

Industries & Commerce (Tex) Dept

Sub: Handlooms & Textiles Department. – Textile and Apparel
Promotion Policy 2005-2010 – Regarding.

Background

1. Multi-fiber agreement, which envisaged quotas of production to different countries, has expired on 31st December, 2004. This has opened up many opportunities for textile and apparel industry in the country. Given its labour intensive nature, Textile and Garment Industry can provide employment on a large scale especially for young women. Andhra Pradesh is the third largest cotton producer in the country. Hence Textile and Garment industry requires special emphasis and focus.

Vision:

2. It shall be the policy of the Government of Andhra Pradesh to promote and develop a strong and vibrant Textile industry that can:
 - 2.1 Provide sustainable employment to weavers and workers in Handloom, Power loom, Textile and Apparel sectors;
 - 2.2 Establish Textile and Apparel Parks for encouraging spinning, weaving, processing and garmenting units;
 - 2.2 Make available fabric of good quality at affordable price to meet the requirements of both domestic and international markets;
 - 2.4 Modernise looms and encourage new designs; and
 - 2.5 Contribute substantially to the export and Gross Domestic Product of the State in particular and country in general

Objectives:

3. The following are the objectives of the Textile Policy:
 - 3.1 It is the target of the Government to generate employment opportunities to youth additionally by 15 lakh persons, mostly women weavers and educated unemployed in Handloom, Textile and Apparel sectors by the year 2010 ; and
 - 3.2 Achieve textile and clothing exports from the present scale of US \$ 0.08 billion (Rs.384 crores) to US \$ 5 billions (Rs.25, 000 crores).

Focus:

4. Textile Sector:
 - 4.1 Skill up-gradation of weavers and industry workers through planned training initiatives, design development and product diversification endeavours etc.
 - 4.2 Extending financial support on concessional terms through the Existing cooperative and banking networks;
 - 4.3 Enabling weavers, workers and entrepreneurs in the textile sector to develop a global vision and competitive spirit;
 - 4.4 Strengthening product value chain from fibre to retailing;
 - 4.5 Attracting private investment into various sectors of textiles;
 - 4.6 Facilitating development of diversified apparel segment to cater to both export and domestic markets;
 - 4.7 Establishing single window facility for land allotments, building, environment clearances, water, and power supply, etc.

- 4.8 Creating reliable and investor friendly infrastructure covering road network, transportation, power/water supply and flexible Labour Laws; and
- 4.9 Encouraging the weavers under PMRY and RYS for self-employment.
- 4.10 While the State will strive for the overall development of the textile industry, the thrust will be more on handloom, powerloom, textile and apparel sectors considered to be the growth engines of the industry in the State.

5. Handloom Sector:

5.1 The State continues to accord highest priority for this high potential sector, which can provide sustained employment to the weavers and nurturing their skill & craftsmanship. The strategy will focus on the weaver to get continuous work and fair wages.

5.2 Women weavers shall be organised into exclusive Self-help Groups (SHG) in all the villages. The Self-help Group are declared eligible under the existing group lending scheme under Indira Kranthi Pradham at 4% interest. These groups will be encouraged to undertake weaving activity with modern designs including use of CAD

5.3 Strengthening the physical and social infrastructure in handloom clusters to improve their operational efficiency.

5.4 Improving the skills of weavers to enable them to quickly respond to emerging market requirements.

5.4.1 Improving production related infrastructure by integrating modern technology of pre-loom and post loom activities in the handloom production chain.

5.4.2 Promoting process and product innovation through loom modernization and design development.

5.5 Encouraging national institutions to undertake research and development work in handloom weaving, dyeing and printing areas.

5.6 Encouraging the production of niche products in handlooms, which cannot be easily copied, or mass produced by powerloom and mill sectors.

5.7 Encourage manufacture of value added items particularly on handlooms.

5.7.1 Secure market for certain handloom items through meeting clothing (livery) requirements of Government Departments and Public Sector Undertakings.

