

**Textile & Apparel Policy**  
2015 – 2020

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GOVERNMENT OF ANDHRA PRADESH

## **1. Preamble**

### **a. Introduction to Andhra Pradesh**

Andhra Pradesh is strategically located on the Southeast coast of India and is a natural gateway to East & Southeast Asia. The state has a population of 4.93 crores (as per population census - 2011), accounting for 4% of country's population, residing in 4.9% of country's geographical area. Andhra Pradesh has abundant natural resources (barytes, limestone, bauxite, and a number of minor minerals), fertile land and river basins, water resources, extensive canal system and conducive agro-climatic conditions. The State has the second longest coastline in India and is also one of the largest producers of marine products.

At current prices, the Gross State Domestic Product (GSDP) of Andhra Pradesh was ₹4,75,859 crores in 2013-14. Between 2004-05 and 2012-13, the average annual GSDP growth rate of Andhra Pradesh was 7.25% while the average per capita income at (current prices) increased from ₹ 46,345 in 2008-09 to ₹ 88,876 in 2013-14.

Andhra Pradesh, over the years, has established a strong presence in agro and food processing, textiles, chemicals & petrochemicals, pharmaceuticals, metallurgy, electronics and electrical engineering sectors.

### **b. Overview of the textile sector**

#### **i) Market**

The textile sector plays a key role in the Indian economy by way of significant contribution to GDP, manufacturing output, employment generation and export earnings.

The sector contributes 14% to industrial production, 4% to India's GDP and constitutes 13% of the country's export earnings. Textile sector is

one of the largest source of employment generation in India, it employs over 4.5 crore people directly.

India has the second largest manufacturing capacity globally. Abundant raw material, skilled manpower and lower cost of production are some of the key features that contribute to the success of Indian textile industry.

The domestic textile and apparel industry in India is estimated to reach ₹6 lakh crore by 2016-17 from ₹4.02 lakh crore in 2013-14. The demand for textiles and garments in India comes from three major segments – household sector, non-household sector (institutional, industrial and technical) and export sector. Household sector consumes the largest share of textiles and garments in India (60%), followed by the non-household sector (21%), and then the exports sector (19%).

## **ii) Textile & Apparel Export**

Exports in textiles and apparel from India are expected to increase to ₹3,90,000 crores by 2016-17 from ₹2,40,000 crores in 2013-14. India's share in global textiles has increased by 17.5% in the year 2013 compared to the previous year.

## **iii) Current manufacturing/ producing zones in India**

In terms of textile units, Indian Textile & Garment industry is one of the largest in the world. Most of the processing units in India are independent units, with some being integrated with spinning, weaving or knitting units.

The garment sector is decentralized, with substantial part of production being sub-contracted to small fabricators and contract manufacturers. It is estimated that there are over 75,000 garment units in India, but most

of them are small in size and undertake work as contract manufacturers for large exporting firms.

#### **iv) Andhra Pradesh as an attractive textile destination**

The state of Andhra Pradesh has well developed spinning and processing sector in the textile industry and is the one of the leading producers of cotton in the country. Guntur, Chittoor, Kadapa and Kurnool districts of Andhra Pradesh have many textile based industries such as ready-made garments, modern textile weaving, cloth weaving, hosiery and spinning mills.

Brandix India Apparel City (BIAC) in Visakhapatnam, is an ambitious example of innovation, technology and efficiency that provides a platform for end-to-end apparel solutions. The breakthrough concept of seamless 'Fibre-to-Store' integration offers unmatched advantages for global apparel chain partners. Brandix is vendor of choice to marquee clients across the globe.

#### **v) Tactical advantages that AP offers**

##### **1 Robust Infrastructure**

Andhra Pradesh has robust infrastructure in terms of good road network, 4 major ports, 4 active airports and 24X7 power for industrial/commercial use. Additionally, the state is creating a land bank of 10 lakh acres to facilitate industrial development. Also mega projects like Vizag-Chennai Industrial Corridor (VCIC) and Chennai-Bengaluru Industrial Corridor (CBIC) will help develop new economic centres in the state, which will further give fillip to industries based in Andhra Pradesh.

