

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

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1. Vision 2024-25

The Indian textile industry has strength across the entire value chain from natural to man-made fiber to apparel to home furnishings. Its share in the nation's GDP is 6% and in exports is 13%. The sector is the second largest employer after agriculture. After the phasing out of export quotas in 2005 India's export performance has been below expectations. Its share of global exports is around 5% whereas it was expected to rise quickly towards China's level. The Chinese share in global exports is 39%. 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%.

Taking innovative measures in partnership with the industry and learning from experience, India could aspire to achieve 20% growth in exports over the next decade. In any case the achievement of 15% growth rate in exports should be feasible. In the domestic market, sustaining an annual growth rate of 12% should also 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 while with the lower 15% CAGR in exports, India would be exporting about US\$ 185 billion of textile and apparel by 2024-25. Considering the targeted growth in exports, India should by then have a market share of 15% to 20% of the global textile and apparel trade from the present level of 5%.

During this period India should also attempt a structural transformation whereby it becomes a net exporter of finished products. This would imply that growth rates in exports of fibre and yarn should start declining and growth rates of apparel, home furnishings, technical textiles and other finished products should grow very rapidly. This would maximise employment generation and value creation within the country and the fulfilment of the Prime Minister's Vision of "Make of India". In the process, investment of about US\$ 180 billion to US\$ 200 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 and 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 for manufacturing world class facilities for realising the Prime Ministers vision “Make in India” with “Zero Effect; Zero Defect” at each level of the value chain. The advent of large manufacturing plants with economies of scale will help India in achieving global competitiveness. Large scale capacity additions will enable India to achieve the vision of higher share of global trade and create 35 million jobs to help India eliminate poverty.

Man-made fiber production would need to grow very rapidly to reach manifold levels to make possible the achievement of the Vision.

2.2 Attract Investment into the Sector

The sector needs to be made attractive enough for investors. It needs to get US\$ 180 billion to US\$ 200 billion investment for achieving the production capacity of about 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 most important requirement is the maintenance of a competitive exchange rate.

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 production capacities envisaged,additional skilled manpower of 35 million would be needed. This is going to be difficult.

Productive and skilled manpower is the only way to achieve global competitiveness and to derive the full benefit 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 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 regulatory framework for labour with multiplicity of laws and reporting requirements with oneroustransaction costs is one of the major reasons for the inability of the sector to expand and acquire global scale. This is specifically true for the labour intensive segments of the 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 in full compliance with India's ILO obligations. This should be seen as a prerequisite for sustained growth as a part of global supply chains.

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:	39%
v.	Handlooms & Handicrafts:	11%
vi.	Others:	4%

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. 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 been growing steadily; but they have been limited to only a few markets. The EU and the US remain the major export destinations with 50% share of the Indian export market.

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

Specific strategies for achieving a significant share would need to be evolved for individual countries such as Japan, China, Brazil, Russia, etc. The product mix would need to be tailor made for each major market. 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, 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.

It would be necessary to sustain the increase in output of cotton per hectare through improved seed varieties and better farm practices. The objective should be to match the global output per hectare yields.

Silk, wool and jute production also need to sustain adoption of better technology and practices to increase production and improve quality.

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 rises. This would be 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.

Genuine and constructive partnership with the State Governments is absolutely essential.

To achieve their 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 which has mitigated the severe real exchange rate appreciation over the earlier years, textile exports have grown by 13% in dollar terms in 2013-14 whereas it was only 6% in 2012-13. Government needs to work with the 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 handicap in the Indian textile and apparel manufacturing sector. Countries ranging from China to Bangladesh have developed large production units whereas in India the textile sector is still dominated by smaller units which lack economies of scale. 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 that an investment allowance of 15% be provided across the entire textile and apparel manufacturing value chain, including garment accessories and textile machinery manufacturing for the next 10 years. In the textile sector, growth of SMEs needs to be specially incentivised. The benefit of investment allowance should therefore have no minimum investment cap and all investments should be eligible for investment allowance for the next 10 years.

