



**FICCI'S SUGGESTIONS FOR NATIONAL TEXTILES POLICY 2013**

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**FEDERATION OF INDIAN CHAMBERS OF COMMERCE & INDUSTRY**



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## **TEXTILES INDUSTRY IN INDIA**

- The size of India’s textile and apparel industry is estimated at \$94 billion in 2012. Out of this domestic industry is of \$63 billion and exports worth \$31 billion. India has an overwhelming presence in textiles from fibre to garments stage and the sector’s importance in the economy can be seen from its contribution in GDP, industrial production, export earnings and employment. The sector contributes about 14% to country’s industrial production, 4% to the GDP, 11% to country’s export earnings and employs 45 million people in various activities.
- In the last eight years, the sector has shown an average growth of almost 5%. In 2005-06, after the end of Quota regime, the textiles sector in India grew by 10%. In 2008-09, the sector registered a de growth of 5.7% owing to weak global demand. Thereafter the sector started recovering and registered positive growth in next two years due to stimulus provided by Government of India. Though, the growth of 7% in 2012-13 is highest in the last five years but manmade filament yarn production registered a fall of 6% during 2012-13. Cotton yarn production grew by 14% and man-made fibre production by a miniscule 2% in 2012-13. Fabrics production in the country has not grown to its true potential since 2000; fabric production has shown a Compound Annual Growth Rate (CAGR) of only 3.8% in the twelve year period. Production in handloom sector has been shrinking while in hosiery and mill sectors have been increasing. Powerloom sector has also seen growth in production owing to some technological upgradation and adoption of shuttleless looms but this is not adequate.

**Table : Growth of Textile Sector**

<b>Year</b>	<b>Growth rate (%)</b>
2005-06	10.1
2006-07	11.7
2007-08	7.5
2008-09	-5.7
2009-10	4.8
2010-11	5.8
2011-12	-3.6
2012-13	7.3

*Source: CSO*

### ***Technical Textiles***

Technical textiles is among the most promising and fastest growing areas of Indian textiles industry. The technical textile sector has demonstrated encouraging growth trends in India with a CAGR of 8% for the last few years it has reached a size of \$13 billion. The sector is expected to show a CAGR of 16% to reach \$ 31 billion by 2016-17. Globally, these textiles account for more than one third of all textile consumption. Currently, India accounts for only 8.6% of global technical textiles consumption. Technical textiles are bound to play an important role as our economy grows. Increasing disposable income and the growth of various end user segments like healthcare, roads and highways, agriculture, automobiles etc are expected to drive the demand for these products at a much higher rate in India.

### ***Investment in Textiles Sector***

The investment flows into the textile sector in the last decade could be assessed on the basis of the following schemes / policies of the Government:

- ❖ Technology Upgradation Funds Scheme (TUFS)
  - ❖ Capital Subsidy Scheme for Powerloom Units
  - ❖ Industrial Entrepreneurship Memorandum (IEM) & Letter of Intent (LOI) / Direct Industrial License (DIL)
  - ❖ Scheme for Integrated Textile Parks (SITP); and
  - ❖ Foreign Direct Investment (FDI).
- In the year 1999-2000, 407 applications were received under TUFS amounting Rs 5771 crore and 309 applications were sanctioned (Rs 2421 crore). In the following year applications received under TUFS increased steeply to 719 amounting Rs 6296 crore. In 2001-02, number of applications received for claiming TUFS benefit fell significantly but most of them were sanctioned. In the following year applications received and sanctioned started increasing and in 2006-07, the number of applications filed increased almost 12 times (12336) compared to previous year and highest in the last 13 years. However, in 2007-08, only 2408 applications were filed, most of which i.e. 94% were sanctioned. In 2008-09, the number of applications filed more than doubled, and almost all of them were sanctioned. In 2009-10, again the number of applications filed fell significantly. In 2010-11, the number of applications received were only 256 as the scheme was suspended by the Government from June 2010 to April 2011. Under restructured TUFS, from April 2011 to August 2013, 3974 applications were filed out of which 3576 applications were sanctioned.

**Table: TUFs**

Year	Application Received	
	Number	Total cost of projects (Rs Crore)
1999-00	407	5771
2000-01	719	6296
2001-02	472	1900
2002-03	494	1835
2003-04	867	3356
2004-05	986	7941
2005-06	1086	16194
2006-07	12336	61063
2007-08	2408	21254
2008-09	6113	56542
2009-10	2384	28005
2010-11	256	397
2011-12 and 2012-13	3974	37655
<b>Total</b>	<b>32,502</b>	<b>2,48,209</b>

*Source: Textile Ministry*

- In the year 2003-04, only 4 applications were received for Capital Subsidy Scheme for Powerloom Units amounting to Rs.0.48 crore all of which were sanctioned. In the following year 2004-05, 323 applications were received (Rs.83.86 crore) of which less than half i.e. 150 were sanctioned and disbursed. Number of applications received increased till 2006-07 but in the year 2007-08 applications received fell drastically, only 470 applications were received for the capital subsidy scheme for Powerloom Units. In 2009-10, number of applications received again fell before rising in 2010-11.

**Table: 20% Capital Subsidy Scheme for Powerloom Units**

Year	Application Received	
	Number	Amount (cost of Machinery) (Rs Crore)
2003-04	4	0.48
2004-05	323	83.86
2005-06	564	201.03
2006-07	863	353.23
2007-08	470	184.09
2008-09	470	233.73
2009-10	301	133.53
2010-11	361	182.2
2011-12	466	261.38
2012-13	507	444.74
<b>Total</b>	<b>4,329</b>	<b>2,078.27</b>

*Source: Textile Ministry*

- Looking at the Industrial Entrepreneur Memorandum (IEMs), it can be observed that investment in textile sector slowed down except in the year 2010. In 2008, 343 IEMs were filed (amounting Rs.11244 crore) out of which only 124 were issued amounting to hardly 20% of the filed amount. In 2009, IEMs & LOIs filed for the textile sector dropped to 326. In 2010, 427 IEMs & LOIs were filed (amounting Rs. 26566 crore) and again only a few (87) were issued. In 2011 and 2012, the number of IEMs & LOIs filed fell down to 370 and 327 respectively (with 53 and 64 issued respectively). In April – July 2013, 193 IEMs were filed (amounting to Rs. 76009 crore) out of which only 24 were issued.

**Table: Industrial Entrepreneur Memorandum (IEM) Filed in different years in Textile Sector**

Years	IEMs Filed (No.)	Investment (Amount) Rs cr.
2008	343	11244
2009	326	9200
2010	427	26566
2011	370	26174
2012	327	14839
2013 (January-July)	193	76009

*Source: DIPP*

- 61 textile parks have been sanctioned under SITP and production has started in 26 out of these 61 projects. Lot more needs to be done for faster growth of the sector.
- Textiles sector received a Foreign Direct Investment (FDI) inflow of \$ 164 million in 2011-12 indicating a growth of 26% over the previous year. The sector has received a cumulative FDI of \$ 1.15 billion from April 2000 till June 2013. Indicating FDI has a very small role to play in this sector so far.