##### **2 Skilled Labour**

Andhra Pradesh with its legacy of handlooms and handicrafts, has a strong skill base of weaving and textile related skills. In the recent past, skill sets of the textile workers have also moved up the value

chain due to proliferation of modern technologies in this industry, enabling them to undertake a wide range of sophisticated tasks.

## **2. Policy Objectives**

Government of Andhra Pradesh (GoAP) aims to promote and develop a robust textile industry that provides sustainable employment to weavers and posits Andhra Pradesh as a destination of choice to global textile majors. The policy aims to modernize textile manufacturing and improve productivity in order to ensure availability of quality fabric at affordable prices to cater to domestic and international demand.

## **3. Policy Targets**

Following targets have been envisaged:

- a) Make Andhra Pradesh one of the most preferred destinations for textile & apparel activities
- b) Attract new investments worth ₹ 6000 crore by 2020
- c) Create additional employment opportunity for 3 lakh people by 2020 and 5 lakh people by 2025

## **4. Operative period of the policy**

The policy will come into operation from date of its issue and shall remain in force for five years.

All textile units/activities commissioned after the announcement of AP Industrial Policy 2010-15 can opt between benefits afforded by the 2010-15 policy or this policy for the remainder of the five year eligibility period.

## **5. Definitions**

### **a. New Enterprise**

New Enterprise means an enterprise which commences commercial production during the operative period of this scheme.

**b. Existing Enterprise**

The Existing Enterprise means a registered enterprise which is implementing expansion/diversification/modernization in an existing project for carrying out activity indicated in this resolution.

**c. Expansion or Diversification**

Existing enterprise taking up expansion and/or diversification with or without forward/backward integration, with investment more than 25% of its existing gross fixed capital investment and 25% increase in the capacity as on date of initiating expansion/ diversification and commencing production of said expansion/ diversification during the operative period of the scheme shall be treated as Expansion.

**d. Gross fixed Capital Investment**

Gross fixed capital investment means investment in Plant & Machinery before a unit commences expansion/diversification/ modernization and/or it obtains sanction of financial assistance from Banks /Financial Institutions.

**e. TUF Scheme**

The TUF scheme is the - Technology Upgradation Fund Scheme as notified by Government of India and amended from time to time pertaining to eligible machineries under the scheme.

**f. Technical Textiles**

Technical Textiles are defined as textile materials and products used primarily for their technical performance and functional properties rather than their aesthetic or decorative characteristics. Depending on the product characteristics, functional requirements and end-use applications, the highly diversified range of technical textiles have been grouped into 13 sectors, application-wise.

- i. Agrotech (Agriculture, Horticulture and Forestry)
- ii. Buildtech (Building and Construction)
- iii. Clothtech (Technical components of shoes and clothing)
- iv. Geotech (Geo-textiles and Civil Engineering)
- v. Hometech (Components of furniture, household textiles and floor coverings)
- vi. Indutech (Filtration, cleaning and other industrial usage)
- vii. Meditech (Hygiene and Medical)
- viii. Mobiltech (Automobiles, Shipping, Railways and Aerospace)
- ix. Oekotech (Environmental Protection)
- x. Packtech (Packaging)
- xi. Protech (Personal and Property Protection)
- xii. Sporttech (Sport and Leisure)
- xiii. Defencetech (Textile for defense use)
- xiv. Any other product as notified by Ministry of Textiles, Government of India, time to time

**g. Mega Projects**

Projects with an investment of at least ₹125 crore or providing employment to 2000 people or more, will be accorded mega industry status.

**h. Large Projects**

Projects with an investment of less than ₹125 crore but higher than the investment threshold set for medium enterprises as per MSMED Act from time to time.

**i. MSME Projects**

GoAP follows the MSME definition laid out by Government of India as per MSMED Act 2006 (as updated from time to time).

**6. General incentives**

**1 Interest Subsidy on long term loans linked to Centrally Sponsored TUFs scheme**

Financial assistance by way of credit linked Interest Subsidy will be given in Ginning & Pressing, Cotton Spinning, Weaving, Dyeing & Processing, Knitting, Garment/Made-ups, Machine Carpeting, Machine Embroidery and any other activities/ process like crimping, texturizing, twisting, winding, sizing etc. within the Textile value chain.