- 3.1.3 In order to achieve large scale technology upgradation in the Powerloom and Knitting sectors, a workable scheme for provision of state of art machinery through Leasing/Hire-Purchase is necessary. To achieve this, a few pilot projects should first be taken up. These could be implemented either through SPVs which could even be cluster specific, or, through specially designed and created NBFCs. Partnership of the concerned State Governments would be an essential prerequisite for success. The projects need to be implemented in the PPP mode.

The pilot projects would provide latest technology machines on lease/ Hire Purchase to weavers or knitters. The projects through bulk purchases should be able to get reasonable discounts from the machine manufacturers. Being promoted by the Ministry of Textiles and the State Governments, the project should also be able to get debt at attractive rates. Government guarantee for the pilot projects for the debt would further lower the cost of funds. Once the pilot projects have succeeded the program should be scaled up, Government guarantee for getting funds at reasonable rates may then no longer be required. To the extent feasible, new work-sheds may also be created for which land would need to be arranged for the pilot projects by the State Government. The real income of the weaver/knitter after paying the EMI for the new machine should increase adequately for the

Scheme to be a real success. Accordingly the interest subsidy subvention would need to be calibrated.

After the learning from the pilot projects and recalibration, 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 all 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 needless 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, the entire value chain for textiles 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 leasing, maintenance services, parks and clusters, designs services and 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 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 return of 12%, and rapid off-take. Equity should be provided without seeking management control. Reasonable contractual agreements regarding valuation and exit in line with international practices should be put in place. 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 up to 20% per annum in addition to catering to increasing domestic demand. It is recommended that Mega Textile Parks should be developed especially 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 ambitious aspiration of sector growth rates, 35 million skilled workers would be required by 2024-25. Initially skill development needs to be increased substantially 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 Industry. Ministry of Textiles may take up with the Ministry of Rural Development, the issue of dovetailing and synergy between the skill development initiatives for the textile sector and the NREGA and other programs of that Ministry with appropriate adjustments so that the young in the villages can be skilled and moved into the modern productive textile economy. They would be empowered through skills to be able to outgrow the need for NREGA support.
- 3.2.2 In order to promote skill development initiatives at firm level, it is recommended that the fees paid by textile and apparel sector firms 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. Credible mechanisms for assessing levels of quality and productivity in segments of the supply chain as well as in individual enterprises are needed. 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. The Ministry of Textiles should work with the Quality Council of India and the National Productivity Council for achieving this objective.
- 3.2.4 In order to help individual enterprises achieve zero defect production and improve productivity levels, the textile sector should be covered by a Ministry of Textiles run National Manufacturing Competitiveness Programme which is currently being run by the Ministry of Small and Medium Enterprises for all SMEs. 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 is essential that the Ministry of Textiles run this programme and Ministry of MSME should cover rest of the manufacturing sectors. This new programme of the Ministry of Textiles should aim to cover all the textile clusters in the next 5 years, so that Indian firms improve their quality and productivity and be at par with their global competitors including those from China 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 within reasonable proximity of the work place. Workers 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 transport arrangements depending on what industry prefers. Land for such workers housing/ dormitories would need to be provided at subsidised reasonable rates in partnership with the State Governments. Debt for the land and construction should be provided at the subsidised rate of 7% and be repayable over 25 years. Equity for such housing projects should be provided by the Textile Ministry to project specific SPVs. These should be managed as rental accommodation for textile workers only in a PPP mode. Debt of 7% repayable over 25 years should also be provided to individual firms or group of firms who would like to develop workers housing on their own according to the norms for such housing/ dormitories.

3.2.6 In order to provide health cover to the workforce of the sector, it is recommended that there should be universal coverage of all workers; regular, contract, employees of micro and small enterprises, handloom/handicraft workers under the RashtriyaSwasthyaBeemaYojana (RSBY).

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 the Scheme of Hire-Purchase and TUFs in specific segments should be made available only on machines made in India 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.

Special efforts should be made for attracting investments for manufacturing textile machines under the Prime Ministers Vision of "Make in India".