5.8 Establishing Common Facility Centres for environment friendly dyeing, testing, sourcing market information and buyer seller interaction

5.9 Organizing exposure visits, buyer seller meets and overseas exhibitions to enhance market awareness of weavers and to enable the weavers understand the emerging consumer tastes and preferences.

5.10 Initiating measures under intellectual property rights (IPRs)/Geographical property rights to safeguard the textile design and processes native to the State.

5.11 Setting up Netha Bazaars in all districts to facilitate marketing of products directly to consumers

5.12 Encouraging National Institutions to establish their outreach centres in all the three regions of the State.

5.13 Motivating the Public to patronise handloom cloth and motivating the weavers to produce the product as per the taste of the modern market.

5.14 Reorienting HRD strategy and social security policy.

5.15 Preparing the artisans to take up artistic weaving profession and feel proud to work in the industry.

5.16 Preparing the artisans to the challenges of market economy and globalization.

5.17 Improving the skills and R&D facilities and acquire modern technology and implements to face the new challenges.

5.18 Creating all necessary infrastructure and facilities to Artisans.

5.19 Exclusively for the benefit of Handloom and Powerloom weavers.

5.20 Upgrading the marketing mechanism on par with branded item showroom.

5.21 Strict implementation of Handloom Reservation Act, 1985.

5.22 Raw-material Service Centres wherever necessary shall be setup and they shall be run on commercial lines.

5.23 All dormant and defunct societies shall be wound up and their area of operation / assets shall be transferred to nearby or neighboring societies/APCO.

5.24 Individual weavers are to be organised into MAC societies and affiliated to APCO and also by permitting the existing weavers societies to admit new weavers subject to fulfilling criteria of owning loom and depending on weaving profession.

6. Powerloom Sector:

6.1 The decentralized and widely dispersed powerloom sector of the Indian Textile Industry plays an important role in the economy of the country. Inter-alia, it contributes significantly to meeting the clothing needs of the country, employment generation and foreign exchange earnings. Presently, the powerloom sector accounts for approximately 68% of the total cloth production in the country. Over the years, it has proved to be versatile, using practically every kind of fibre, natural, man-made, and the blends thereof, being woven in this sector extensively. Besides, the product profile of the powerloom sector is diverse, ranging from grey cloth to processed cloth with intricate designs, patterns and motifs.

6.2 Powerloom sector plays an important role in producing a wide variety of fabrics at economical prices for all the fabric requirements. The Strategy of the State will focus on:

6.2.1 Promoting private investment in powerloom sector for producing fabrics required for fashionable garments.

6.2.2 Encouraging modernization of looms by availing assistance under Technology Up gradation Fund Scheme (TUFS) through introduction of shuttle less and automatic air jet and water jet looms.

6.2.3 Initiating measures through the existing financial institutions for timely provision of finances for modernization of powerloom.

6.2.4 Strengthening physical infrastructure facilities in all powerloom clusters under Textile Centres Infrastructure Development Scheme (TCIDS).

6.2.5 Setting up of Common Facility Centres for Fabric dyeing and processing and finishing.

6.2.6 Strengthening Research and Development and testing facilities through the existing Powerloom Service Centres in the State.

6.2.7 All Assistant Directors of the Districts where Textile Parks are coming up shall become the Park Administrators.

6.2.8 Powerloom Federation shall be placed with orders for supply of livery to Govt. Departments after exhausting the limitations of APCO.