**a. Eligible Activities**

**i. Spinning**

Spinning activities means setting up of unit with raw material as follows:

1. 100% cotton or
2. blended with any of the textile fibres or
3. any kind of spun yarn based on the cotton spinning system or technology from Blow room to Yarn packaging (Winding).
4. Spinning operation can be performed on Ring spinning, Rotors or Jet Spinning.

**ii. Other activities**

Ginning & Pressing, Weaving (with or without preparatory) Dyeing & Processing, Knitting, Garment /Made-ups Machine Carpeting, Machine Embroidery and any other activities/process like crimping, texturizing, twisting, winding, sizing etc. within the Textile value chain.



Investment in Plant & Machinery as specified in the updated list of machinery under TUF scheme of Government of India from time to time or as decided by GoAP.

**b. Quantum of assistance**

- i. (a) Interest subsidy provided by GoAP after taking into account assistance from all sources, (Centrally Sponsored TUF scheme, Industrial policy of the state etc.) shall be capped at 12.5% per annum in a way that maximum interest subsidy provided by GoAP will be up to 8% per annum for Weaving (with or without preparatory) Dyeing & Processing, Knitting, Garment/Made-ups Machine Carpeting, Machine Embroidery, technical textiles and any other activities/process like crimping, texturizing, twisting, winding, sizing etc. within the Textile value chain and up to 7.5% for Spinning & modern Ginning.

(b) For the purpose of this scheme, either 12.5% or the bank prime lending rate or the rate of interest actually charged, whichever rate is less, will be taken as the applicable rate of interest

- ii. Interest subsidy will be available for establishing new enterprises or for expansion/diversification, only for the investment in new & modern Plant & Machinery as specified under TUF scheme of GoI
- iii. To qualify for interest subsidy, the enterprise should get term loan from a Financial Institution/ Bank recognized by Reserve Bank of India
- iv. An enterprise applying within one year of loan disbursement (but not later than the date of commencement of commercial production) will be eligible
- v. Applicable to new units or existing units (only expansion or diversification) commencing production during the policy period
- vi. The enterprise must start commercial operation within the operative period of the scheme

- vii. Interest subsidy will be available only on interest levied by the Financial Institution. Penal interest or other charges will not be reimbursed
- viii. The interest subsidy will be for seven years including a moratorium of two years OR for the period of repayment of loan whichever is earlier
- ix. Interest subsidy will be given to the enterprise which pays regular instalments and interest to the financial institutions. If the enterprise defaults, it will not be eligible for interest subsidy pertaining to the default period and such defaulting period will be deducted from 5 year period
- x. The amount of interest subsidy due to the unit under the Central Government's TUF scheme, shall be deducted to arrive at the interest subsidy admissible
- xi. Interest subsidy under this policy will become admissible after the interest subsidy becomes admissible under the centrally sponsored TUFs scheme
- xii. Under this scheme, the total period of reimbursement of interest subsidy shall be 7 years which will include 2 years of moratorium. However, if the period of implementation of the project is more than 2 years then the period of implementation to be taken into account shall be 2 years for calculating the interest subsidy. The period of implementation will be counted from the date of disbursement of the first instalment of the loan
- xiii. Banks may give loans for a period exceeding 7 years but the interest subsidy shall be admissible for 7 years only inclusive of 2 years for implementing the project.