3.2.7.2 In order to promote use of latest technology machines and to promote machinery manufacturing investments in India, it is recommended that import of second hand machinery should not be eligible for benefits under TUFs.

3.2.7.3 To achieve the Prime Ministers vision of "Make in India" for the full range of textile Machinery, the following needs to be ensured:

- There should be no inverted duty structure for the manufacturer of textile machinery. This should be ensured in the forthcoming budget in consultation with the Tariff Commission.

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- Special manufacturing zones/ clusters with anchor investor(s) may be developed in the mega textile parks or in suitable locations preferably along industry corridors.
 - A tailor made package of incentives for different categories of textile machinery may be evolved in consultation with potential investors. This could include assured off take under hire purchase scheme, tax incentives, soft loans, etc.

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 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. Being labour friendly should be seen as a necessary prerequisite for sustained growth as a part of global supply chains.

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.

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

3.3.2.1 Restriction on women working in night shifts creates an avoidable constraint for the textile sector especially for garment manufacturers as women constitute the majority of the workforce globally. This restriction on women to not work in night shifts should be removed subject to satisfactory safety and security arrangements. Decisions in this regard should be left to the State Governments who may be authorised to take such decisions.

3.3.2.2 Present labour regulations do not permit engagement of workers on fixed term employment. Given the seasonal nature of demand in the export market, it is essential that the fixed term employment be permitted. This has been the long standing demand of the industry. It is therefore recommended that fixed term employment should be allowed in the sector.

3.3.2.3 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 upwards to the extent permissible under ILO conventions.

3.3.2.4 Units employing over 100 people currently fall under the purview of the Industrial Disputes Act, 1947. The Act stipulates that employers must obtain Government approval for lay-offs. In practice such permission is not easily granted. There is need to keep exporting units employing up to 500 workers free from the requirement of seeking prior Government approvals for lay-offs.

3.3.2.5 The export business is seasonal and uncertain in nature. Exports of apparel and knitwear are a labour intensive activity and given the uncertainties in global markets, there is a need for flexibility in hiring labour. Hence, Export Oriented Units should be given permission to use contract labour without any restrictions.

3.4 Structural Shift with Increasing Value Addition in India

- 3.4.1 The 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 as well as rapid growth of smaller enterprises, it is recommended that the 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 in the first year. Based on 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 get equity from the Ministry of Textiles. These may also be provided long term debt at fixed interest rates of 7%. 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 should be operated 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 immediately.

Ideally export finance should be provided at LIBOR plus 150 basis points. This should become affordable as the economy regains growth momentum and the fiscal situation improves.

3.4.3 Technical Textiles

- 3.4.3.1 Technical Textiles is a high technology sunrise sector which is steadily gaining ground in India. Technical Textiles encompass a wide range of products such as Protech, Agrotech, Geotech, Meditech, Sportech, etc. To promote this sector, it is recommended that segment specific approaches may be adopted wherein a strategy is developed and implemented to increase production of identified technical textile products which may be chosen on the basis of the anticipated demand. The objective should be that India avoids becoming a major importer of technical textiles and tries to become a significant manufacturing hub and a net exporter.
- 3.4.3.2 It is recommended that the Ministry of Textiles should coordinate with Government organizations / bodies to promote their sourcing of technical textile products made in India with increasing value addition. Such organizations include the Armed Forces, ONGC, Railways, Road construction, Highwaysetc. which are potential large users of technical textile products like protective wear, geotextiles, etc. The Textile Ministry should work with these agencies so that they indicate their intention of buying only domestically manufactured technical textile products from a prospective date. The domestically manufactured product would

naturally be required to meet the requisite specifications and quality standards. The demand signal for future procurement of significant quantities with the stipulation that the product be made in India would naturally result in investments for making in India if the volumes are large enough.

- 3.4.3.3 Some zones in a few of the mega textile parks may be earmarked for dedicated segments of technical textiles and efforts should be made to bring an anchor investor(s).