### **Exports**

Textile exports from the country have grown at the rate of 9.4% (CAGR) during 2001-02 to 2012-13. From 2001-02 to 2007-08 exports had grown continuously and then fell in 2008-09 due to global slowdown but bounced back in the following year. Exports registered negative growth in 2012-13 (as can be seen in the table below).

**Table : Textile Exports of India**

<b>Year</b>	<b>Exports (\$ billion)</b>	<b>Share of Textiles in Total Exports (%)</b>	<b>Growth rate of Exports (%)</b>
2001-02	11.6	24.5	-
2002-03	12.4	23.5	6.90
2003-04	13.5	21.1	8.9
2004-05	14	16.8	3.7
2005-06	17.5	16.9	25.0
2006-07	19.1	15.2	9.1
2007-08	22.2	13.6	16.2
2008-09	21	11.4	-5.2
2009-10	22.4	12.6	6.4
2010-11	27.8	11	24.1
2011-12	33.1	10.8	19.1
2012-13	31.2	10.4	-5.7

*Source: Textile Ministry*

## **WORLD EXPORTS OF TEXTILES & CLOTHING**

World exports of textiles and clothing have almost doubled since 2000. In 2000, world textiles and clothing exports were worth \$ 356 billion which increased to \$ 706 billion in 2011. Out of this, textiles exports constituted 44% whereas clothing exports constituted 56% in 2000. In 2011, global exports of textiles fell by two percentage points to 42% and share of clothing exports in total textiles and clothing exports increased to 58%. This indicates, over the years, various countries have been exporting more and more value added products (garments). Whereas for India, the share of textile exports has increased over the years in its total exports of textiles and clothing. In 2000, the share of textiles and clothing was equal in our total textiles exports but by 2011, India's exports of textiles and clothing leaned more in favor of textiles. Out of our total textile exports, 52% constituted textiles against the world average of 42% and 48% constituted clothing against the world average of 56%. Evidently, there is a lot that needs to be done and to be leveraged for the growth of textiles industry in India through value added segments.

**Table: India's Textiles and Clothing Exports vis-à-vis World**

World (\$ billion)			India(\$ billion)		
Year	Textiles	Clothing	Year	Textiles	Clothing
2000	157.5	198.9	2000	5.09	5.15
2011	294	412	2011	15	14

*Source: WTO*

## **INDIA NON- EXISTENT IN TOP TEXTILES PRODUCTS**

Globally, the total textile and apparel trade has grown at a CAGR of 6.7% in the last eleven years, being valued at \$ 706 billion with major markets being USA, Germany, Japan, China and UK. India has a share of 4% in global exports of textile and apparel. India's product basket is majorly cotton focussed, but the world trade in textile and apparel is tilted towards man- made textiles. Also, fibre consumption ratio in India is strikingly different from the world ratio. In India, consumption ratio between cotton and man-made fibres is 68:32 while it is almost 28:72 globally. This has caused India's negligible presence, in many highly traded product categories, which are man-made textiles based. India's share is also very small in global trade of technical textiles, which is again majorly man-made textiles based.



**Table: India is non-existent in several major traded commodities**

S.No.	Category	HS Code	Global trade Value-2011 (\$ Million)	India's exports Value- 2011 (\$ Million)	India's share
1	Jerseys, pullovers, cardigans, waist-coats, etc. of <u>man-made fibres</u>	611030	18,348	20	0.11%
2	<u>Brassieres &amp; parts</u>	621210	8,434	50	0.59%
3	Knitted fabrics of a width >30cm, containing by weight 5% more of rubber thread	600410	6,408	6	0.09%
4	Men's anoraks of <u>man made fibers</u>	620193	6,703	1	0.01%
5	Women's anoraks of <u>man made fibers</u>	620293	6,521	0.4	0.01%

Source: UN Comtrade

## **SHARE OF INDIA VIS-À-VIS OTHER COUNTRIES IN US AND EU IMPORTS**

### ***Top Exporters of Textiles and Clothing in the World***

China has maintained the top position in global exports of both textiles and clothing since 2000. Bangladesh, India and Vietnam were not among the top seven exporters of clothing in 2000 but after the phasing out of quotas under WTO Agreement on Textiles & Clothing in 2005, Bangladesh & Vietnam are now amongst the World's top clothing exporters in the world, whereas India has emerged as the 3<sup>rd</sup> largest exporter of Textiles.

<b>Top Exporters of Clothing 2000</b>	<b>Top Exporters of Clothing 2012</b>	<b>Top Exporters of Textiles 2000</b>	<b>Top Exporters of Textiles 2012</b>
China	China	China	China
Hongkong	EU 27	Hongkong	EU 27
Italy	Hong Kong	Korea	India
Mexico	Bangladesh	Italy	USA
USA	Turkey	Taiwan	Korea
Germany	Vietnam	Germany	Turkey
Turkey	India	USA	Hongkong

*Source: WTO*

### ***Share of India Vis-À-Vis Competing Countries in US Textile and Clothing Imports***

- Bangladesh's share in US imports of textiles and clothing was 2.6% in 2002, it rose to 4.4% in 2012. This reflects a gradual increase over the period 2002-2012, except for slight fall in 2003-04. This increase is due to rising clothing exports.
- China's share has trebled over the ten year period 2002-12. It has risen consistently every year from 2002 (13%) to 2012 (38%). There was a fall in 2011 which was due to a fall in the share of clothing. Significant increase in share came in 2005, from 17.4% to 24.5%, and in 2009, from 33% to 37%. In case of China, this can be attributed equally to textiles and clothing sectors, both of which were rising during this period.
- India's share in the USA increased from 4.4% in 2002 to 6% in 2012. The share crossed 5% in 2005, reached 6% in 2010 and was 6.1% in 2012. India's share in both textiles and clothing imports of USA has increased during 2002-2012, from 6.2% to 8.8% and 4.1% to 5.6% respectively.
- Pakistan's share has increased slightly from 2.7% in 2002 to 3% in 2012. It first touched 3% in 2004. From 2004, it increased slightly till 2006 (3.4%), but then fell in 2007 and remained almost the same thereafter till 2011. It dropped back to 3% in 2012. Looking at textiles and clothing separately, US textile imports from Pakistan have declined sharply during this period (4.9% to 1.7%), while clothing imports have increased slightly (2.3% to 3.1%) in terms of share.

- Vietnam’s share in US textiles and clothing imports has shown a major increase since 2002. The share was 1.2% in 2002 and it reached 7.1% in 2012. The major leap was in 2003, when it went from 1.2% to 3%. It maintained this level until 2005, when it began showing an increasing trend. This trend continued till 2012. From 2002 to 2012, US textile imports from Vietnam increased from 0.1% to 1.7%. On the other hand, the share in clothing imports registered a remarkable rise, from 1.4% in 2002 to 7.9% in 2012.