7. Cluster Approach / Development:

7.1 A Cluster can be defined as a geographical concentration of Small and Medium Enterprises (SMEs) that are engaged in the same or in highly related business sectors. The cluster approach is needed in view of the common problems faced by the Textile SMEs in Handloom and Powerloom sectors as detailed below:

7.1.1 Inadequate capacity to learn and innovate.

7.1.2 Lack of modernization to an appropriate level of technology.

7.1.3 Low productivity and quality.

7.1.4 Inadequacies in terms of awareness about market trends particularly international markets.

7.1.5 Lack of HRD policies leading to low labour productivity.

7.1.6 Credit related bottlenecks.

7.1.7 Lack of exposure to design and marketing strategies.

7.1.8 Absence of product innovation and diversification.

7.1.9 Inability to comply with environmental and social compliances.

7.1.10 Lack of awareness and adoption of cleaner production technologies.

7.1.11 Inadequacies in supporting infrastructure like roads, water, waste disposal and power.

7.2 Effective steps shall be taken to overcome the above problems duly adopting cluster approach.

8. Textile and Apparel Sector:

8.1 Textiles/Apparels are a sunrise sectors and are expected to fuel the overall growth of the Textile Industry in the State.

8.2 A Buyer-Driven Commodity Chain (BDCC) characterizes Textile/Apparel exports, world over. As such, large retailers, brand name marketers and trading companies play the key role in setting up decentralized production networks far away from the points of consumption while locally owned third world factories make the finished goods for foreign buyers. The retailers and brand-name merchandisers are at the marketing and retailing end of the chain, exercising the main leverage. They link overseas factories and traders with evolving product niches in the main consumer markets.

8.3 To achieve this, the State's strategy will focus on:

8.3.1 Setting up Apparel Export Parks and Textile Parks is Clusters with the State of the art technology to attract investors, promote exports and generate employment opportunities to the jobless youth.

8.3.2 Introducing the system of public-private participation. Under the scheme, established Exporters, will be invited to the Districts with weavers concentration and ask them to give their designs and cloth requirements together with a project proposal. On receipt of the project proposal, the Commissioner would screen the proposals and will enter into a MoU with the Exporter duly detailing the following points extent of participation by the Export Agency:

8.3.2.1 Required quantity of cloth with specifications, designs, colour combination.

8.3.2.2 Raw material like yarn, dyes and chemicals that he can supply.

8.3.2.3 No. of weaves to be linked to the Exporter Area-wise to be spelt out.

8.3.2.4 Training if any required shall be imparted by the Export Agency.

8.3.2.5 Fair wages shall be ensured to the weavers covered by the Export Agencies.

8.3.2.6 Expected investment on the part of the Exporters interested in the project.

8.3.2.7 All expenses shall be borne by the Export Agency.

8.3.2.8 Implementing and Monitoring Agency will be either

APCO or Handlooms and Textiles Department.

8.3.2.9 Powers of selection of Exporters will be with the committee consisting of Commissioner, H&T and Managing Director, APCO.

8.3.2.10 Review will be done at State level with the Secretary as Chairman.

8.3.2.11 Consultants shall be appointed for promoting exports.

9. New Initiatives:

9.1 Industrial Investment & Promotion Policy, 2005-2010:

The New Industrial Investment & Promotion Policy, 2005-2010 approved and announced by the Government of Andhra Pradesh, automatically be applicable to Textile and Apparel Units. Commissioner of Handloom & Textiles, Andhra Pradesh shall provide Single Window Clearance.

9.2 Special Purpose Vehicle (SPV):

The Scheme of Integrated Textile Parks (ITPs) would be implemented through Special Purpose Vehicle (SPVs) consisting of Industry Associations / Groups who would be the main promoters of the ITPs formed for the purpose as per the guidelines issued by Government of India. The SPVs shall have operational autonomy and play the role as mentioned in the Guidelines issued by Government of India.

9.3 Role of State Government:

9.3.1 As envisaged in Guidelines of Government of India, Government of Andhra Pradesh will acquire land on the application of SPV formed for the purpose.

9.3.2 The land so acquired will be transferred to the SPVs formed for the purpose of implementation of Scheme of Integrated Textile Parks (ITPs) either as equity or on out right sale at acquisition cost of land with administrative charges as applicable.

9.3.3 Provide all requisite clearances, wherever needed

9.3.4 Provide necessary assistance for Power, water and other utilities to the ITP.

9.3.5 Provide a special package of incentives for Mega Projects which will create employment of more than 2500 people or invest an amount of Rs. 100 crores and above.

