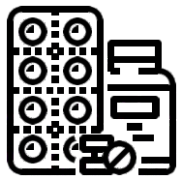
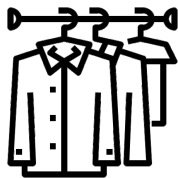




Production Linked Incentive (PLI) Scheme Steering India to a Manufacturing Mammoth



Textiles & Apparel



India's Best Performing and Most Customer Centric PMS

What Is Production Linked Incentive (PLI)?

The PLI is an old and popular tool with governments to stimulate the production of goods that the country sees as necessary for social goods, taxes, or employment-generation reasons. PLI's are essentially the incentives for companies to boost the products. They could be in the form of tax rebates, import and export duty concessions, or maybe easier land-acquisition terms. Generally, the benefits of a PLI Scheme are passed on to the final consumers of the goods in terms of lower prices. Through their implementation, it is hoped that economies of scale are created so that domestic manufacturing becomes competitive. The resultant benefits include job creation, export capabilities, and lessening the import dependency – particularly in critical sectors and high-tech goods.

Production Linked Incentive (PLI) schemes were first introduced in India in March 2020, targeting three industries – **mobile manufacturing and electric components, pharmaceutical (critical key starting materials/active pharmaceutical ingredients), and medical device manufacturing.** The PLI concept has since expanded with schemes rolled out for multiple sectors to boost India's manufacturing capabilities and encourage export-oriented production. The Government introduced this scheme to reduce India's dependence on China and other foreign countries. It supports the labour-intensive sectors and aims to increase the employment ratio in India by developing local supply chain capacities, introducing new downstream operations, and incentivising investments in high-tech production.

In addition to the three schemes announced earlier in March 2020, the Government of India introduced 10 new PLI schemes in November 2020 and 1 new PLI scheme in September 2021. Honourable Finance Minister Nirmala Sitharaman has announced an outlay of INR 1.97 Lakh Crores for the Production Linked Incentive (PLI) Schemes across 14 key sectors to create national manufacturing champions and to create 60 lakh new jobs and additional production of 30 lakh crore during the next five years.

14 Product Linked Incentive Schemes On The Go

March 2020

- Key Starting Materials (KSMs)/Drug Intermediates (DIs) and Active Pharmaceutical Ingredients (APIs): Department of Pharmaceuticals
- Large Scale Electronics Manufacturing: Ministry of Electronics and Information Technology
- Manufacturing of Medical Devices: Department of Pharmaceuticals

November 2020

- Electronic/Technology Products: Ministry of Electronics and Information Technology
- Pharmaceuticals drugs: Department of Pharmaceuticals
- Telecom & Networking Products: Department of Telecommunications
- Food Products: Ministry of Food Processing Industries
- White Goods (ACs & LED): Department for Promotion of Industry and Internal Trade
- High-Efficiency Solar PV Modules: Ministry of New and Renewable Energy
- Automobiles & Auto Components: Department of Heavy Industry
- Advance Chemistry Cell (ACC) Battery: Department of Heavy Industry
- Textile Products: MMF segment and technical textiles: Ministry of Textiles
- Specialty Steel: Ministry of Steel

September 2021

- Drones and Drone Components: Ministry of Civil Aviation

How Will PLI Scheme Steer India Through Its Journey Of Becoming A Production Mammoth?

Employment Generation: Large-scale manufacturing requires a large labour force. PLI schemes are expected to utilize India's human capital and enable upskilling, further minimizing unemployment and unskilled labour.

Surging Exports and Substituting Imports: PLI schemes aim to plug the gap between the highly skewed Indian import-export basket, mainly characterized by heavy imports of raw materials and finished goods. The PLI schemes enable the domestic manufacture of goods, thereby causing a reduction in reliance on imports in the short term and expanding the quantum of exports from India over the long term.

Economies Of Scale: The incentives are directly proportional to the production capacity/incremental turnover which will further compel investors to create large scale manufacturing facilities.