3.5 Diversification of Export 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, China, Brazil, South Korea, 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 the share of Indian exports can be increased. For each market, professional agencies should be hired from the target country to advise on an appropriate 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 holidays may be given to companies on exports of specific finished good items: apparel, made-ups and technical textiles, designated by the Ministry of Textiles, if they sustain export growth 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 in terms of the number of participants and sub-segments. It is recommended that a mega trade promotion event be held for the entire industry including manufacturers of textiles, apparel, knitwear, home furnishings, accessories, technical textiles, textile machinery, etc. This event should be developed into the single most important event for international buyers to attend.
- 3.5.4 Given the size of the sector and its importance, it is recommended that all export promotion schemes be implemented by the Ministry of Textiles itself.

3.6 Promoting Innovation and R&D

3.6.1 Business Process Innovations

3.6.1.1 Brand India needs to be promoted as “Make in India, Made in India”. Within the overall umbrella of Brand India, specific product segments would need to be promoted in target markets in consultation with exporters.

3.6.1.2 It is recommended that the creation of global brands should be supported by Ministry of Textiles financially. The Turkish model of helping the country’s brands to venture overseas is a good template, which can be adopted with suitable adjustments and modifications. Four to five pilot projects with clear focus and strategy may be supported.

3.6.1.3 Internationally e-commerce has emerged as a highly successful and efficient business model. 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.

3.6.1.4 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 brand 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 apparel brands owned and controlled by Indians only may be permitted with FIPB approval.

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 The Ministry should have an R&D Fund which could be used to finance R&D for specific needs identified by industry. Individual R&D projects should also have some industry funding which could vary depending on the nature of the project. The R&D project may be awarded after invitation of bids to individual institutions, consortium of institutions or individuals. In some cases an R&D problem could be entrusted to two parties and both may be financed so as to have competition and better results. The Fund may also be used to acquire technologies. The Fund may also assist private firms in acquiring technologies on cost sharing basis subject to ceilings in individual cases. Modalities may be worked out in consultation with industry. These may need to be fine-tuned with experience.

3.6.4 There is need to promote the use of technologies and processes in the textile and apparel

sector which reduce consumption of water, chemicals and energy. For this large scale awareness about such technologies, chemicals, systems, etc. needs to be disseminated. Technical and financial support for enterprises to adopt green practices would be desirable. Use of sustainable, eco-friendly, biotechnological tools should be developed as a USP of the Indian textile sector. Being 'green' adds to competitive advantage. Indian companies should be supported to acquire relevant national and international certifications for conformity to Global environmental standards. Financial support for enterprises to adopt green practices should be introduced for each identifiable and quantifiable green practice.

3.6.5 Despite being one of the largest consumer markets in the world, there is no standard apparel sizing system in the country specific to Indian consumers. Apparel in the Indian market displays either European or American size. These naturally do not conform fully to the body sizes of Indians. Providing right size and fit will foster the growth of ready-made garment industry in the country. Hence, it is recommended that a scientific, systematic anthropometric study of Indian population should be undertaken for developing a standard Indian sizing system.

3.6.6 Cotton

3.6.6.1 To improve cotton yields, adoption of improved irrigation and agriculture practices should be promoted. International best practices to improve yields with reduction in inputs should be reviewed and adapted in Indian context. Adoption of technique of high density plantation also needs to be promoted.

Presently, very large varieties of cotton seeds are being sold in market. Each type of cotton seed has its own properties. To improve fibre homogeneity, it is recommended that the seed varieties which industry needs should be promoted.

3.6.6.2 Development of niche cotton varieties for example Organic Cotton or Coloured Cotton should be promoted to tap their full market potential.

3.6.6.3 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 a certification system will generate through the price signal, demand for modernisation at the picking and ginning level through mechanized picking, warehousing, etc. The Quality Council of India in partnership with the Cotton Corporation of India may be used for developing the system of certification.

3.6.7 Jute

3.6.7.1 Jute yields have hardly improved over the years. In order to provide better returns to the farmers it is imperative to increase productivity of 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.