9.3.6 Provide flexible and conducive labour environment by implementing /enforcing labour laws framed in this regard. A.P.State Contract labour will be made applicable of Garment / Textile Industry.

9.4 Services of Industrial Leasing & Financial Services Ltd (IL&FS) and other Government Agencies including Central Government Undertakings will be deployed for development wherever required.

9.5 Dovetail Park development with GOI schemes and obtain Central assistance.

9.6 Infrastructure in Parks including connecting links to Highways by 4 Line Roads will be undertaken to provide smooth movement of containers/raw materials/machinery.

9.7 Effluent Treatment Plants wherever required may be designed and implemented in consultation with Pollution Control Board.

9.8 Promote knitwear to catch export market and add value in designing and printing technologies.

9.9 Install capacity for garment manufacturing to cater to export markets of shirts, jeans, upper garments, vests, kid wear, etc.

9.10 Encourage Spinning Mills to cater to the production of required yarn to facilitate consumption of cotton produced in the State and to provide local employment.

9.11 Utilize yarn spun in the State in weaving to produce the required length of cloth by starting weaving units add value to cloth and yarn by dyeing, bleaching, processing and printing.

9.12 In order to increase capacity, Spinning with an installed capacity of 12,000 spindles and above, shall be encouraged.

9.13 A grant of Rs.1,000/- per worker be released as a one time Infrastructure Grant to all Spinning units only for encouraging them to diversify and start new ventures.

9.14 For achieving the employment goal in the parks, Garmenting units / weaving and processing units shall be given an incentive of Rs.5,000/- per worker employed, as Grant for meeting critical expenditure of Training by dovetailing existing schemes of the Government of India subject to the following conditions:

9.14.1 Half the incentive money may be paid on the date of commercial production and the balance after completion of one year period of commercial production.

9.14.2 Stand alone units also will be entitled for the above benefit apart from units started in the Parks.

9.15 Capacity in garmenting has to be enhanced at least by 1000 fold and therefore garmenting units will be allowed a special incentive of Power Tariff concession at Rs.0.25 Ps per unit, in addition to the concession of Power Tariff of Rs.0.75 Ps per unit already provided under the new Industrial Policy, bringing down the power tariff to international level. By 2008 all major Textile and Apparel Houses will be permitted to produce captive power by utilization of Natural Gas.

9.16 As a large number of workers are employed, the units started in Export Parks will be given assistance of allocation of land free of cost in the Park for construction of barracks to house the workers at the rate of one acre per every 1000 workers.

9.17 Stamp Duty: 100% reimbursement of stamp duty, transfer duty and Registration fee paid by Textile/Apparel units.

9.18 Zoning regulations: Textile/Apparel units will be exempted from the zoning regulations and from the payment of conversion fee.

9.19 Urban Land Ceiling exemption: Private land owners will be allowed exemption under ULC for development of Textile/Apparel Parks with a minimum extent of 25 acres in the periphery of city limits and beyond besides a minimum of 5 acres within city limits.

9.20 Industrial Water and Power to the units will be supplied at the door step in the Parks as part of infrastructure development.

9.21 Health Care will be dovetailed by liaison with Medical & Health Department for starting Primary Health Centres and Referral Hospitals by private initiatives. Earmarking 10-15 acres of land for health activity will assist a Cluster of Units.

9.22 Fire Station, Bank, Police Outpost, Common Facility Centre, Canteen including baby Cresh will be initiated by the SPV itself with their funds.

9.23 Exemption from Corporate Tax will be made applicable to all units located in SEZ Parks as per SEZ act besides assisting in Exports and Imports.

9.24 Encourage CAD (Computer Aided Design) and cutting processes by establishing garment-training centers in the parks.

9.25 The Government of Andhra Pradesh will notify all Textile and Apparel Parks as Public Utility Services. It is also decided that Essential Service Maintenance Act (ESMA) will be made applicable to the Textile and Apparel Parks to provide facility of engaging workers beyond the normal working hours for achieving higher productivity and to catch export markets.