**Table: Share (%) of different countries in US Textile and Clothing Imports**

Year	Bangladesh	China	India	Pakistan	Vietnam
2002	2.6	12.9	4.4	2.7	1.2
2003	2.4	15.1	4.4	2.8	3
2004	2.3	17.4	4.6	3	3
2005	2.6	24.5	5.5	3.2	3
2006	3.1	27.7	5.7	3.4	3.4
2007	3.2	31.7	5.6	3.2	4.4
2008	3.7	33	5.7	3.2	5.5
2009	4.2	37.3	5.9	3.3	6.2
2010	4.3	39	6	3.2	6.4
2011	4.4	37.9	6.1	3.3	6.6
2012	4.4	38.1	6.1	3	7.1

*Source: UN Comtrade*

- Vietnam which had much lower share than India in US textile and clothing imports in 2002 (1.2%) has continuously improved its performance and has managed to surpass India in 2009 in US textile and clothing imports.

#### **Share of India and Its Major Competitors in EU-27 Textile and Clothing Imports**

- Bangladesh’s share in EU’s textiles and clothing imports has doubled in the ten year period from 2002. In 2002, the share was 4.7% and reached 9.7% in 2012. The period from 2007 to 2012 is significant in terms of registering continuous growth, from 5.8% in 2007 to 9.7% in 2012 despite recessionary conditions in 2008/09. Throughout the period 2002-2012, the share of textile imports has been negligible, while the clothing imports have increased their share remarkably from 6.2% in 2002 to 11.8% in 2012.
- China’s share has increased during this period and like Bangladesh, managed to double. In 2002, China’s share was 21.5% and by 2012 it had reached 39%. It has been increasing continuously from 2002 to 2010 (44%) but fell in 2011 and 2012. While China’s share of both

textiles (19.5% to 27.5%) and clothing (22.2% to 41.8%) have increased over this period in EU, the rise has been much more rapid in clothing exports.

- India's share has increased slightly over this period. It started with 6.8% in 2002 and stayed almost the same till 2004. It touched 8% in 2009 but fell again in 2010. During the period 2002-2012, India's share in textile imports of EU has fluctuated between 8.4% and 8.9% while that of clothing imports has fluctuated between 6.2% and 6.7%.
- Pakistan's share has remained almost stagnant from 2002 to 2012. It started with 3.3% in 2002 and was 3.2% in 2012. In most of the years, the share stayed at 3% with textile imports share varying from 4% to 4.2% between 2002 and 2012 and clothing imports' share remaining at 3% during the ten years.
- Sri Lanka's share has remained stable and has improved marginally in recent years. From 2002 to 2006, its share varied between 1.2% and 1.3%. From 2007 to 2012, the share hovered between 1.4% to 1.6% in which the textile imports share has shown hardly any change from 0.2% and the share of clothing has shown a marginal increase in 2008-2012 from 1.7% to 1.9%.
- Vietnam's share has, on the whole, been increasing during this period. It was stagnant from 2002 to 2005, at round 1.1%. Thereafter, it began increasing consistently until 2012, when it reached 2.2%. In textile imports, Vietnam's share has largely been negligible from 2002 to 2005. Since then, it has been increasing very slowly and reached 0.7% in 2012. Share of clothing imports increased from 1.6% in 2002 to 2.6% in 2012.

**Table: Share (%) of different countries in EU-27 Textile and Clothing Imports**

Year	Bangladesh	China	India	Pakistan	Sri Lanka	Vietnam
2002	4.7	21.5	6.8	3.3	1.3	1.2
2003	5.3	23.5	6.8	3.5	1.2	1
2004	6	24.8	6.9	3.6	1.3	1.1
2005	5.4	32.4	7.7	3	1.2	1.1
2006	6.3	33.1	7.8	3	1.3	1.5
2007	5.8	35.9	7.8	3.1	1.4	1.6
2008	6.2	39.8	7.6	3	1.5	1.7
2009	7.2	42.7	8	3	1.6	1.8
2010	7.3	43.8	7.7	3.1	1.5	1.8
2011	8.5	42.1	7.9	3.5	1.4	2.1
2012	9.7	39.2	7.1	3.2	1.6	2.2

*Source: UN Comtrade*

- Bangladesh which had started from a much lower share in EU textile and clothing imports in 2002 than India, has increased exports significantly after the phasing out of Quota regime in

2005. India's share has remained almost the same in EU textile and clothing imports over the period.

- The above analysis shows there is a dire need to support the domestic textiles and clothing industry to make it globally competitive by easing the regulatory burden, removing infrastructural bottlenecks, providing adequate raw materials and supporting exports. The sector at this juncture needs a long term roadmap for sustainable growth and increasing competitiveness. National Textiles Policy 2013 should provide such a roadmap and stable policy framework for the sector. FICCI's recommendations for the National Textiles Policy 2013 are given in the section below.

### INDIA'S TEXTILES INDUSTRY VIS-À-VIS OTHER COUNTRIES: INPUT COST COMPARISON

- The cost of production is one of the major factors in determining international competitiveness. Price of land, price of labor, hours worked, energy cost, building cost, transport and taxation constitute some of the key inputs for production. India faces fierce competition from Bangladesh, Cambodia, China and Pakistan in these cost factors. We need to improve upon these factors in order to improve our productivity and thereby increasing exports. The table below shows India's ranking vis-à-vis some competing countries.

**Table: Input Cost of India Vis-À-Vis Other Countries**

<b>COST/ RANKING</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Labour Cost (a) (US\$/hour)	Bangladesh (0.32)	Cambodia (0.53)	Pakistan (0.55)	India (0.83)	China (1.44)
Hours Worked (b)	Bangladesh (2336)	China (2328)	Pakistan (2324)	India (2280)	Cambodia (1960)
Power Cost (c) (US\$/KWH)	Bangladesh (0.053)	China (0.065)	Pakistan (0.071)	India (0.086)	Cambodia (0.14)
Ocean Transport (d) (US\$/20 container)	China (1800)	Bang./ Camb. (1900)	Pakistan (2000)	India (2100)	
Land Transport (US\$/20 container)	Bangladesh (250)	Pakistan (300)	India (400)	China (470)	Cambodia (600)
Building Cost (US\$/Sq .m)	China (97)	Bangladesh (120)	Cambodia (130)	India (140)	Pakistan (150)
Vat for Textile and Apparel Export (%)	Bangladesh, Pakistan, Cambodia(0)				India (12.5%) and (0) in SEZ
Corporate Tax ( % of profits)	Cambodia (20)	China (25)	India (33.6)	Bang./Pakistan (35)	

*Source: Strategic Plan, Ministry of Textiles*

- These factors need to be kept in mind while framing any vision or policy.

## **TARGETS**

### **GROWTH & EXPORTS TARGETS FOR TEXTILES INDUSTRY**

- The Expert Committee set up for reviewing the National Textiles Policy (NTP) 2000 and formulating NTP 2013 has set up a target of trebling the share of India in world exports of textiles & clothing.
- This target of trebling the share of India in world exports of textiles & clothing would require our exports to grow at a Compound Annual Growth Rate (CAGR) of 15.1% over the ten year period (assuming world exports in textiles and clothing grow by 5%). The table below shows Indian exports would reach \$145 billion by end of the policy period if we grow by 15%.