PLI Schemes for Textile & Apparel

The Production-Linked Incentive (PLI) Scheme for Textiles focuses on manmade fiber (MMF) apparel, MMF fabrics, and products of technical textiles to enhance India's manufacturing capabilities and exports.

Notification for the scheme was issued on September 24, 2021 and operational guidelines for the PLI Scheme were issued on December 28, 2021. The scheme has an approved financial outlay of INR 106.83 billion over a five-year period.



With an approved budget of Rs. 10,683 crores, the government has started the Production Linked Incentive (PLI) Scheme to encourage the production of MMF Apparel, MMF Fabrics, and Technical Textiles Products in the country. This will help the Textiles Industry grow and become more competitive. From January 1 to February 28, 2022, applications for the PLI Scheme for Textiles were taken through a web portal. 67 applications have been sent in so far. Under the scheme, 64 applicants were chosen by the Selection Committee, which was led by the Secretary (Textiles). 56 people have met the requirements for starting a new company, and letters of approval have been sent to them. So far, about INR 1536 crore worth of investments have been made. Quality Control Order for VSF is in the process of being sent out.

List of applicants selected under the PLI Scheme for Textiles

Applications under PLI Scheme for Textiles were received from January 1, 2022 to February 28, 2022.

The scheme has two parts:

Part 1, where minimum investment is INR 3 billion and minimum turnover required is INR 6 billion and

Part 2, where minimum investment is INR 1 billion and minimum turnover required INR 2 billion. A total of 67 applications were received – 15 applications under Part 1 and 52 applications under Part 2.

Initially, 61 applicants were announced as beneficiaries, but three more companies were added as of May 3, 2022. Total applications approved under Part 1 is now 14 and under Part 2 is 60.

In the approved 64 applications so far, the proposed total investment is INR 197.98 billion and projected turnover of INR 1.939 trillion with a proposed employment of 245,362.

With the Production Linked Incentive Scheme, India has taken a big step toward becoming the leader in the world textile market. The main goal of this plan is to get to the level of economies where you can get the most out of your money. The production-linked method will help Indian corporations rise to the top of the international textile competition, where there are a lot of strong competitors.

Advantage India

Robust Demand	Competitive Advantage	Policy Support	Increasing Investments
Cotton production in India is projected to reach 7.2 million tonnes (~43 million bales of 170 kg each) by 2030, driven by increasing demand from consumers. Between April 2021 and September 2021, handicraft exports from India stood at Rs. 15,995.73 crore (US\$ 213 billion), a 60.34% YoY rise due to increased participation from industry players to boost handicraft products in global markets.	India enjoys comparative advantage in terms of skilled manpower and in cost of production, relative to major textile producers. Abundant availability of raw materials such as cotton, wool, silk and jute.	100% FDI (automatic route) is allowed in textiles. Production – linked incentive (PLI) scheme worth Rs. 10,683 crore (US\$ 1.44 billion) for manmade fibre and technical textiles over a five – year period. Exports of cotton yarns / fabs / made-ups / handloom products stood at US \$ 8.6 billion between April 2021 and October 2021.	Huge funds in schemes such as Integrated Textile Parts (SITP) (US\$ 184.98 million) and Technology Upgradation Fund Scheme (US\$ 96.11 million) released by Government during 2015-16 to 2019-20 to encourage more private equity and provide employment.

Highlights

The PLI scheme will be instrumental in creating massive employment opportunities thus providing much-needed obstruction for meritorious manufacturing and service organizations.

It is estimated that there will be over 3 lakh skill-enhanced jobs that will be added to the work economy. There is also the avenue of infusing Rs. 19,000 Crore as investments in the infrastructural developments of various medium and small enterprises.

The most important category of investments is the self-declared inspirational districts and all contiguous geographical areas around Tier 3 and 4 towns.

The direct beneficiaries of these schemes are Telangana, Andhra Pradesh, Maharashtra, UP and Gujarat: all states having a large number of inspirational cities and hardworking populations.

The government has approved 14 projects under Part 1 of the PLI Scheme (minimum investment is INR 3 billion) and 50 projects under Part 2 (minimum investment is INR 1 billion).