## **2 Power**

- a. Power tariff subsidy will be at ₹1 per unit for Spinning and modern Ginning and at ₹1.50 per unit for other categories (including technical textiles) for a period of 5 years from date of commencement of commercial production

- b. This will be applicable for setting up of new enterprises as well as for expansion/diversification of existing enterprises
- c. There will be clear demarcation on supply of electricity as per the eligibility criteria. Subsidy will be paid to utilities by office of the Industries Commissionerate after due verification of claims
- d. Units who purchase electricity from state discoms/open access will be eligible for this relief

## **7. VAT/CST/SGST Concession**

GoAP will provide VAT/CST/SGST benefits as mentioned under:

### **a. Details:**

- i. Refund is available for VAT/CST/SGST paid by the unit on purchases of intermediate product/raw material except for certain goods and certain transactions which are not eligible for tax credit under the AP VAT Act – 2005
- ii. VAT/CST/SGST reimbursement is available for tax collected on end product/intermediate product within entire value chain (from cotton to Garment and made ups) to the extent of 100% of the eligible fixed capital investments in plant and machinery
  - a. For investments less than ₹500 crores made within one year from the date of production or during the operative period of the scheme whichever is earlier.
  - b. For investments over ₹500 crores made within two years from the date of production or during the operative period of the scheme whichever is earlier

This incentive can be claimed only within 8 years from the date of commencement of commercial production limited to 5 year period.

- iii. The Eligibility Certificate for the above VAT/CST/SGST concessions will be issued by the Industries department.

- iv. For the purpose above, Eligible Fixed Capital Investment means investment made for setting up of new units or expansion/diversification of existing units that commence commercial production during the policy period.

**b. General conditions:**

The following conditions shall apply to the above scheme:

- i. The enterprise must start commercial operation within the operative period of the scheme
- ii. The enterprise availing benefit under the scheme will have to remain in production/service at least for ten years from the date of commencement of commercial production/service
- iii. All the benefiting enterprises shall file information about annual production, sales, power consumption and such other details as may be asked by DIC on 31st of every March annually.
- iv. For expansion/ diversification/ modernization the enterprise will be entitled for incentives only once during the operative period of the scheme.
- v. The Enterprises availing benefit under this scheme cannot avail benefit from any other State Government scheme like MSMED for the same purpose. However, enterprises are eligible to get any other additional benefit under Government of India scheme.
- vi. All the benefits will be over and above the benefit and support given by Gol.
- vii. VAT/CST/SGST concession for composite unit is eligible for investment in any part of the whole value chain
- viii. Technical textiles sector will also be eligible to get VAT/CST/SGST concessions

## 8. Capital Subsidy

GoAP will provide capital subsidy to standalone garmenting and apparel units. These units will not be eligible for tax incentives mentioned in this policy under para 7 (VAT/CST/SGST concession).

### a. Details & Quantum:

- i. GoAP will provide capital subsidy up to ₹ 10 crore
- ii. For the purposes of calculation of incentives under the policy, gross fixed capital investment would be defined as investment in factory building, infrastructure (other than land and land development), plant & machinery and other productive assets with transportation, erection & electrification
- iii. Capital subsidy would be provided to all eligible units, during the policy period for Expansion/Diversification as follows:

Investment bracket	Quantum of Investment
MSME Projects (Up to ₹10 crores)	20% of the Fixed Assets
₹10 crore to ₹ 25 crore	20% of the Fixed Assets or ₹3 crore, whichever is less
₹26 crore to ₹50 crore	20% of the Fixed Assets or ₹4 crore, whichever is less
₹51 crore to ₹125 crore	20% of the Fixed Assets or ₹6 crore, whichever is less
Mega Projects	10% of the project cost or ₹10 crore, whichever is less

## 9. Support for Establishing Textile & Apparel Park

### a. Eligibility:

- i. Any Industry Association/ Industrial House/ Co-operative society / Institution registered under the Societies Act, Partnership Act or the Companies Act OR any Government body shall be eligible as developer to avail assistance under the scheme.

- ii. The park must have provision for co-locating minimum 10 manufacturing/ service enterprises. Out of these, a maximum of 25% of units can be from service and allied enterprises
- iii. In addition to the above, provision of all common facilities are required to be established by the developer in the textile park

**b. Land**

- i. GoAP shall provide land as per the industrial development policy

**c. Infrastructure facilities**

- i. Developer shall make provision for common internal infrastructure facilities such as internal roads, power lines, communication facilities, water distribution line and water augmentation facilities, sewage and drainage lines, effluent treatment and disposal facilities, storage facilities, common facility centre like training centre, display centre etc. and other facilities as may be required in the Industrial Park.