3.6.7.2 Quality of Jute fibre is dependent largely on the care given during the retting process. In the 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 have been developed by various jute research institutions are yet to gain acceptance by farmers and put to large scale use. It is recommended that pilot projects should be taken up in jute producing areas in Common Facility Center mode deploying new retting technologies to fine tune these technologies and practices so that their usage can be scaled up rapidly in a sustainable manner.

3.6.7.3 Jute mills have not been making investments to replace old equipment with modern energy saving equipment. To overcome this challenge, it is recommended that Energy Services Company (ESCO) concept should be promoted and implemented in Jute mills. The Bureau of Energy Efficiency (BEE) and Energy Efficiency Services Ltd. (EESL) may be asked to see if a viable program can be drawn.

3.6.7.4 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 be engaged to develop new and better jute products which have the potential of greater success in the market without subsidies.

3.6.7.5 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 Ministry of Textile should finance and conduct Life Cycle Analysis of Jute and develop Disposal Protocols in line with requirements of various markets.

3.6.7.6 A strategy for promotion of a range of jute products in the domestic as well as in the international market may be drawn up. With success in implementation it may be feasible to phase out the mandatory use of jute bags.

3.6.8 Production of wool should be increased along with improvement in quality by adopting better technology and practices in the sector.

3.6.9 Technical Textiles

3.6.9.1 Weaknesses in developing standards and certification systems for technical textiles has constrained the growth of demand for these products in India. The mandatory use of certain categories of technical textiles for specified purposes has been

prescribed in many countries. It is recommended that standards being used in Europe and the US may be adopted for use in India on case to case basis. The Textile Ministry may pursue this with the BIS. The Textile Ministry may also pursue with the concerned regulatory authorities and agencies the issue of mandatory usage of technical textiles where considered necessary and appropriate and in keeping with evolving international practices. Some examples of regulations made by foreign Governments are:

- The Department of Water Affairs and Forestry in South Africa made the use of Geomembranes in landfills mandatory under the Minimum Requirements Series not long after 1994.
- Austria, France, Germany, Hungary, Italy, Switzerland, Japan and the UK have Minimum Requirements in place when it comes to Geomembranes and Geotextiles for MSW landfills.

3.6.9.2 Development of innovative technologies, products, processes and applications hold the key for growth of the technical textiles sector. This is a high technology sector. An R&D program in partnership with industry for each segment in technical textiles may be drawn up. This should have a commercial orientation to facilitate the rapid growth of the industry in India.

3.6.10 Textile and jute machinery manufacturing need research and development. In India, R&D for these needs augmentation. In order to promote development of technology, it is recommended that R&D activity for development of new and upgraded machines be financed by Government with industry contributing to the extent feasible.

3.6.11 Ministry of Textiles/ Ministry of Heavy Industry should have a separate R&D Fund which could be used to finance R&D for specific needs identified by the jute and textile machinery sector. Individual R&D projects should also have some industry funding which could vary depending on the nature of the project. R&D project(s) may be awarded after invitation of bids to individual institutions, consortium of institutions or individuals. In some cases an R&D problem could be entrusted to two parties and both may be financed so as to have competition and better results.

3.6.12 Use of IT Tools

3.6.12.1 For the benefit of farmers, smartphone apps 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. Separate apps may be developed for cotton, silk, wool and jute. State specific features may also be introduced in these apps to the extent required.

3.6.12.2 It is recommended that Ministry of Textiles and its related offices / bodies should

develop smart phoneapps in local languages for providing extension services across the value chain – farmers, weavers, artisans, garment manufacturers, knitters, etc. Each sector should be covered by a different appto maintain simplicity and ease of operations. This should be supported by call centres with email response capabilities also which should be operated in local languages.