The states of Madhya Pradesh, Gujarat, Maharashtra and Andhra Pradesh attracted the most investments under the PLI Scheme. Madhya Pradesh secured the largest amount of investment at around INR 35.13 billion and Gujarat bagged the most number of proposed projects – 13.

PLI Scheme for Textile: Proposed Investments, Projects and Locations		
Proposed Investment	Number of Projects	Location
INR 35.13 billion	12	Madhya Pradesh
INR 31.35 billion	13	Gujarat
INR 24.36 billion	10	Maharashtra
INR 16.54 billion	1	Goa
INR 15.81 billion	5	Karnataka
INR 13.83 billion	1	West Bengal
INR 10.51 billion	1	Telangana
INR 9.06 billion	7	Uttar Pradesh
INR 9.01 billion	4	Rajasthan
INR 8.14 billion	6	Andhra Pradesh
INR 7.52 billion	6	Tamil Nadu
INR 5.50 billion	2	Daman & Diu
INR 5.19 billion	3	Haryana
INR 4.19 billion	3	Punjab
INR 1.65 billion	2	Himachal Pradesh

An important component of the Atma Nirbhar Scheme:

Self-reliance is the most important goal that the Indian government has built into its trade and business policies. The Ministry of Textiles has come up with a number of ideas that would help trade in local markets and boost textile exports to other countries. The main goal is to make the artisan class as wealthy and successful as it was before the British arrived in India two centuries ago.

Important components of the Production Linked Incentive Scheme:

1. Budgetary Outlay:

The central government has set aside almost Rs. 11,000 Crore to help the PLI schemes reach their goals. The main goal of the money spent on the budget is to make factory floors better places to make things.

The purchase of raw materials is the next important investment goal. One of the most important ways for small artisans to make money is to be able to buy their raw materials at a reasonable price.

The government is putting a lot of effort into teaching textile workers how to market their products better so that they will be seen more.

In the budget, Rs 1.97 crore is set aside for 13 important priority sectors. After the launch of their Production Linked Incentive schemes, it is expected that the production capacities will get a much-needed boost, which will definitely lead to more well-paying jobs over the next 5 years.

2. Introduction of High-Value MMF fabric

The net per capita income of the textile industry workers can be increased by improving the raw material. The PIL scheme intends to usher in an era where the textile mills work on high-quality fabric which meets international accreditation standards.

Important Highlights

The textile mills will be carefully looked at in terms of the people who work there and the infrastructure they already have.

In line with the policy, the inventories of the units in question will be completely redone. The employees will get training in the most up-to-date ways to improve their skills, such as those used in China, Thailand, and the Philippines.

The cotton industry as a whole will also get a boost from the introduction of MMF fabric. There will be more economic activity in the natural fibres sector, which will lead to huge gains in trade and jobs.

The main idea is to quickly raise the economic and perceived cost of Indian textiles by making radical changes to the raw materials and the final product. This will help the Indian textile industry get back to its former glory.

Various applications across the macroeconomic scenario

Retail stores will sell more of these new textiles, which will increase their net profits, which will then trickle down to the general public. Aside from this, the MMF fabric has a lot of good effects on the environment. By using technical textiles like MMF fabric, the following services will benefit greatly.

- Water services
- Infrastructural Up-gradation
- Health sector
- Hygiene across the geographical areas
- Defense acquisitions

The government has given priority to the concept of skill-building from the grassroots level. It is the intention of the government to introduce international skills to the average textile worker by ramping up R&D efforts. The setting up of the National Textile Technical mission showcases the previous capacities of the Indian textile industry and charts out a road map as to how to best use the existing innovative methodologies to ramp up the quality of the final product.

Different types of investment

There are primarily two different sets of possible investments with varying incentive structures.

1. First Investment method

A firm or company to any individual should be willing to enter into a contract to invest at least Rs. 300 Core in the following aspects:

- Plant
- Machinery
- Civil Works
- Land and Administrative costs

2. Second Part

The second part of the investments scheme requires a minimum threshold on Rs. 100 Crore investments specifically in the cases of Inspirational districts, rural areas and Tier 2 and Tier 3 towns.

