



M2K Advisors

**M2K's
Insights**

**Production Linked Incentive
Scheme for Textiles Sector**

1 Oct 2021

Background of the Scheme

- The Government of India has approved the new Central Sector scheme - **Production Linked Incentive (PLI) Scheme for Textiles** with a total budgeted outlay of **₹10,683 Crores** for enhancing India's manufacturing capabilities and exports under Atmanirbhar Bharat.
- The scheme will be under the governance of Ministry of Textiles (MoT).
- The Scheme aims to promote production of Man-Made Fabrics (MMF) Apparels & Fabrics and Technical Textiles products in the country. The objectives of the Scheme is to enable Textiles Industry to achieve size and scale; to become competitive and generate employment opportunities for people.
- The scheme is for a period of 5 consecutive years from FY 2024-25 to FY 2028-29.
- In the ensuing slides, we have summarized the benefits offered and relevant conditions under the aforesaid scheme.



Eligible Products and Incentives

The scheme is applicable only for the sale of products whose entire manufacturing process takes place in India. The scheme is formulated to distribute incentive for the following product category:

- Listed MMF Apparels covering 40 sub chapters
- Listed MMF Fabrics covering 13 sub chapters
- Technical Textiles covering 10 segments

The eligibility under each product is classified in to two parts and is as follows:

| Particulars | Part 1 | Part 2 |
|---|--|-----------------------------------|
| Minimum Investment | Rs. 300 Crores | Rs. 100 Crores |
| Minimum Turnover in FY 2024-25 | Rs. 600 Crores | Rs. 200 Crores |
| Incentive Rate on Turnover * | Starts from 15% and reduced to 11% | Starts from 11% and reduced to 7% |
| Minimum Annual Growth in Turnover from 2 nd year onwards | 25% | 25% |
| Maximum cap on incentive for Year 2 to year 5 | 10% over the prescribed minimum incremental turnover growth of 25% | |
| Maximum turnover cap for incentive for Year 1 | Turnover upto 2 times of investment amount + 10% | |

* Incentive will be reduced by 1% every year from year 2 onwards till the year 5.

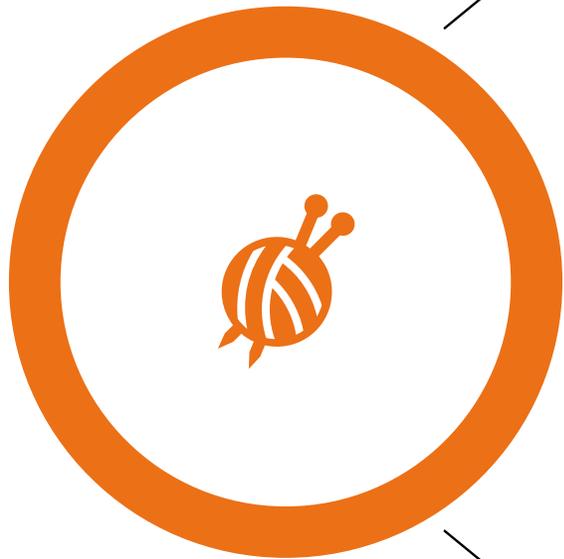
Other Conditions

- The applicant will have to form a separate company under Companies Act, 2013, before commencement of investment under this scheme.
- Only manufacturing company registered in India will be eligible to participate under the scheme. The company will have to undertake processing and operation activities in their own factory premises.
- Project having processing and operation activities to envisage value enhancement by not less than 60% in integrated fibre/yarn to fabric, garment & technical textiles. In case of independent fabrics processing house, the required minimum value enhancement will be 30%.
- Turnover achieved from trading and outsourced job work will not be accounted. In other words, goods manufactured by other manufacturer or unit of same group company shall not be considered for incentive.
- Sale of manufactured goods should be supported by GST Invoice and the amount is realized through normal banking channel. Eligible products will be determined based on 8 digit HSN code
- Investment made in anticipation after 27 September 2021 (Notification date) will be considered for meeting investment criteria and investment would need to be completed on or before 31 March 2024.
- Eligible investments for both the categories include expenditure incurred on plant, machinery, equipment and civil works (excluding land and administrative building cost) to produce products of notified lines..