3.7 New Approach towards Handloom and Handicrafts

Handloom

- 3.7.1 Good quality yarn is the basic raw material and the input for the weaver. Weavers are scattered in rural settlements across the country. One of the primary functions of the National Handloom Development Corporation Ltd (NHDC) is to supply yarn to the handloom weavers. However, at present its supply is only 10-15% of the yarn needed by weavers. It has natural limitations in improving its outreach. It is suggested that NHDC should scale up its operations in partnership with willing State Governments to enhance the supply and timely delivery capacity for weavers. NHDC in partnership with State Governments may develop regional yarn depots/raw material banks for ensuring speedy supply of yarn to handloom weavers. This could also be done in a PPP mode. Short Message Service (SMS) and smart phone app based delivery mechanisms should also be developed. The objective should be that except for remote areas, weavers should be able to get delivery of quality yarn on demand within three days. NHDC may be provided additional resources for this purpose.
- 3.7.2 It is recommended that the Common Facility Centers/ dyeing units that are promoted under Cluster Development Programmes of Integrated Handlooms Development Scheme (IHDS) should be scaled up in partnership with the State Governments to cover all the major weaving clusters in the country. Good quality dyeing and modern environmentally acceptable waste water management in these dyeing units is essential.
- 3.7.3 Colours which do not run and enable garments to be washed with other clothes in washing machines will gradually become a necessity for the survival and growth of demand of Handloom and Khadisector. Credible certification mechanisms for fast colours needs to be put in place.
- 3.7.4 Traditional designs have been the strength and source of appeal for Indian handloom products. While preserving these, weavers must also be encouraged to come up with new designs. They must be involved in the design workshops where they can be informed about trends and get help from the professional designers to increase marketability of their new designed product.
- 3.7.5 The delivery of credit is still a weakness. With the new initiatives for opening of bank accounts, direct delivery of subsidies and digital governance, it should be possible to ensure that all weavers get the credit on soft terms they are supposed to. This is essential and should be given the utmost priority in partnership with the State Governments.
- 3.7.6 There is a vast scope for handloom sector to leverage the attractive opportunity provided by the e-commerce platform as it will not only provide a bigger platform to showcase the Indian heritage but will also help in direct marketing. Direct e-sales should result in higher incomes as well as greater demand for the products for weavers thus improving the

livelihood of handloom weavers. Suitable marketing, sourcing and logistic arrangements should be developed in association with State Government for the success of this endeavour. This may need to be done in the PPP mode.

- 3.7.7 Certification for genuine Handloom and Khadi products which enjoys credibility in the domestic and international market is an essential prerequisite for sustaining and increasing demand for Handlooms and Khadi as premium products which should command a higher price in the market. The global experience of price premiums for organic food is the example that is relevant. The challenge would be to create credibility in the domestic as well as international market of certification.
- 3.7.8 Presently a very small percentage of handloom products get exported whereas the market size can be increased substantially overseas. It is recommended that an extensive strategy must be evolved for distinct international markets and such strategy should also identify design and products with handlooms which can succeed in these markets. Resources would need to be provided for such studies by the Government. The strategy for each market should identify the products and designs using handlooms which need to be promoted. A PPP mode for such studies as well as marketing efforts may be explored.
- 3.7.9 Being the bearers of Indian tradition and culture, handloom products are major attraction for tourists. It is recommended that handloom bazaar like Delhi Haat maybe created in major tourist places.
- 3.7.10 Powerloom sector is more productive and for products which can be made in both in handloom and powerloom, the weaver would prefer to shift to powerloom to get higher wages. This is the inexorable logic of development and the power of market forces. To illustrate, second-hand powerlooms are shifting from Surat to weaving clusters of Bengal and weavers are wanting to shift to powerlooms to increase their incomes. Still they are having difficulty in competing with the cheaper powerloom products that are being imported from Bangladesh. It is therefore necessary for policy to encourage the shift of weavers to more productive output through electricity operated devices in traditional looms as well as to powerlooms. Handlooms would need to compete in the market place by commanding a higher price. It is necessary to create through promotional and marketing efforts, the willingness in customers to pay a higher price for handlooms as is the case for organic foods globally. Alternatively, the handloom product will command a price premium if the quality of the fabric or design cannot be matched by powerloom.
- 3.7.11 In view of the above, it is widely accepted that the Handloom Reservation Act has ceased to be effective. Powerloom products are competing in the market place with handloom products and increasing market share. It is time for a national debate and a consensus on accepting the ground realities and doing away with the Handloom Reservation Act which in any case is neither being enforced nor is enforceable.