- Backward areas are the first priority to improve the fortunes of the local artisans. The government of India has issued a detailed incentive list to the state governments of Gujarat, Tamil Nadu, AP, and Odisha for integrating the recent developments in the textile industry.
- It is estimated that in a span of 5 years there will be an additional investment of Rs. 3 Lakh crore thus acting as a major driver of employment.
- The primary focus of the scheme is to remove the traditional barriers that prevent rural women from participating in the workforce.
- Women empowerment is the key for this PLI scheme with the honourable aim of reintegrating the women's workforce in the general economy.

Various economic segments that will benefit from the PLI scheme

The main goal of the PLI scheme is to make more man-made fabrics, which will increase the number of jobs in one of the fastest-growing parts of the world economy. Workers in Indian textile mills can now compete on the same level as workers in Chinese textile mills and can take part in other productive activities.

The fashion world all over the world is very interested in technical textiles. In the western markets, there is a huge demand for technical textiles that are made well.

The goal of the PLI scheme is to find the things that are holding Indian textile mills back from making world-class materials.

As the Commerce and Textile Union Minister, Mr. Piyush Goyal, hinted, most of the international textile markets are open to the Indian domestic textile market when there is a lot of skill in the design of manmade fabric and clothes.

Exports of Indian Man-made fabric

In the MMF category, exports of Indian-made clothes are expected to grow by a factor of ten in the year 2021. The number of experts in the field is on the rise, and with the right help from the government, the real gains in the artisan economy will spread to other important parts of the economy.

When it comes to exports, the rate of growth is expected to be 8 percent per year. In the first half of 2021, there was an increase of \$400 million in monthly exports, which made the average monthly exports go up. The covid pandemic has recently hurt the exports of MMF clothing.

The textile economy has gotten a breath of fresh air from the strategic development of textile policy and the imposition of tariffs on foreign cloth. Export growth is most likely to happen if textile development is done in a way that is sustainable during the operating phases.

Impact of Covid

Logistics have broken down because of the pandemic, which has caused a big drop in the export of clothing and textiles. As the lockdowns are lifted and the counties reopen, industry workers are optimistic about growth. The international geopolitical situation surrounding the reopening of the world economy has also helped investors feel good about the country.

Focus on Mega Textiles

Gol has a strong trade policy called "production-linked shipments." The goal of this policy is to build more textile parks in India. The main policy goal of the PLI scheme is to make India the world's textile hub in the next 10 years.

Mega textiles are made in large quantities with the right amount of automation and human labour. The automation of the factory floor can be paid for by grants from PLI programmes, as long as the business owners put in some money at the start.

It is planned to build more than 40 high-quality man-made HS lines so that clothes can be made quickly. Here, it is said that longer lead times are one of the main reasons why MMF production has gone down.

The international machinery for making mega textiles has adequate technological safeguards. These safeguards are the result of productive talks with machinery vendors and representatives of the Indian trade body representatives.

The International Trade Textile Association is promoting the use of mega textiles in all markets around the world, and by the last quarter of 2021, this market is expected to have grown by a factor of seven.

Reduction of Custom Duty in PLI scheme

The main goal of the PLI scheme is to improve the whole textile industry. The biggest benefit of the PLI scheme is lowering the customs duty, which has been a problem for raw material importers up until now.

The MSME industry is about to make huge strides in terms of staying financially stable and making money. The Government of India has increased subsidies for important raw materials, and Rs. 15,700 Crore has been set aside to build new shipping lines.

Reducing customs duties will have a big impact on shipping costs. This will help make sure that the central public sector industries will be around for a long time.

Standardizing customs duties is also a great thing because it makes logistics better. As the PLI scheme focuses on improving infrastructure for railways, shipping, and highways, it will be good for growth as a whole.

