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PM MITRA parks to generate investments of around USD 6 billion

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The Indian textile and apparel industry employs around 45 million workers and contributes 11%-12% of the country's exports. During FY22 (refers to the period April 01 to March 31), the size of Indian domestic textile and apparel industry is expected to be around USD 95 billion, while the export is expected to be around USD 38 billion. Despite presence across the textile value chain, India has not been able to garner China's declining share in global readymade garment (RMG) exports in past few years. In order to boost textile exports, to generate employment and to create level-playing field for Indian exporters in global market, the Government of India (GoI) has already announced various incentives/ schemes and the PM Mega Integrated Textile Region and Apparel (PM MITRA) park is another step towards increasing competitiveness of Indian textile globally.

CARE Ratings estimates investment potential of USD 0.8-0.9 billion for each park considering 50% of land available for manufacturing function and balance towards common utilities (assuming total land area of around 1,000 acres per park). Consequently, PM MITRA scheme is expected to bring fresh capital investment of USD 5.5-6.0 billion and in turn create export opportunities of around USD 4.5-5.0 billion p.a. for textile products once the scheme is fully implemented.

Announcement

An announcement was made by GoI for the setting up of seven PM MITRA parks with integrated facilities including plug and play infrastructure on land of over 1,000 acres with an aim to generate employment. Ten state governments, including Tamil Nadu, Punjab, Andhra Pradesh, Gujarat, Rajasthan, Madhya Pradesh, etc., have expressed their interest in the scheme. The interested State Governments are required to provide at least 1,000 acres of land for the development of the park, and final selection of the location would be based on a challenge method and an objective criteria amongst states to have better infrastructure, utility, connectivity and incentives for the textile park. The Central Government will provide maximum Development Capital Support (DCS; @30% of the Project Cost) up to Rs.500 crore to each greenfield PM MITRA park and up to Rs.200 crore to each brownfield PM MITRA park. Moreover, the Central Government would also provide Rs.300 crore of competitiveness incentive support (CIS) to each PM MITRA park for early establishment of textile manufacturing units. So, cumulatively, the Central Government is envisaged to spend an aggregate of Rs.4,445 crore by way of fiscal incentives over a period of five years for the PM MITRA park.

Background

Setting up of PM MITRA parks is based on the 5F vision of the Hon'ble Prime Minister - Farm to Fibre to Factory to Fashion to Foreign. Despite presence across the textile value chain, India is still far behind in the last F, i.e., exports of Readymade Garments (RMG) which has a very high potential to generate large employment, especially employment for women. The opportunity in RMG export is large given the declining share of China in the world RMG trade.

RMG export share (%)	CY11		CY19		Change in share
	USD Billion	% Share	USD Billion	% Share	
China	153.77	42.50%	151.54	33.20%	-930 bps
Bangladesh	19.21	4.58%	33.07	6.70%	+212 bps
Vietnam	13.15	3.13%	30.89	6.26%	+313 bps
India	14.67	3.50%	17.16	3.48%	-2 bps

Source: World Trade Organization; CY refers to period January 01 to December 31

India's share in global RMG export has remained stagnant over the past few years, while countries such as Bangladesh, Vietnam, and Cambodia have captured large part of China's declining share in the global RMG exports. Competing nations have gained due to duty-free access to key export markets, i.e., USA and Europe apart from their higher labour productivity and economies of scale. India has the distinct advantage of having adequate raw material and large labour workforce which shall augur well for grabbing the export opportunity. Furthermore, ready availability of raw material reduces transportation cost and lead time, thereby providing cost-effective solution to the customers.

Textile clusters provide large scale of operation, integrated value chain, support service, common infrastructure and fiscal incentives and thus reduces the cost of production. Along with the recent announcement of Remission of Duties and Taxes on Exported Products (RoDTEP) rate, extension of Rebate of State and Central Taxes and Levies (RoSCTL) scheme, Production Linked Incentive Scheme (PLI), the setting up of PM MITRA parks aims to further increase competitiveness of Indian textile players. Moreover, with steps being taken by leading global apparel brands to diversify their supply base as a part of their 'China Plus One' strategy, it is expected to augur well for additional investments in the Indian textile sector.

The Scheme for Integrated Textile Parks (SITP) was launched in FY06 to provide the industry with infrastructure facilities for setting up textile unit which was further extended till FY20. However, the scheme has not given intended results due to various issues and challenges. The GoI has now taken corrective steps while introducing PM MITRA scheme based on lessons learned from SITP.

Till date, 74 parks have been sanctioned under the SITP. Of the 56 textile parks sanctioned under SITP (excluding cancellation post sanction), only 22 are completed while the remaining are at various stages of implementation. Around 50% of the projects got cancelled due to delay in obtaining land and requisite clearance and approval, while around 25% got cancelled due to uncertain market condition. Lower size of textile park, lower-than-envisaged integration, poor rail, road and port connectivity, high lease rental and slow fund mobilization also posed challenges and led to lower occupancy rates.

Comparative analysis of SITP and PM MITRA

Key parameters	SITP	PM MITRA	Advantages of PM MITRA
Average Size	Average textile park size of 80-85 acre because of cap of government grant up to Rs.40 crore which was later increased to Rs.50 crore	1,000+ acre of textile park with capital grants up to Rs.300 crore	Economy of scale leading to lower cost of production
Land procurement process	Assistance by state government in identification and procurement of suitable land	Availability of adequate land is a pre-requisite of this scheme	Avoidance of land availability-related issues which could lead to delay in implementation
Connectivity and utility	Varies with location; issues related to connectivity and delay in approval for utilities	Plug and play facilities along with port, rail and road connectivity	Better connectivity and ready infrastructure can easily attract investments and ensure speedy implementation
Support to anchor plants while ramping up for economic viability	None	CIS of up to 3% of turnover to new plants till achievement of certain scale of production	Attracts initial investments

As depicted in the above table, the PM MITRA parks aim to overcome some of the shortcomings of SITP, thus having better chances of success. Moreover, current demand scenario, lower cost of borrowings and increase in ease of doing business during last few years can help to attract fresh investments. CARE Ratings sees relatively higher potential for investments, employment generation and exports under PM MITRA park, which is expected to benefit the textile sector.

Particulars	SITP (22 completed parks)	PM MITRA (7 parks) potential
Capital investments	Rs.9,075 crore as against targeted investments of Rs.13,000-14,000 crore	around USD 5.5-6.0 billion (Rs.42,000-45,000 crore)
Total turnover (Revenue)	Rs.13,000-14,000 crore as against targeted turnover of Rs.19,000-21,000 crore	Domestic: around USD 3.5-4.0 billion (Rs.26,000-30,000 crore)
		Exports: around USD 4.5-5.0 billion (Rs.34,000-38,000 crore)
Employment generation	40%-50% as against targeted employment generation of 1.8-1.9 lakh	3.5-4.0 lakh

Source: Ministry of Textile, GoI, Compiled by CARE Ratings

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