.14 National Institute of Fashion Technology came into being in 1986, with a vision to fulfil a growing need for professionals specialised in the field of fashion. Since its inception NIFT has emerged as a prominent leader in the field of professional education, deftly combining design with management and technology. In order to support young designers / entrepreneurs from this institute, it is recommended that each NIFT should have a Plug & Play incubator centre for assistance to start-ups with 100% equity support.

3.8.15 Cotton

3.8.15.1 Cotton arrival in India starts from the month of October. About 75% of the total crop arrives in the market during 5 months i.e. November to March. This makes it necessary for spinning mills to buy and stock cotton during the peak arrival season or face price fluctuation and quality inconsistency during later on. Buying at start of the season also enables spinners to book larger orders with a longer horizon as they have firm fibre cost and quality. Presently banking norms for cotton working capital loan is a maximum of 4 months, that too in selective cases. In order to support spinning units to manage intra-year price volatility, working capital credit period bank norms for cotton should revised to 9 months. Jute fibre arrival is also in lines similar to cotton. For Jute, it is recommended that working capital credit period bank norms should be made 3 months. The matter should be taken up with RBI for issuance of an advisory to the all commercial banks in this direction.
3.8.15.2 In FY 2010-11, restrictions were placed on cotton exports for a brief period of time on premise of increasing fibre availability for Indian spinners. Since India is the second largest producer as well as exporter of cotton, the decision resulted in global demand-supply gap increasing fibre and yarn prices in an unbalanced manner. Increase in cotton prices at global level got reflected in Indian prices as well, albeit to a lesser extent. During the same time, cap was also placed on yarn export on premise of increasing yarn availability for Indian fabric sector. In this scenario, even when international yarn prices were high, spinners could not increase their production for exports. The export orders instead went to other competing countries. In order to be a world player with predictable policy framework, liberal trading regime for cotton fibre as well as cotton yarn with no restriction on exports or imports needs to be continued.

3.8.16 Jute

3.8.16.1 Jute Packaging Material (Compulsory Use in Packaging Commodities) Act was enacted in 1987. This Act has been diluted to a large extent in recent time. EC recommends that there should be a sunset clause for this Act wherein it should be phased out in a period of 5 years as sustenance of a sector should not depend on an Act for long. However, it is important to acknowledge the fact that lakhs of farmers and industrial workers are employed in Jute sector. Hence its dilution and final withdrawal should be linked to modernization of the sector and development of market for alternative products. It is recommended that Government should liberally fund initiatives in this direction. Some of such initiatives could be:

a) Higher export promotion incentives for jute products.
b) Market development initiatives for promising Jute Diversified Products such as Jute Geotextiles, shopping bags, etc. both in India and internationally at large scale.
c) Product, process and design development to create new products or new applications.
d) Capital subsidy to Jute mills for technology upgradation
e) Financial support to Jute mills for technology upgradation and working capital requirement by means of facilitating credit availability at viable rates.
f) Financial assistance for indigenous jute machinery manufacturing
g) Export promotion activities including removal of tariff and non-tariff barriers in major international markets, etc.

3.8.16.2 Traditional products like sacking and hessian which are low value added products constitute bulk of the sector production, whereas production base of value added, Jute Diversified Products (JDP) is not very strong. To support growth of value added manufacturing in Jute segment, it is recommended that JDP manufacturing should be considered at par with garment sector for assistance under all central schemes including Hire-purchase scheme under TUFS.