9.26 Incentive money ranging from 1 to 2% on investment mobilized may be provided by the SPV for services rendered on technology and financial fronts to Consultants firm/individual consultants including IL&FS and other Government Agencies from the Park funds contributed by the entrepreneur and Government.

9.27 The consultants who are successful in bringing overseas investments will be given an incentive as under:

9.27.1 The Company shall employ a minimum of 200 and more workers for which the consultants /consulting company will be paid and amount of Rs 150 per each worker employed. However, the maximum amount to be paid in a single case should not exceed to Rs. 5.00 Lakhs. The amount will be disbursed as follows:

9.27.1.1 25% of the said eligible amount will be paid on the date of signing of MOU proposed on the Project Report;

9.27.1.2 50% will be paid based on the number of workers employed on the date of commercial production; and

9.27.1.3 The balance 25% will be paid six months after commencement of commercial production duly adjusting the amount paid under (a) and (b) above with reference to the norms communicated by the Government.

10. It is submitted that the officials of Industrial Leasing & Financial Services Ltd., (IL&FS) which is a professional organization owned by the Financial Institutions has come forward to associate themselves with development of integrated Textile and Apparel Parks in Andhra Pradesh as

they have the technical expertise and the professional groups for handling the overall development of the Parks and they may be appointed as Consultants for Project Development on project to project basis (Park to Park) by the Commissioner of Handlooms & Textiles for interacting with State, Central Governments and stakeholders and for establishment of Parks on sustainable basis.

11. It is further submitted that the Consultant Firms and individual Consultants may also be given an opportunity to scout in the market investment opportunities and liaise with SPV for bringing new units, which are either EOU, or domestic units to enhance Textile and Apparel base in the Parks.

12. The financial implications for implementation for Textile and Apparel Promotion Policy 2005-2010 would be Rs. 65 Crores of which an amount of Rs. 16.00 Crores has already been provided in BE 2005-2006 i.e. Employment Incentive Rs. 6.00 Crores (from Budget) and Power tariff Rs. 10.00 Crores (from IIDF). An additional amount of 65.00 Crores i.e. Cost of land Rs. 45.00 Crores, Supply of Industrial Water Rs. 5.00 Crores and Training Incentive Rs. 15.00 Crores is required for implementation of the policy for the year 2005-06 from out of the Budget Estimates of 2005-06.

13. It is submitted that the following funds are required at a glance:

(a) Funds to be met from the existing Budget:

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|--------------------------|-------------------------------|
| (i) Employment Incentive | Rs. 6.00 Crores (from Budget) |
| (ii) Power tariff | Rs. 10.00 Crores (from IIDF) |

(b) Funds to be given as additionality:

(i)	Cost of land	Rs. 45.00 Crores (additionality)
(ii)	Supply of Industrial Water	Rs. 5.00 Crores (additionality)
(iii)	Training Incentive	Rs. 15.00 Crores (additionality)

	Total	Rs. 65.00 Crores (additionality)

14. The Textile and Apparel Promotion Policy 2005-2010 was referred to Finance Deptt., Revenue Deptt., LET&F Deptt., and Energy Deptt. The following proposals are also accepted.

- (1) Extending additional concession of Rs. 0.25 per unit of power to Garmenting, Processing and Weaving units for encouraging to fill the gap to maintain supply chain over and above the concession of Power Rs.0.75 paise/unit extended in the Industrial Policy.
- (2) The cost of land acquisition to be met from out of Rs. 100.00 crores already sanctioned as interest free loan to APIIC (Spl. Economic Zone) subject to reimbursement.
- (3) Additional funds required for meeting industrial water and training incentive totaling to Rs. 20.00 crores may be released. The other expenditure i.e. employment incentive and power tariff concession will be met from the Budget and IIDF, respectively.