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- 3.7.12 It may also be mentioned that there is a real danger that the use of traditional Indian clothes by women may decline sharply due to globalisation and acceptance of global fashions. This may in turn lead to a decline in demand for handloom products for women in India. A strong campaign to counter this and make traditional clothes and handlooms fashionable is necessary to ensure that demand for handloom does not decline sharply in the coming decades.
- 3.7.13 Hank Yarn Obligation (HYO) operating under Essential Commodities Act stipulates that spinners must pack a specified percentage of yarn on hanks in order to ensure sufficient yarn availability in the sector. HYO is seen as an avoidable burden by the spinning industry. Three handloom surveys conducted by NCAER on behalf of Ministry of Textiles in 1987, 1995 and 2010 assessed number of working handlooms as 3.61 million, 3.04 million and 2.15 million, respectively. While the number of working handlooms declined, domestic delivery obligation of hank yarn increased in this period under Hank Yarn Obligation (HYO). It has also been reported that hank yarn is extensively used by the powerloom industry. Hence, HYO needs to be immediately reduced to reflect the actual demand of the handloom sector.
- 3.7.14 In theory, a regulatory mechanism for meeting the needs of yarn for weavers should not be necessary. Once NHDC scaled up its operations to meet the full needs of the handloom sector, the volume of procurement by NHDC should be adequate to ensure both the production of hank yarn in the required quantity as well as the required quality. As NHDC scales up its operations and the volume of its procurement become large enough the HYO may be done away from a prospective date.
- 3.7.15 It is felt that Khadi and Village Industries Commission (KVIC) should be split into two and the work related Khadi should come under the Textile Ministry. Similarly the work relating to handicraft should go from the Textile Ministry to the MSME Ministry so that handicrafts and Village industries are promoted in an organic fashion.

Handicrafts

- 3.7.16 Ensuring supply of inputs and raw material for handicrafts products at reasonable prices through aggregation of demand would increase competitiveness of handicraft products. In partnership with the State Governments, efforts should be made in this regard where required and preferably in a PPP mode. Where supply mechanisms are created, the objective should be for handicraft producer to be able to get raw material inputs on demand through SMSs/ specially designed apps through smart phones.
- 3.7.17 The delivery of credit is still a weakness. With the new initiatives for opening of bank account and direct delivery of subsidies and digital governance, it should be possible to ensure that all the artisans get the credit on soft terms they are supposed to. This is essential and should be given the utmost priority in partnership with the State Governments.

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- 3.7.18 There is a vast scope for handicraft sector to leverage the attractive opportunity provided by the e-commerce platform as it will not only provide a bigger platform to showcase the Indian heritage but will also help in direct marketing. Direct e-sales should result in higher incomes as well as greater demand for the products for artisans thus improving their livelihood. Suitable marketing, sourcing and logistic arrangements, preferably in the PPP mode should be developed in association with State Government for the success of this endeavour.
- 3.7.19 Being the bearers of Indian tradition and culture, handicraft products are major attraction for tourists. It is recommended that handicraft bazaar like Delhi Haat may be created in major tourist places.
- 3.7.20 Advertising campaigns for handicraft products should be done to market the product overseas. Designing, marketing and Sales of the handloom products to be done in the PPP mode.
- 3.7.21 Traditional handicrafts design and products have great value and appeal both within India and overseas. Efforts to create newer markets for these products is necessary. Some of this could be done in PPP mode with established marketing outlets in countries where there is potential.
- 3.7.22 The traditional handicrafts items should be modified to create products for which there will be greater market. For example Christmas tree decoration. Design support should be provided to the handicraft sector. This should be done partnership with the State Governments.