**Table: Trebling the share of India in World Exports**

<b>Year</b>	<b>World Textiles Exports (\$ Billion)</b>	<b>India's Exports (\$ billion)</b>
2012	708	31
2013	743.4	35.7
2014	780.6	41.1
2015	819.6	47.3
2016	860.6	54.4
2017	903.6	62.6
2018	948.8	72.1
2019	996.2	83.0
2020	1046.0	95.5
2021	1098.3	109.9
2022	1153.3	126.5
2023	1210.9	145.6

*Source: WTO and FICCI Estimation*

- Assuming our GDP grows by 7% on an average over the policy period as per the scaled down estimates of Planning Commission and assuming our domestic textiles industry also grows by 7%, this would mean our textiles industry would be a \$278 billion industry. Out of which we would be supplying \$145 billion as exports.

**Table: Projections for Domestic Textiles Industry**

<b>Year</b>	<b>Domestic Industry (\$ Billion)</b>
2012	63
2013	67.4
2014	72.1
2015	77.2
2016	82.6
2017	88.4



2018	94.5
2019	101.2
2020	108.2
2021	115.8
2022	123.9
2023	132.6

*Source: FICCI calculations*

### **EMPLOYMENT TARGET**

As per the 12<sup>th</sup> Plan working group on textiles and apparel, the textiles sector will create an additional employment of 15 million by 2016-17, which means the sector can provide 30 million additional jobs by 2023. Whereas, National Skill Development Corporation (NSDC) has anticipated employment generation of an additional 17 million by 2022. Given that textiles and clothing sector is a labor intensive sector, FICCI projects that the sector can provide employment to at least an additional 20 million people from the current 45 million to 65 million by 2023.



### **SUGGESTIONS FOR NATIONAL TEXTILES POLICY 2013**

The National Textiles Policy 2013 should be all encompassing for the textiles value chain with an aim to do away with the fragmented structure of textile industry leveraging fully the integration available to us. We have seen in previous section that even countries that do not have domestically integrated textile value chain have done better than India. There is no reason for India not to surpass these countries with an integrated value chain. The aim should be to achieve maximum value addition through our textiles industry to generate more employment and increase our share in global trade. It should address all the sub- sectors of textiles value chain to make it a holistic policy.

The sub-sectors to be covered are:

- Natural fibres
- Man –Made and Synthetic Fibres (MMF)
- Technical textiles
- Spinning
- Weaving
- Garments and made-ups
- Textiles Machinery

### **RECOMMENDATIONS**

Following are some of the recommendations, FICCI feels would help in achieving the targeted growth rate:

#### **Enabling Eco- system**

Providing right kind of eco-system is the priority for making the sector globally competitive. There are around 113 domestic textiles clusters that have the capacity ranging from spinning to weaving and garmenting which require strong infrastructure support to make them competitive. Government should provide assistance for upgradation of existing textile clusters for developing world class logistics, infrastructure and easy to do business facilities.

#### **Taxation- Rationalise and Remove Distortions**

- **Goods and Service Tax (GST)**

The industry should be kept in the priority/lowest slab of GST as the industry provides a basic necessity to the masses with large scale employment potential. Currently, parts of the

industry are VAT exempt and a large part of the industry is kept out of excise duty. Any sudden increase in rates would destabilize the complete industry as has been in the past. Excise duty has been levied twice and then removed, after observing a negative impact on the industry.

- **Fibre Neutrality**

The Policy should eliminate long standing discrimination between cotton and man-made fibre on excise duty front. The excise duty structure on fiber and yarns be revisited and duties on man-made fibers /filament yarn should be brought down at par with cotton to bring fibre neutrality in the sector. In competing countries, there is no difference in excise duty between cotton and manmade fibres/ filament yarns and India should be no exception to this. Historically, whenever the excise duty on Man Made Fibres has been brought down to narrow the gap between Man Made Fibres and Cotton, the consumption of Man Made Fibres has gone up significantly. Already, as mentioned earlier, our share in man-made textiles trade that constitutes bulk of the global trade now is very small. The discriminatory high excise duty on Man Made Fibres is the root cause of it.

- **Excise Duty on Recycled staple fibre/ filament yarn and Virgin Polyester Fibre**

There is a need to remove the distortions prevailing in the sector like excise duty exemption given on the basis of particular process. Currently, excise duty exemption is given to the manufacturers of polyester staple fibre/ filament yarn manufactured from plastic waste (pet bottles). This is affecting the virgin fibre industry adversely and making it uncompetitive. Due to the exemption of excise duty (12.36%) given to recycled fibre sector, the production capacity of recycled fibres has increased from 24,000 tons per annum to 500,000 tons per annum (industry sources). Further, the raw material cost for the recycled sector is 25% lower than the raw material cost for virgin fibre sector. Thus, excise duty on recycled staple fiber needs to be made at par with virgin staple fiber to provide a level playing field to virgin staple fiber industry and utilize the idle capacity. Hence, the policy should ensure that such distortions are not introduced in future.

- **Processing**

Water as a resource will be under pressure always. This will require constant innovation in waste water recycling, low water discharge or zero water discharge technologies (digital printing, finishing). This would entail additional cost especially for SMEs. Since processing

remains the weakest link of our textiles value chain, in addition to subsidy under TUFSS, the sector deserves additional concessions like increased rates of depreciation etc in order to encourage investments in the sector.

- **Customs Duty**

- a) Customs duty structure should be a cascading structure i.e. the duty differential should be progressive at each stage of value chain. This implies lowest duty on raw material, slightly higher on intermediate products and highest on the final product. This should be applicable for the entire textiles value chain.

- b) **Rationalization of import duty on wool**

Wool is the only major raw material in textiles for which we are dependent largely on imports. The production of raw wool in the country has more or less remained same (44.4 million kg) since 1996-97 whereas imports have been rising. Due to constraints in raw material availability, the production of woollen yarn and fabrics have also not shown much growth in the last many years. One of the steps required to increase availability of raw wool is to reduce import duties. The other measure is to increase productivity which is being discussed later. There are certain fibres like flax, which are imported in India at zero duty. Similar benefit should also be extended to Greasy Wool that is almost entirely imported. In this context, following specific measures are suggested:

- ❖ As apparel grade wool of fine micron (24 micron and finer) and other fine animal hair are not indigenously available, industry is 100% dependent on imports of this basic raw material which is sourced from countries viz., Australia, New Zealand, Uruguay, South Africa, etc. There is no indigenous angle to availability of Apparel Grade wool. Coarse quality wool is also procured from New Zealand for blending with indigenous wool to make it suitable for high quality carpets meant for exports. Nearly 95% of carpets produced are exported. Hence, the need for providing these raw materials to the industry at effective rates by abolishing import duty on wool fibre.
- ❖ Small and medium scale units engaged in the production of low cost woollen fabrics and blankets are mostly located in Northern India. This industry for raw materials is entirely dependent on wool waste and woollen rags for regeneration into spinnable

fibre. Wool waste is used for manufacture of low value fabrics and made ups like blankets for the common people living in the hilly areas and cold regions. Wool waste is an important major raw material; however there is no indigenous angle and hence could be considered for custom duty abolition. Similarly, woollen rags are regenerated into spinable fibre, which constitutes major raw-material input for shoddy industry in the small to medium size sector. This is unique in the woollen sector that a natural fibre is economically recycled for production of warm clothing affordable to the weaker section of the society. Due to import duty on the wool waste, we are fast losing our share to other countries which have zero duty on such imports.