**d. Quantum of assistance**

- i. The park developer and enterprises in the park will be eligible for reimbursement of stamp duty on lease of land required for the new park
- ii. This reimbursement will be available only once to the developer and the first lessor of an individual unit. Stamp duty reimbursement certificate will be issued after approval of the project.
- iii. Assistance shall be provided on case to case basis for creation of external infrastructure. This assistance shall be drawn from Industrial infrastructure development fund (IIDF) and/or funding from multilateral agencies

- iv. For establishing common infrastructure facilities, GoAP will provide financial assistance of up to 50% of expenditure incurred, with maximum limit of ₹15 crore (₹30 crore for composite/integrated park) limited to 10% of the total project cost (excluding cost of land)

**e. Mode of implementation**

Textile/Apparel parks are required to have the minimum infrastructure facilities. An indicative list of common infrastructure facilities is:

- i. Asphalt road, concrete road
- ii. Storm water drainage system
- iii. Domestic sewage collection and disposal system
- iv. Street lights
- v. Open & Green spaces
- vi. Water & Power supply & distribution network
- vii. Entrance gate and security
- viii. Communication network
- ix. Effluent treatment collection/disposal
- x. Fire station/ firefighting facilities with equipment
- xi. Common storage facilities for raw materials finished products.
- xii. Boundary wall
- xiii. Public transit within park
- xiv. Centralised washing (apparel park)
- xv. Centralised embroidery unit (apparel park)

**f. Other conditions**

- i. Developer of parks availing incentives under the scheme will not be eligible to avail incentive under any other schemes of the State Government, unless specified otherwise. However, enterprises coming up in the park shall be eligible to avail incentives under other schemes of the State Government
- ii. Construction of infrastructure facilities of the sanctioned project should be completed within a period of three years from the date of



project approval. Failure to complete within the specified period will attract the recovery of Stamp duty as per rules. Failure to complete the project within the specified period, will render the project ineligible for financial assistance

- iii. The promoter/ developer of the project shall commit to hold at least 20% equity in the project
- iv. Expansion or modification/modernization of existing industrial parks shall not be eligible under this scheme
- v. Promoter/developer of parks shall operate & maintain the park, failing which, sanctioned/ disbursed/ reimbursed amount will be recovered as arrears of land revenue under Land Revenue Laws
- vi. Detailed organization and management arrangements and mechanism of third party inspection will have to be set up as an integral part of the project to claim assistance under this scheme

**10. Assistance for Energy Conservation, Water Conservation and Environmental Compliance to existing units (more than 3 years old)**

- a. GoAP will support setting up of Common Effluent Treatment Plant (CETP) at Industrial clusters/ textile parks. GoAP will provide following incentives
  - a. 50% of the Project cost or ₹10 crore, whichever is less.
  - b. In case of Handloom sector- 80% of the project cost or ₹2 crore, whichever is less
- b. Assistance of up to 50%, subject to a maximum amount of ₹ 50,000 for Energy Audit/Water Audit/Environmental Compliance. The limit of ₹ 50,000 will be applicable to each category separately.
- c. The enterprise will be eligible for the above benefit once during operating period of the scheme.

**11. Assistance for Technology acquisition and upgradation**

Enterprises acquiring specialized application technology for the first time in India will be considered eligible under the scheme. Acquisition of technology and collaboration can be in any form, including purchase of drawing, design and technology development through engaging experts/R&D institutions and/or technical consultancy firms. Mere import of Machinery or Technology will not be considered as Technology Acquisition.

**a. Quantum of Assistance**

- i. Enterprises acquiring technology will be provided financial assistance of up to 50% of the investment in technology/collaboration, subject to a maximum amount of ₹25 lakh per process/product, only once during operative period of the scheme
- ii. Enterprises availing a benefit for the same purpose under any other scheme of the State Government will not be eligible to get benefits under this scheme

**12. Assistance to Apparel Training Institutions and Trainees**

The section below profiles eligible activities and the amount of assistance proposed.

