Textiles get Rs 10,683-crore PLI boost, cotton out: Investors in select MMF, technical textile facilities to get up to 15% incentives for 5 yrs

The incentives will be provided for incremental production in 40 man-made-fibre-based garments, 14 MMF-based fabrics and 10 technical textile segments, textiles secretary UP Singh told FE.

The Cabinet committee on economic affairs on Wednesday cleared a Rs 10,683-crore production-linked incentive (PLI) scheme under which manufacturers of select man-made fibre and technical textile products will be granted incentives up to 15%. Potential investors will have to set up new subsidiaries to get the benefits available for five years. The scheme is open to two categories of investors. Those who will invest at least Rs 300 crore will be eligible for a 15% incentive in the first year if they achieve a turnover of Rs 600 crore or more.

Similarly, those investing at least Rs 100 crore will get 11% in the first year if their turnover hits Rs 200 crore or more. After the first year, both the categories of investors will have to show a 25% incremental turnover annually.

But the benefits will drop by 100 basis points with each passing year in both the cases. Companies will get two years to set up the plants. But if they can establish the facilities earlier than that, they will get incentives early too.

While the government has lowered the lofty investment and turnover criteria from the level envisaged earlier, it has kept cotton products out of PLI scheme's purview. This is despite the textiles industry demand to include at least those natural fibre-based items in which value addition is substantial.

Resource from Financial Express

With this, the government has also sought to correct India's historical policy bias towards cotton-based value chain that is, in fact, contrary to the global consumption pattern. The idea is to reclaim India's export markets after ceding substantial ground to Bangladesh and Vietnam in recent years.

Commerce, industry and textiles minister Piyush Goyal said, leveraging the economies of scale, the scheme will help domestic companies to emerge as global champions. It will also promote fabric production as well as processing units, the areas where India is lagging. The country is also engaged with key economies, such as the UK, the UAE and the EU, to hammer out free trade agreements (FTAs) that will benefit the textiles and garment sector, among others. However, he made it clear that the government won't forge FTAs in a hurry, which could be counter-productive; instead, it will sign "good FTAs".

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The ministry is planning to finalize the guidelines in about a week and applications will be invited between November 1 and December 31, he added.

Asked if the current scheme would succeed, given that some of the earlier programmes, especially the TUFS, haven't quite catalyzed the kind of investments and exports that were initially envisaged, the secretary said the PLI scheme would be a game changer. Even the earlier schemes were still instrumental in helping the sector move forward. The A-TUFS, for instance, helped the modernization of many power looms across states, he added.

As many as 25 large investors and 45 smaller companies are expected to benefit from the scheme, Vijoy Kumar Singh, additional secretary in the textile ministry, told FE.

While the government's focus is to ramp up domestic manufacturing, analysts said, with elevated production, exports, too, will get a boost as well.

Even before the pandemic struck, textile and garment exports shrank 8.6% year on year to $33.7 billion in FY20. As such, the sector's share in the overall merchandise exports has been sliding consistently in recent years, having dropped from as much as 13.7% in FY16 to just 10.8% in FY20, the lowest in around a decade. Last fiscal, such exports dropped by 10% to $30.3 billion, worse than a 7% contraction in overall merchandise exports.