Other Conditions

- Only one entity of a group to be allowed under the Scheme. In case of multiple applications of the same group getting shortlisted, group to choose one application for proceeding under the Scheme.
- In case the prescribed conditions are not met by the applicants in time, the incentives will be available for lesser number of years, but the rate of incentive will be applicable as prescribed to the first year of the Scheme, and so on for the remaining period.
- In case the Company fails to achieve the required turnover target in any of the years during the same period, they will not get incentive under the scheme for the said year. However, incentive will be provided on achieving the prescribed target in subsequent years but within the scheme period for lesser number of years.
- On achievement of the investment and performance targets one year early, incentives to be available one- year in advance.
- This Scheme does not preclude beneficiary for duty remission/duty exemption/duty neutralization provided by Government of India or for making application under State Government schemes. Government to clarify, whether the selected participants can claim incentive under ATUFS also.

Evaluation Criteria



The entities shall submit its application to Government through Expression of Interest (EOI) process. The application window will be announced by the Government.

Selection of the participating company will be done based on objective criteria like relevant experience, financial & technical capacity, investment size, potential job creation, location of the unit etc.

Project Management Agency will be appointed by Government, who will review the applications and basis their selection/ recommendation, the Government shall select / approve the applicants.

Broad Product Categories: MMF & Technical Textile Products

MMF Apparels

Apparels made of man made fibre (MMF) - Synthetic, Artificial fibre, Rayon etc.:

- Jerseys, Pullovers, Cardigans, waistcoat, jackets, anoraks, windcheaters, etc.
- Trousers, bib & brace overalls, breeches and shorts etc.
- Night dresses, undergarments, hosiery,
- Shirts, Blazers, Dresses, Blouse, Skirts etc.
- Babies garments and clothing accessories
- Life jacket, ski jacket, swimwear
- Overcoats, raincoats, car coats, capes
- Gloves, mittens, mitts, shawls, scarves and mufflers
- Bathrobes, Negliges,

MMF Fabrics

- Polyester Shirtings, Suitings and other woven polyester fabrics (min 85%)
- Dyed, knitted or Crocheted, Synthetic fabrics
- Pile fabrics, narrow woven fabrics of man made fibres
- Polyester fabric mixed with Viscos, Rayon.
- Spun Rayon,
- Nylon Brasso, Georgette, Tafetta,
- Nylon Furnishing, Nylon / Polyamide Fabrics
- Fabrics from Strip or the like

Technical Textiles

Indicative list of products

- Medical / Hygiene Textiles - Diapers, Sanitary pads / napkins, Adhesive etc.
- Geo Textiles – Membranes, Grids, Nets.
- Agro Textiles – Fishing Net, Shade nets, Mulch Nets, Crop covers etc.
- Defence Textiles - Life jacket, bulletproof jacket, Tents, Parachutes etc.
- Mobile Textiles – Tyre Cords, Seat Webbing, Safety Airbags
- Sports Textiles – Sailing Cloth, sports equipment fabrics.
- Protective Textiles – Garments for Fire Protection, PPE for medical use,
- Building / Construction Textiles
- Carbon Fibre, Glass Fibres
- Smart Textiles embedded with devices

How Can We Assist?

Phase – I: Evaluation and Application



Evaluation of eligibility of the entity under the scheme based on the products manufactured and other criteria



Discussion with the management on basis / strategy of preparation of application, considering various selection parameters



Collation of documents / information required for preparation of application



Assistance in preparation and submission of the application including co-ordination with the team



Assistance in the representing before the authorities for any clarifications / questions regarding application

Phase – II: Post Selection Assistance



Monitoring of commitments / conditions included in the approval letter



Collation of necessary information and documents for submission to authorities for incentive claim



Assist in liaison before the authorities



Verification of financial information and computation of eligible incentive amounts on yearly basis



Assistance in preparation of submission of claim for incentive, on annual basis

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Thank you