**c) Spin Finish Oil and Titanium Dioxide**

Important raw materials like Spin Finish Oil and Titanium Dioxide should be made easily available for textile industry at competitive rates. The customs duty on TIO<sub>2</sub> (Anatase) which was brought down to 7.5% from 10% in the Budget 2012-13 has again been raised vide notification number D.O.F No. 334/3/2013-TRU dated 8th May '13 to 10% on par with Rutile grade which is manufactured domestically. There is a need to bring down the duty at par with other raw materials for synthetic fibers. We understand that identification of Spin Finish separately is required for reducing the duty. Currently, it falls under the description of preparation for treatment on Textile material, leather, fur skins or other materials (HS Code 34031100 in the Chapter Heading of Lubricating preparations with Chapter Heading 3403). The Spin Finish used by the Synthetic Fibre Industry needs to be given a separate code number of 34031200 with the description - "Spin finish used in the manufacture of Synthetic Staple Fibres and Filament Yarns". This will enable a differential duty at par with other raw materials. Similarly, Anatase is a variety of Titanium Dioxide used by the Synthetic Staple Fibres and Filament Yarn industry as dulling agent and is not produced in India and India does not have the technology to produce it. So, the product has to be imported. There is a need to give a separate code (28230030) to Titanium Dioxide Anatase so that a duty equivalent to other raw materials can be levied on it.

## Improving Productivity

- **Productivity of Cotton**

Despite producing one fifth of the world's cotton, India ranks 24<sup>th</sup> in global cotton productivity. There is a dire need to make focused efforts to increase the productivity of cotton from the present level of approximately 480 kgs to 700 kgs which is the world average. There is a need to boost Research and Development of seeds, chemicals and improvement in irrigation facilities as 65% of our cotton crops are dependent on rains. Cotton Mini Mission Scheme needs to be reintroduced and also possibility of importing seeds and technology from countries that have higher yields like Brazil, Israel and China could be looked at. Research needs to be directed to develop cotton seeds which ensure higher nil recovery and lesser 'Khal' or Oil Cake, lengthy fiber and higher fiber recovery may be 38 to 40%. Productivity can also be increased by latest farming practices as discussed below:

- **High Density Plantation System (HDPS)**

High density plantation refers to increasing the plant population per unit area for increasing productivity. Apart from high yields, the added advantage of HDPS is that it maximizes the efficiency of costly farm inputs. In cotton changing planting methods (high density plantation) by using precision planter with closer 'row-to-row' and 'plant-to-plant' spacing has improved the plant structure suitable for machine picking with significant yield enhancement. Spacing of 80 x 15 cm, with multiple seed varieties in different geographical locations has shown a yield increase by more than 100% in cotton. Hence, there is need to promote and scale the high density plantation in cotton and adoption of mechanized planters for HDPS seeds.

- **Storage & Handling**

There is a need to make large storage capacities for cotton seed and cotton bales. Also, to reduce the amount of contamination, manual lifting of bales and cotton seed handling needs to be replaced by forklift trucks and loaders. These new technologies need to be incentivized for adoption.

- **Productivity of Jute**

Raw jute production continues to be done in primitive manner with low yields and poor quality of produce. Attempts made at development of technology and seeds in the past have not led to desired results. There is a need to develop high yielding seeds and need for investment in mechanical retting practices.

- **Technology for Jute**

The policy should envisage creation of state-of-the-art processing centres for raw jute whereby best practices of raw jute cultivation and post-harvest can be applied in a large scale and mechanized manner. For doing so, appropriate technology needs to be developed in Public-Private Partnership including collaboration with international agricultural machinery firms.

#### **Availability of Raw material**

- **Need to Keep Adequate Cotton Buffer**

India is the second largest producer of cotton in the world. But the country doesn't have a cotton buffer whereas China keeps one year stock of consumption as buffer to help modulate prices and supply to the local industry at competitive rates. India needs to formulate a similar policy to ensure adequate supply and reasonable prices for Indian industry. It is recommended to hold a minimum of six months buffer with Cotton Corporation of India.

- **Hank Yarn Obligation**

Such restrictions need to be phased out with a strategic roadmap for relocation of affected workers. This could be concomitant with the plan or roadmap for facilitating relocation of the workers employed in these sectors to higher value added or emerging sectors. Skills of these workers can be upgraded to be used for higher value added segments that face shortage of skills.

## **Modernization & Improving Technology**

- **Technology Up- gradation Fund Scheme (TUFS)**

There is a need for stable long term schemes so that the industry doesn't suffer due to discontinuation of scheme (like the TUFS Scheme was discontinued for a period of 10 months (Blackout period from 29.06.2010 to 27.04.2011)).

- a) Under TUFS, customs duty amount should also be eligible for subsidy i.e. the landed cost of plant and machinery for inputs including all import duties (BCD, CVD, SAD etc.)/excise duty and other taxes for imported / locally procured machineries.
- b) The machinery for manufacture of synthetic fibers post polymerization to be covered under TUFS.
- c) For weak links in textiles value chain like processing, subsidy amount could be increased to 15% capital subsidy from 10%.
- d) Knitting should receive same benefits under TUFS as is the case with powerloom since both make fabrics and are largely in unorganized sector.

- **Modernization of Jute Machinery**

Under the Jute Technology Mission, out of an installed capacity base of about 20 lakh MT/year, which would translate to an investment of approximately Rs 4,000 Crores, not even Rs. 400 Crores (10%) has been modernized. There is a dire need for modernization of the age-old Jute industry through proper support and incentivization. Such an effort needs to be done with dedicated infrastructure and in Public-Private Partnership to ensure that commercialization can be done. The Policy needs to include technology transfer and collaboration with foreign institutes. There is a need to implement Jute Technology Mission – II for increasing productivity, product development, agricultural output among others and the mission needs to cover at least 75% of the installed capacity base by 2025.

- **Machinery for Wool Industry**

Textile machinery for wool industry that is not indigenously manufactured here needs to be allowed to be imported at zero customs duty.

## **Workers' Housing Scheme**

One of the major concerns of manufacturers and also as identified by HLCM (High Level Committee on Manufacturing) chaired by the Hon'ble Prime Minister, is irregular and inadequate supply of skilled and unskilled labour owing to harvest and other seasons since the sector employs mainly migratory workforce. In such cases, providing affordable houses closer to factories will act as a major factor for retention of these workers for stable and longer periods. This will ensure uninterrupted production schedules. These accommodation called "dormitories" are well established norms in many countries including Singapore, Malaysia, China and more recently in Bangladesh. World over such facilities for migrant workers are being provided around manufacturing clusters. These dormitories would include not only basic living space and facilities, they will have to cover general living facilities, sanitation, storage and cooking facilities.