**a. Apparel and textile designing courses in Industrial Training Institutes (ITIs)**

- i. Under this scheme, any autonomous institution promoted by government/public sector undertakings or private sector with a substantive background of textile and apparel industries or skilled manpower development will be provided assistance up to 75% subject to a maximum amount of ₹4 crore of the project cost.
- ii. Project cost will cover fixed capital investment in building, equipment and machinery (including installation cost), electrification, furniture and other miscellaneous investment

required for setting up training facilities, excluding land cost. A maximum of 25% cost of Machinery and Training Equipment will be eligible to be considered under infrastructure including building.

- iii. The promoter will bear the recurring expenditure of running the training institution

**b. Training Centres**

- i. Training centres, that intend to upgrade their facilities in order to provide apparel training will be given assistance as follows:
  - a) 50% of their investment towards purchase of equipment and machinery (including installation cost), electrification and necessary furniture subject to a maximum amount of ₹20 lakh per centre.
  - b) Establishment of new training centres will also qualify for financial assistance as in (a) mentioned above.
- ii. To be eligible for the above benefit, Institution/Training centre shall create mechanism for assessment of trainees either along the lines of ITIs and Polytechnics or undergo third party assessment by certified industry bodies.

**c. Reimbursement of tuition fees to trainees**

- i. The assistance will be at 50% of total fees charged by institutions approved by the State Level Committee. This will be subject to a limit of ₹7,500 per trainee for a minimum of 15 working days (120 hrs duration) per course in apparel production. The assistance for women trainees shall be 60% of total fees charged by the institution subject to a limit of ₹8000 per trainee.
- ii. However, this support will not be available to those trainees availing any other similar support provided by State Government.
- iii. Training Institutions/Centres promoted under the scheme of GoAP or Gol will continue to get benefit up to 10 years of commissioning

**d. Assistance for Training to Trainers**

- i. Apparel training institutions/centres approved by State Level Committee, imparting training to trainers will be provided financial assistance, as reimbursement of training cost up to ₹7,500 per trainer, per week. The reimbursement will be subject to the following:
  - a. 100% in case of trainers attending autonomous institutions promoted by Government/Public sector undertakings and
  - b. 50% in case of trainers attending other institutions
- ii. The training period should not be more than four weeks.
- iii. The training will be conducted in the institutions approved by the State Level Committee/ Anchor Institutions.

**13. Training support to Powerloom sector**

Trainees of powerloom training centres operated by powerloom Service Centres or Skill Development Centres promoted by the State or Central Government or any autonomous body as approved by *State Level Committee* from time to time will be provided financial assistance.

**i. Quantum of Assistance:**

Trainees will be given stipend of ₹3000 per month for a period of three months.

**a. Assistance for advanced training to powerloom owner/jobber and worker**

Financial assistance for advanced training to powerloom owner/jobber and worker to upgrade skills to work on Auto looms, high speed auto looms and shuttle-less looms to improve their working style, skill and behaviour

**i. Quantum of Assistance**

- a. Allowances towards cost of transport and incidental expenses to weavers at ₹200 per day and jobbers at ₹300 per day for a duration of six days. No allowance will be given to powerloom owner.
- b. No fees will be charged by the institution from weaver, jobber or owner for providing training

## ii. Other Conditions

The following conditions shall apply for providing financial assistance:

- a. Training period will be two days for weaver, six days for jobber and two days for powerloom owner
- b. Fees to experts, practical training, facilities for training etc. will be decided in consultation with the office of Industries Commissionerate for each training programme. Reimbursement of actual cost of such expenditure will be given to institutions/autonomous or Non-Profit Organisation with maximum 25% of the estimated cost as an advance as approved by the State Level Committee

## 14. Transport subsidy to labour intensive Textile/Apparel units

Labour intensive Textile/Apparel units may be considered for provision of transport subsidy limited to first two years of operations of units providing direct employment to at least 1000 people in backward districts of Rayalaseema and North Coastal Andhra. The incentive will be subject to a maximum of ₹500 per employee per month or ₹3 lakh per year whichever is less, reimbursed on an annual basis.

Note: Incentives mentioned in the Textile Policy 2015 - 20 will be extended to industries as per guidelines to be notified separately.