Criteria for qualification to be considered as a beneficiary under the PLI scheme

Qualification criteria depend on the various target segments which are briefly described as below:

a) Mobile phone category: The value of the invoice should be greater than Rs. 15,000. The total consolidated revenue of the global manufacturing firm should be within the range of the target segment. The annual market capitalization of the interested company should be more than Rs. 10,000 Crore.

b) Domestic-owned Mobile companies: The target segment should be containing companies whose consolidated global manufacturing systems should be within 100 Crores.

c) Specified electronic components category allows domestic as well as international subsidiaries with annual consolidated revenue of Rs. 50 Crore.

Expand PLI scheme to Textiles & Apparel to make it research-linked, says industry

The central government is working to update the PLI scheme for the textile industry with a second edition that is dedicated to apparel and garments as widely reported by the media. The PLI 2.0 scheme could cover makers of apparel and home textiles, such as blankets and bed spreads, and textile accessories like lace, button, and zippers.

The Economic Times reports that the textiles ministry is considering three investment thresholds of INR 150 million, INR 300 million, and INR 450 million, with double turnover as the criteria for incentives that would range between eight percent and 10 percent under the INR 42 billion scheme. The PLI 2.0 edition could add criteria, such as minimum number of stitching and sewing machines, among the benchmarks to be eligible for incentives. Selected firms would need to achieve the minimum turnover – that is, two times the investment, in the first year, followed by 20 percent increase in turnover over the previous year in the second year.

Textile minister Piyush Goyal on Saturday said that the government will soon put up before the Cabinet a scheme for production linked scheme for apparel manufacturing.

At the SIMA Texfair in Coimbatore, he also said that India and Canada have agreed to finalise an Early Harvest Agreement before the end of 2022.

“We are keen to support the apparel manufacturing sector and we are considering to come out with another PLI scheme”, Goyal said, adding that dialogue is going on among the textile ministry, Department for Promotion of Industry and Internal Trade and Niti Aayog.

The government has announced PLI scheme, with an outlay of Rs. 1.97 lakh crore, for over a dozen sectors including man-made fibre, technical textiles, white goods, medical devices, and automobiles and auto components.

“In consultation with industry participants, we will be shortly devising a scheme which we will put up before the Cabinet for their approval”, Goyal said.

Disclaimer: This report has been prepared by the research department of Invasset, is for information purposes only. This report is not construed as an offer to sell or the solicitation of an offer to buy or sell any security in any jurisdiction where such an offer or solicitation would be illegal. Invasset have exercised due diligence in checking the correctness and authenticity of the information contained herein, so far as it relates to current and historical information, but do not guarantee its accuracy or completeness. This Document may contain confidential and/or privileged material and is not for any type of circulation and any review, retransmission, or any other use is strictly prohibited. This Document is subject to changes without prior notice.

The opinions expressed are our current opinions as of the date appearing in the material and may be subject to change from time to time. Prospective investors are cautioned that any forward looking statement are not predictions and are subject to change without prior notice. Recipients of this material should rely on their own investigations and take their own professional advice. Invasset or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Invasset. or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

Invasset and/or its affiliates and/or employees may have interests/ positions, financial or otherwise in the securities mentioned in this report. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavour to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so. This report is not directed to or intended for display, downloading, printing, reproducing or for distribution to or use by any person in any locality, state and country or other jurisdiction where such distribution, publication or use would be contrary to the law or regulation or would subject to Invasset or any of its affiliates to any registration or licensing requirement within such jurisdiction. Invasset may or may not hold any securities discussed in the article in its portfolios. Invasset may or may not take decisions based on the information contained in the article while curating portfolios for its clients. Without limiting any of the foregoing, in no event shall Invasset, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

**This research has been done by the
Core Fundamental Research Team of InvAsset PMS Desk.**

Anirudh Garg
anirudhgarg@invasset.com

Vrushali Temkar
info@invasset.com



India's Best Performing and Most Customer Centric PMS



MUMBAI

911 One Lodha Place,
Lower Parel, Mumbai 400013

GURUGRAM

4th Floor Two Horizon Centre,
DLF Phase 5, Gurugram,
Haryana 122002

LUDHIANA

1401, Aspen 2, Centara Greens,
Pakhawal Road, Opp. Riviera Resort,
Ludhiana 141001



1800-309-2172
98158-10172



info@invasset.com



www.invasset.com