### Benefits:

- a) The employees save on living expenses and this acts as an incentive for the worker to make use of this facility.
- b) Worker retention rate increases which ultimately reduces the company expenses on training and re-training new staff.
- c) It will ensure optimum use of the factory resources and an uninterrupted production schedule.
- d) It would also provide employees with an option of signing a work contract for a fixed period of time after which he may choose to continue or may go back.
- e) The availability of the workers in close proximity to the company will help company devise training schedules which workers can attend during their off time and will ensure upskilling of the worker and help him/her progress to the next level in the factory hierarchy.

But there are several issues with regards to such facilities:

- f) Scarcity of land
- g) Huge one time investment
- h) High prices of land and construction materials
- i) Maintenance of high levels of health, hygiene and safety standards as per set guidelines.



- **Land:** The biggest impediment in providing affordable housing is availability of land in the vicinity of industrial area and that too at a reasonable and affordable price. For this-
  - a) Compulsory allocation of at least 20% land (of industrial belt) in or around a industrial area/industrial estate for low cost housing
  - b) Deferred/long term payment plan towards cost of land in case the land is allotted by government or its representative agency.
  - c) In case land is purchased directly by the project proponent, then fast track change of land use to housing.
  - d) The land registration charges for affordable housing to be 20% of the charges as levied in other cases.
  
- **Funds:** Priority sector lending to be provided to such initiatives at low rates of interest so that they can multiply in numbers in every cluster / textile park / apparel park.
  
- **Single window clearance:** Total time taken in the project right from the purchase of land till completion also plays a vital role in the overhead and cost. Faster grant of government approval can help in speedy delivery of housing at a reduced cost. Fast track pollution clearances and building approvals for such low cost housing may also help in reduction of this time frame for implementation.
  
- Government or its authorized agencies can also provide low rental accommodation to the seasonal /migrant workers. The industry to get reimbursement from the government for part of the expenses incurred on this welfare programme. The modalities for this need to be worked out in consultation with concerned ministries. For these appropriate PPP model and Viability Gap Funding could be considered both at centre and State level.
  
- It is also suggested that expenses made towards setting up these dormitories must be allowed to be accounted as capital expenditure in the book of accounts.
  
- In case the low rental accommodation is provided by non government company, then cost/rentals need to be decided by project proponent and public / government agency jointly.

## **Labor Laws Need Rereview**

The textiles sector is a labour intensive sector. To make the sector achieve a high growth path, there is a need for enabling labour laws to achieve the desired targets. Currently, the sector has to comply with a number of archaic labour laws which are not so relevant in today's dynamic scenario. There is a need to relax certain provisions of the laws as mentioned below. The apparel and clothing industry which employs large number of people, is considered the driver of growth for the whole value chain hence reforms are a must for garment manufacturing industry. Garment manufacturing is seasonal in nature and works on orders which are season specific, delivery schedules are hectic and have short lead time. Therefore, the industry requires large workforce in busy season and smaller workforce for other months.

Some of the recommended changes are :

### **1. Amendments in key Acts like the Industrial Disputes Act, Contract Labour Act and Factories Act.**

- **The Contract Labour (Regulation & Abolition) Act. 1970**
  - a) Currently, Section 10 of this Act empowers the appropriate Government to prohibit contract labour in any process, operation or other work in any establishment.
  - b) The Act should be modified to exclude textile units engaged in export related activity. This will allow outsourcing of labour force and contract-base appointments to confer greater flexibility in right sizing and deployment of their workforce. In the State of Andhra Pradesh, section 10 of the Act has been substituted by a State Amendment which provides for engagement of contract labor for any core activity for any sudden increase of volume of work in core activity which needs to be accomplished in a specified time.
  - c) The Act should be suitably amended with a view to empower the employer to absorb only those contractual employees who have requisite qualifications for the job. There is no specific provision about the absorption of such contract labour in the establishment of the principal employer. However, the Supreme Court has held that on abolition of the contract labour system, by necessary implication, the principal employer is under statutory obligation to absorb the contract labour, despite the fact that they may not have the required age, qualification, physical fitness, etc.

d) The Act should permit greater flexibility for engagement of contract-labour for jobs of non-perennial nature and where the activity is one of supporting infrastructure namely security, gardening, canteen and related to loading and unloading. The contract labour should also be permitted in weaving, pre-weaving and processing sectors where the units are predominantly in the decentralised sector and often work on job work basis. Production also depends on seasonal demands and the employees in majority of cases are migrants. It may be noted that China, Bangladesh and Sri Lanka allow contract labour in textiles sector. Malaysian law regards right to hire, assign work, reward, transfer, promote, adjust, workforce as managerial rights. In India, Andhra Pradesh has allowed contract labour in apparel parks.

- **The Factories Act, 1948**

- a) Overtime working may be allowed without prior permission if workers are willing and appropriate extra payments are made to the workers as per the norms. Today, prior permission of factory inspector is required for overtime working. There is a need to increase the working of a day from “nine hours in a day” to “ten hours in a day” by amending section 54 of the Act. Also, to increase the spread over of the existing “ten and half hours in a day” to “eleven and half hours in a day”. Total number of hours of work in a week including overtime need to be increased from present sixty hours to seventy five hours. The total number of overtime work, in any quarter to be increased from present “seventy five hours” to “one hundred and twenty hours” and also to empower the Director to further enhance the overtime work upto one hundred and fifty hours with the approval of the State government.
- b) Employment of women in night shift should be allowed provided transport and other appropriate security guidelines are followed.

- **Industrial Disputes Act, 1947**

- a) The definition of ‘strike’ given in section 2(q) of the Act may be modified by including in the definition such obstructive practices as ‘go slow’ or work-to-rule’, mass casual leave which are often resorted to at present. A sub-section may also be added in chapter VI of the ID Act under section 26-A to determine go slow/work-to-rule practice.

- b) Section 25 (O) prohibits the closing down of a unit without prior permission of the State Government. The denial of permission by the State Governments for closure of mills often leads to illegal closures and the workers are denied even their statutory dues. Therefore, closure should be allowed with greater flexibility and permission to sell land without any restraint by central enactment after due compensation to workers.

### **Processing**

- Processing remains the weakest link in our textile value chain. Quality of fabric also remains an issue and many fabrics like spandex fabric, lingerie fabric, warp knitted fabric etc are either not available or are not adequate for the domestic industry demand. For processing, separate pollution free zones to be set up to increase consumption across the entire value chain from fiber to garments. At the moment due to absence of pollution free zones, value added in textiles sector is limited. Importers in developed countries like USA and EU demand value added ecological friendly textile garments due to environmental concerns. Setting up of pollution free zones for textile processing will definitely help in increasing textiles and clothing exports from India. A separate scheme in this regard needs to be introduced which provides additional support of Rs 5 crores for each Park for setting up Common Effluent Treatment Plant (CETP).

