

Draft Scheme of PLI-2

New Delhi, dated September, 2022

Subject: Production Linked Incentive (PLI) - 2 Scheme for Textiles

This proposal is based on the Cabinet Note of the NITI Aayog titled “Atmanirbhar Bharat –Strategies for enhancing India’s manufacturing capabilities and enhancing exports” which was approved by Cabinet on 11.11.2020. An allocation of Rs. 10,683 crore was done to M/o Textiles for Textile Products: MMF segment and technical textiles sectors. The Cabinet has approved the PLI Scheme for Textiles for notified HS lines of MMF Apparel, MMF fabrics and 10 Products/segments of Technical Textiles on 08.09.2021 with an approved outlay of Rs.10,683 crore including Rs.50 crore for cost towards incurring Administrative expenditure, development of software, third party evaluation/ mid-term evaluation, cost accounting etc.

A total of 67 applications have been received under the scheme; out of which 64 applications have been selected under the Scheme by the Selection Committee chaired by Secretary (Textiles) against which an estimated outgo would be Rs.6400 crore (approx.) only. This leaves a balance of Rs.4283 crore unutilised to this Ministry. The savings, if any, due to non-performance or non-participation by the Participants, the same will also be utilised for disbursement of incentives under round 2 of PLI.

Proposal: Round 2 of PLI for finished goods of garments/ home textiles and Textile accessories;

3.1.The Ministry of Textiles is now proposing a round 2 of PLI Scheme for (1) Apparel/Garments/home textiles; and (2) Textile accessories, like

Embellishments, Trimmings, Zippers, Lace, velcro tape, elastic tape, button & eyelet etc.. The objective of the scheme is to enhance India's manufacturing capabilities in value added finished textile products by inviting additional investment for increasing production in this labour-intensive sector which by nature requires low investment but has high employment generation capacity. Thus, the scheme is designed to attract fresh investment to boost domestic manufacturing including MSMEs, resulting in creation of lakhs of employment opportunities. Also, in Textile accessories sector there is heavy import dependence and investment will boost production leading to import substitution.

Salient features of the scheme are as follows:

Any person, which includes firm/ company willing to invest a minimum prescribed investment in Plant, Machinery, and Equipment to produce finished textile products (Chapter-61, 62 & 63) and/or Textile accessories shall be eligible to apply for participation in this scheme. The participating company is expected to complete investment during the gestation period i.e. 2022-23 to 2023-24 and achieve the required turnover after the gestation period, i.e. during FY 2024-2025, as detailed in Table 1 to get incentive on attaining turnover of at least 2 times the investment. Incentive in the subsequent years will be provided at the rate mentioned below on incremental turnover with a condition of a minimum turnover growth of 20% over the immediate preceding year's turnover and up to year 5 as detailed in Table 2. Such company will have to invest for setting up of minimum number of stitching/ sewing/ garmenting machines per unit as detailed below in Table 3. The selected company will be eligible to get incentive under this scheme when they achieve a minimum turnover of twice the investment value by manufacturing and selling the

Apparel/garments/made ups/home textiles (Chapter-61, 62 & 63) and/or textiles accessories. Thus, for getting incentives, both the conditions of minimum investment and minimum turnover shall be met.

Table1: Gestation Period and Performance Year

Year	Gestation Period	Performance year	Incentives claim year
*	FY 2022-2023		
*	FY 2023-2024	Optional*	Optional*
1		FY 2024-2025	FY 2025-2026
2		FY 2025-2026	FY 2026-2027
3		FY 2026-2027	FY 2027-2028
4		FY 2027-2028	FY 2028-2029
5		FY 2028-2029	FY 2029-2030

Table: 2 (Incremental Growth)

Performance Year	Minimum turnover to be achieved (Rs. in crore)
Year 1 (FY: 2024-25)	2 times of the Investment
Year 2 (FY: 2025-26)	Year 1 + 20%
Year 3 (FY: 2026-27)	Year 2 + 20%
Year 4 (FY: 2027-28)	Year 3 + 20%
Year 5 (FY: 2028-29)	Year 4+ 20%

Table 3: Qualifying Investment, Turnover and Incentives for **Apparel**

Scheme Part 1		
Qualifying investment	Minimum Prescribed Turnover	Rate of incentive
Rs.15 cr & minimum 1000 machines	Rs.30 cr	8%
Scheme Part 2		
Qualifying investment	Minimum Prescribed Turnover	Rate of incentive

Rs.30 cr & minimum 2000 machines	Rs.60 cr	9%
Scheme Part 3		
Qualifying investment	Minimum Prescribed Turnover	Rate of incentive
Rs.45 cr & minimum 3000 machines	Rs.90 cr	10%

Table 4: Qualifying Investment, Turnover and Incentives for textiles Accessories

Qualifying investment	Minimum Prescribed Turnover	Rate of incentive
Rs.10 cr	Rs.20 cr	10%

3.2. Identification of product lines:

All HS lines of Apparel/garments/Made ups/Home textiles (Chapter-61, 62 & 63) and Textiles Accessories. like Embellishments, Trimmings, Zippers, Lace, velcro tape, elastic tape, button & eyelet etc.

3.3. Conditions:

- (a) Identified products removed from the factory under GST Invoice and either sold in India or exported shall be taken into account for calculation of threshold turnover/incremental turnover provided remittances against such trade are realised/received through normal banking channel;
- (b) The minimum turnover to be achieved by the company would be two (2) times the investment in Performance year 1 and thereafter 20% increase in turnover over immediate previous year turnover is to be achieved in subsequent performance years.
- (c) Only manufacturing company registered in India will be eligible to participate under the scheme. Participating company or unit of a company will have to

undertake minimum value addition of 100% in their own factory premises in the country.

- (d) Only such unit(s) of a company will be allowed to be incentivised under this Scheme who is able to maintain a clear account of all finances and use of inputs and outputs separately for audit purpose and have set up of minimum prescribed nos. of stitching/ sewing/ garmenting machines per unit for Apparel segment. Investment in only new machines will counted towards eligible investment. Turnover of other units of the company will not be accounted for incentive under this scheme.
- (e) Selected participants under earlier PLI scheme for Textiles are not allowed to participate in this PLI.
- (f) Turnover achieved from trading and outsourced job work will not be accounted. Goods manufactured by participating unit of a company registered under the scheme shall only be eligible for the incentives. In other words, goods manufactured by other units of same group company other than participating unit shall not be accounted for calculation of threshold turnover/ incremental turnover.
- (g) The unit(s) shall be required to maintain and disclose the number of direct employment generated on quarterly basis.
- (h) The participating company or unit of a company willing to get registered under the scheme will have to maintain separate accounting and balance sheet along with inventory and sale data for the production to be done under this Scheme.
- (i) The selection of participating company will be done following a completely transparent process based on criteria outlines in guidelines notified/published under the scheme.

- (j) Benefits of duty remission/ duty exemption/duty neutralisation of Government of India will be available to the Participants, if such goods are exported. The Participant Company will be eligible for benefits under Schemes of State Governments.
- (k) The scheme is to support creation of a viable enterprises and competitive industry for a limited period only.
- (l) The unit (s) will endeavour to ensure sustainable practices.
- (m) The total fund outgo and duration of the scheme is fixed. Investment should be completed by FY 2023-24 and production should be started in FY 2024-2025 for receiving incentive for 5-year duration. In case the prescribed conditions are not met in time, the incentive will be available for a lesser number of years.
- (n) In case any Participating company fails to achieve the required turnover target in any of the years during scheme period, they will not get any incentive under this scheme. However, entitled incentive will be provided on achieving the required target in subsequent years within the scheme period.