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 envisaged. 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 currently prescribed in the Scheme
- b. SPV formed by the State Government through any of its institutions for development of the Textile Park.
- c. SPV formed by State Government which operates in a PPP mode.

The last two SPV options would 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. Development of mega parks could take place in phases. For these mega parks, there should be no financial ceiling on assistance which should be linked to the area developed. The development of 2 mega textile parks should be targeted initially.

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 a much larger programme of development of textile parks including mega textile parks, it is recommended that the scheme may be modified to convert the existing capital subsidy provision to an interest subsidy provision with the 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 tenor of the loan, the lower will be the outgo on interest subsidy annually. Hence with the same budgetary provision an even larger programme can be supported.

3.8.1.4 To stimulate investments across the textile value 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 8 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 the 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 50% of the current 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, a hire purchase scheme in line with the recommendation for upgradation of powerlooms as given in point 3.1.3 may be implemented.
- 3.8.2.6 Group Workshed Scheme provides support to weavers for construction of worksheds for installation of shuttle looms in existing or new clusters. Support for establishing large scale worksheds is now also made available under the new scheme of Hire-Purchase scheme under TUFS. It is recommended that Group Workshed Scheme should be merged with Hire-purchase scheme under TUFS.

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- 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 PPP partner may be chosen through global bids for construction and maintenance of common waste water treatment facility with the bid evaluation parameter being the lowest cost of treatment per cubic meter. Provision of power at cheaper rates may be settled with the State Governments in advance to improve the viability of the facility.
- 3.8.3.2 New large scale processing units should be encouraged to be established closer to coastline having ETPs with Marine Outfall in new processing zones to be developed in partnership with State Governments.
- 3.8.4 To enhance the attractiveness of SEZs, 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.
- 3.8.5 Minimum Support Price (MSP) Operations:
- 3.8.5.1 Current system of declaring MSP for two types of cotton seeds 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.

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- 3.8.5.2 Silk production can be increased, especially in North- Eastern region and tribal regions in Central India. Just as there is MSP for Cotton, it is recommended that MSP be introduced for silk.
- 3.8.5.3 It is also recommended that MSP be introduced for wool.
- 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 the 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 input/output norms should be more flexible and there should be a fast track online process for approving variations quickly enough so that the orders are not lost on this account.

In the Bangladesh model of Export and Import certification, exporter certified by BGMEA, can freely import fabric and other inputs duty free and maintain records of imports and exports which can be scrutinized. A similar scheme may be introduced on pilot basis for exporter with an annual turnover more than Rs 300 crores. Based on the experience, the threshold

can be progressively reduced. This would be the key to a substantial breakthrough in garment exports; a breakthrough which has eluded India so far.

- 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. 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 the ambit of Packaged Commodity Act.
- 3.8.12 Cotton Advisory Board's (CAB) main role is to finalize the balance sheet of cotton production, consumption and stocks. Some have raised the issue of authenticity of the 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 at 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, the role of the CAB should be expanded so that it may act as an effective advisory body for the use of better 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 the cotton sector, besides doing MSP operations. It is recommended that the role of CCI may be redefined to function as a business trading house/ body for procurement of cotton and sale to industry on commercial lines. 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, 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 later on. Buying at the 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 be increased 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 the Department of Financial Services/ RBI for issuance of guidelines to all the commercial banks.

3.8.15.2 In FY 2010-11, restrictions were placed on cotton exports for a brief period of time for 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, a liberal trading regime for cotton fibre as well as cotton yarn with no restriction on exports or imports is essential. Government should clearly announce its intention of following a liberal trading regime.

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 times. It is recommended 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 the sector should not depend on an Act for so long. However, it is important to acknowledge the fact that lakhs of farmers and industrial workers are employed in the Jute sector. Hence its dilution and final withdrawal should be linked to modernization of the sector and development of markets for alternative products. It is recommended that Government should liberally fund initiatives in this direction. Some of these initiatives could be:

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- 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 globally.
 - c) Product, process and design development to create new products or new applications.
 - d) Interest 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.