### **R&D**

- **R&D Policy**

India needs to have presence in not just traditional apparels and textiles but in advance textiles also which have a very promising market both globally and domestically. This requires Government support for promoting R&D and new products which can then be used by industry. A R&D policy backed by a Rs. 500 crore fund for XII plan needs to be introduced. The policy should fund innovations and technologies which have future markets. Depending on the success of the scheme, it can be continued for 13<sup>th</sup> Five Year Plan also.
- **Research Tie-ups**

Research tie-ups for apparel grade wool should be done with countries like Australia, Korea, Taiwan and New Zealand for selective breeding, testing and training.

## Skilling

- **Weighted Tax Deduction for Skilling**

With an intent to increase the productivity and employability of workforce (wage and self-employed) both in the organized and the unorganized sectors, the Finance Act, 2012 inserted section 35CCD to the Income-tax Act, 1961 (IT Act) to provide for weighted tax deduction on any expenditure (other than cost of land and building) incurred on skill development projects by private sector. Tax deduction to the extent of 150% of the expenditure incurred to be made available to companies in addition to the weighted deduction already available for R&D sector.

- **Sector Skill Council**

Government should fast track setting up of sector skill council for textiles sector that would set qualification packs and National Occupational Standards, Accreditation standards for skill development in the sector.

- **Industry- Academia Linkages**

To support creation of adequate number of graduates and post graduates for supporting the growth of the sector. At the moment, very few people opt for textiles in the engineering stream. If the sector has to grow as targeted, Government needs to encourage and support industry – academia linkages by creating National Knowledge Functional Hubs (see web link for more details, [fikki-nkfh.com](http://fikki-nkfh.com)) that would increase interface between industry and academia and would also provide an institutional mechanism for faculty development.

## Branding and Marketing

- **Mega Exhibitions**

Exhibitions have played a major role in increasing the visibility and trade of several countries across sectors, China being the prime example. From buyers' perspective, it will be a best incentive to have players from the entire value chain to be present at one place. An annual exhibition needs to be organized by the Ministry where participants from the entire textile value chain can gather which can over the years attain the scale of global exhibitions.

- **Brand India**

The major production centers of textiles and apparel across the globe created their Unique Selling Points (USPs) which have helped in overall growth of the sector in these countries. For example, Italy has created a USP of premium quality and design orientation. India also needs to develop its brand strength as a versatile manufacturer of textile and apparel in the world. This activity will help in increasing the sourcing of textile and apparel products from India.

- **Focused Textile Park- Country/Region Specific**

Many times the foreign players hesitate to invest in India for their lack of cultural fit with others present in that textile park / industrial belt. Establishment of country/region specific textile parks will help to get more investment from those players. RIICO has already created country specific (Japan & Korea) industrial zone for the same reason.

- **FDI Cell**

FDI will help in the growth of the Indian textile and apparel industry in many ways. In many cases the foreign investors shy away from investing in India as they have to interact and seek clearances from many departments. FDI Cell dedicated to textile, apparel and technical textile industry, can act as a single window and coordinate with all Government departments for necessary approvals. This will really help in attracting FDI for this sector. Government should also provide attractive fiscal incentives for foreign investors especially in the case of technical textiles and textiles machinery. It should create incentives for relocation to India of textiles machinery and technical textiles units facing cost pressures in developed countries.

- **Special Purpose Vehicle (SPV) Based Market Development Model**

Marketing is one of the most significant gap faced by Handloom, Handicraft and Khadi sectors. Formation of Special Purpose Vehicle with participation from leading retailers, brands, manufacturers and weavers / artisans and creating the market linkage through this SPV will help the growth of these sectors which would in turn lead to inclusive growth of textile sector.

- **Domestic Marketing of Indian Handicraft**

Domestic market of Indian handicrafts can grow many fold with focussed market development activities. Indian handicraft industry is still majorly dependent on export market, whereas import of handicrafts from other countries is increasing. A strategic roadmap needs to be developed for developing the domestic market for Indian handicrafts.

## Power

- **Power Tariff**

Power tariff to the industry as determined under Tariff Policy of Government of India, 2006 provides for cross subsidy to be borne by the Industry as a certain percentage of the average cost. The policy wanted the State Electricity Regulatory Commission to notify a roadmap within six months with a target that latest by the end of year 2010-2011 tariffs are within  $\pm 20\%$  of the average cost of supply. After analysing the situation in textiles sector, we found that average subsidy per kwh in most of the States comes to around Rs 1 and it leads to increase in cost of production by about 4% in the spinning sector and by 6% in weaving sector. So, an early implementation of the policy would help the already suffering industry in a major way.

## International Trade

India should have a long term trade strategy for its textiles sector for both offensive and defensive interest.

**Market Access:** Indian exports continue to face high level of duties in some of the major markets like US, EU and Latin America.

- **India- EU FTA**

EU is the largest export partner of India as far as garment exports are concerned, amounting to 48% share in India's total apparel export to the world. As per a study conducted by AEPC, if the Indo-EU FTA is signed it will increase apparel exports by around \$ 2billion per year. But to protect the interest of industry, there is a need to impose some kind of specific duty. It may temporarily be imposed on import of such fabrics and apparel from EU under India-EU FTA to provide time for adjustment to indigenous manufacturers as the FTA may hurt high-end premium fabrics manufacturing in India.

- **India-Mercosur Trade Pact**

The textile and clothing sector is heavily protected in Mercosur countries (Argentina, Brazil, Paraguay and Uruguay) with import duties as high as 35% on many textile and clothing items. Faster conclusion of the expansion of India-Mercosur trade pact will give a great boost to Indian textiles sector.

- **Trade Negotiations with Pakistan**

Pakistan is another prospective export market for worsted/woolen/manmade fibre- based fabrics and other textile items. Therefore, need to engage with Pakistan for trade negotiations in textiles.

- **Import Duty on Cotton Products in China**

Chinese import duties on cotton items are very high. Reduction in these duties will help in improving India's trade balance with respect to China. China has provided zero duty import facility to Pakistan for cotton fabrics. India needs to engage with China for similar concessions in cotton items. This will significantly enhance India's export of cotton items to China and reduce our trade deficit.

### **India's Defensive Interest**

- **SAFTA**

Under SAFTA, our standard Rules of Origin (twin criteria of minimum value addition and change in tariff heading) are ineffective and this leads to the backdoor entry of Chinese fabrics (in the form of garments) into India via Bangladesh. Thus, tweaking SAFTA's Rules of Origin to stipulate utilization of yarns and fabrics of Indian origin as a pre-condition for duty free market access for import of garments from Bangladesh will help India's fabrics export.

- **Transpacific Trade Pact (TPP)**

TPP will affect India's textile and clothing sector in two ways. First, exporters from TPP member countries will get preferential access in the US market vis-à-vis exporters from non-TPP member countries, such as India. This will put India's garment exports (to the US) at a disadvantage as US import duties on readymade garments are quite high with average duty at around 7.9%; duties on some clothing items are as high as 32%. Secondly, a key feature of



the TPP is the 'yarn forward rule' which makes it mandatory to source yarn, fabric and other inputs from any or a combination of TPP partner countries to avail 'duty preference'.

- **Regional Comprehensive Economic Partnership (RCEP)**

RCEP is conceived as an ASEAN +6 (India, China, Korea, Japan, Australia and New Zealand) agreement which will bring about an East Asian Integration. India needs to tread cautiously in these negotiations due to the overwhelming presence of China. Studies have also pointed out that Vietnam will be the single largest beneficiary for textiles. Presently, in order to take preferential tariff benefit under ASEAN-Japan FTA, Vietnamese clothing exports to Japan have to be made from fabric originating either in Japan or ASEAN. Vietnam imports over one-third of its raw materials from China, once the RCEP is implemented, even those Vietnamese garments which are made using Chinese fabric would enjoy preferential tariffs while exporting to Japan, as well as to other countries that are signatories to the RCEP. Such trade agreements must be analysed and industry consulted before opening up trade. The key to an FTA is to gain market access for Indian companies. But it must also be noted that circumvention and mis-declaration of goods will also be an important criteria for goods coming in. Thus, the Rules of Origin play an important role in limiting the entry of third country exports.

## Others

- **Industry Data resource center**

Currently, there is no comprehensive and authentic database available for Indian textile, apparel and technical textile industry, which captures all industry parameters required for taking any policy / investment decision. Hence, there is a need for a data resource center which will capture the data of entire value chain on identified parameters.

- **Investments in Machinery**

Investments in textile machinery, spares and accessories manufacturing need to be encouraged. India does not have facilities to manufacture state-of-the-art machines equipments, accessories, etc., for many segments like garment, weaving, processing, Jute, wool etc. Since the industry has invested over Rs.2.5 lakh crores during the last decade and planning to invest another Rs.1.5 lakh crores in the next five years under TUFs, the Policy

needs to provide separate scheme for the development of indigenous machinery in collaboration with leading institutes.

- **Interest Subvention**

- a) Cost of credit is a major source of concern for our exporters. Interest subvention should be continued for value added and technical textile segments. In addition to micro and small enterprise, the scheme needs to be extended for medium enterprises at least in the sector for the medium term for next 3 to 5 years.
- b) Interest on working capital should be charged for the industry at the base rate

- **Packaging in Jute Bags**

There is a need for continued support of mandatory packaging in jute bags till the time sector develops minimum size market for itself in alternate areas like Geo textiles etc. It is estimated that that the jute industry provides direct employment to 0.37 million workers in organized mills and in diversified units including tertiary sector and allied activities and supports the livelihood of around 4.0 million farm families. In addition there are a large number of persons engaged in the trade of jute. There is a need for promotion of domestic use of jute in diversified areas such as road building, agriculture, horticulture, civil construction, flooring, etc. as Jute is used globally as an environment friendly alternative in all these areas.

- **Status Holder Scheme**

Status Holder Scheme for exporters should be reinstated to help India's textile and clothing sector increase its share in global exports. The scheme should be made available even to manufacturing units that have availed benefits under TUFS.

- **Legal Metrology Act**

Exempt garment industry from the Legal Metrology Act (erstwhile Weights & Measures Act) as it is not a perishable commodity and also garments are always opened and inspected by customers before purchase. This will reduce lot of compliance burden on the sector.

- **Stamping Rules**

There are stringent stamping rules for indigenous textile but the same do not apply to fabrics imported from other countries. Domestic industry needs to be provided a level playfield by enforcing stamping rules for imports also.

- **Counterfeit and Spurious Goods**

In recent years, import of textile and clothing article is rising particularly from far eastern countries. It has been observed that manufacturers/exporters from certain countries do not hesitate in producing counterfeit and spurious goods for making quick gain at the cost of reputed brands while cheating ultimate consumers even with spurious products. Instances of counterfeit of reputed brands and imitation and spurious blends of expensive fibre have been observed in the last few years affecting domestic industry. The National Textiles Policy 2013 should also look at setting up an effective mechanism to check these malpractices in cooperation with other Departments.

- **State Level Duties**

The State government and local bodies impose variety of taxes raw material and finished goods which are not refunded. It is estimated that on textile product the burden of such local taxes works out to be 6% approximately on the F.O.B value of exports. There is a need for working with States for having a scheme to refund these duties for textile exports..

## **Technical Textiles**

### ***Fiscal measures for technical textiles***

- Reduce excise duty on mass consumption specialty man-made fibres from the current level of 10%.
- Reduce import duty on additives used in flame retardant and other specialty fibres at least for some initial years.
- Capital equipment used for manufacturing identified specialty fibres to be exempted from custom duty to encourage local manufacturing (those machines which are not manufactured domestically).
- Specialty fibres/yarns need to be covered under the Focused Product Scheme for export of technical textile products at competitive prices as well as for domestic market.
- VAT rates to be made uniform for technical textiles products irrespective of the base fibre used and irrespective of the source of origin of the product, whether local or imports.

- 25% capital subsidy and 5% interest subsidy to be provided to small & medium entrepreneurs engaged in the manufacture of technical textile products under TUFS.

#### ***Non-fiscal/regulatory measures for technical textiles***

- Standards need to be formed on urgent basis for Geotex, Buildtex, Protex, Meditex, mobiltex and Agrotex in view of health, safety and environment reasons. Already, some good work has been done with the support of BIS, TRAs and Industry which needs to be taken forward. This may require some capacity building at standard setting level.
- Government regulation/guidelines are needed to encourage the production and consumption of certain technical textiles in India. Some of the specific actions could be as follows:
  - a) Regulations for usage of geo-synthetics in infrastructure development projects especially for rail/road construction for central/state highways, expressways in low California bearing ratio (CBR) areas, cyclone prone areas, hilly areas etc.
  - b) Increased usage of woven/nonwoven meditex products in medical institutions and hospitals by amending the Drugs & Cosmetics Act to include man-made textiles items.
  - c) Increased usage of safety mobiltex products such as air bags and fire retardant materials like interior carpets, upholstery seat covers, etc by regulation or amendment in relevant Act.
  - d) Increased usage of fire retardant textiles for uniforms for defence & paramilitary forces for combat operations, industrial work wear, fire fighters' uniforms as well as for curtains/upholstery for public places/buildings by mandating standards/amendments of relevant Acts.
- It is important to identify and distinguish technical textiles items from the conventional items. Many conventional items are still being considered technical textiles. This identification in terms of HS Codes is important for targeted incentives for this industry and a proper roadmap for the sector.
- Indian Government schemes and procurement can provide a huge market for technical textiles. For instance, Ministry of Textiles has got products like sanitary napkins included in the National Rural Health Mission which is a flagship scheme of Ministry of Health. Similarly, technical textiles find huge usage in infrastructure sector like Geotextiles in roads. The study done by CRRRI (Central Road Research Institute), India to assess the efficacy of geotex as compared to conventional materials, found that geotex is an effective substitute for

conventional blanket course. Also, the study noted that its use is very cost effective when good quality sub-base materials are not available and CBR (California Bearing Ratio) of sub-grade is less than 3. The potential for adoption of more such products under the schemes of Government of India which would help us in achieving the objectives both for the industry and economy.

- Higher allocations for technical textiles segments for promotion of these products and creating awareness.
- Under the Scheme for Integrated Textile Parks (SITP), some minimum number of textile parks to be earmarked for technical textiles.