



PLI Scheme for Textile  
sector: Key details and  
opportunities

# Topics for discussion



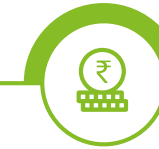
Textiles PLI Scheme -  
Overview



Textiles PLI Scheme -  
Framework



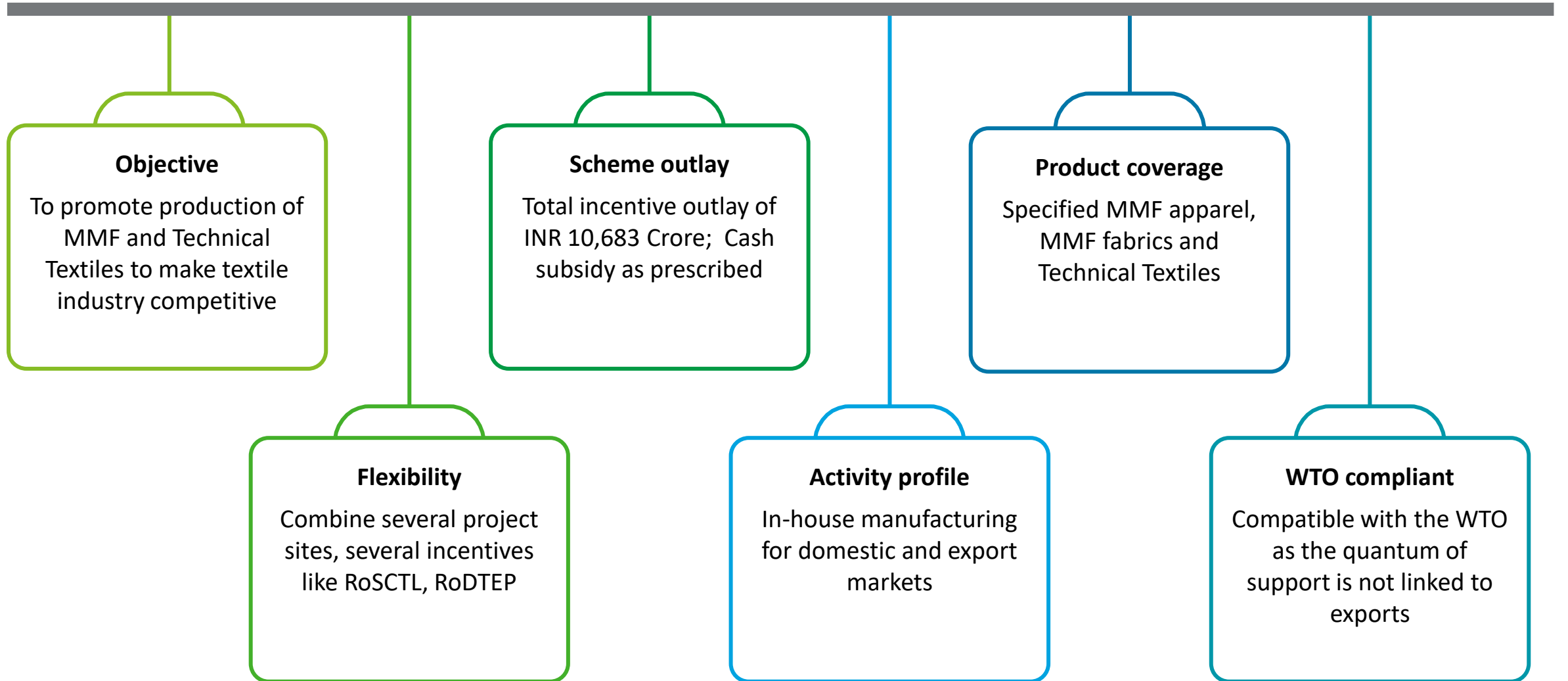
Corporate tax and  
other incentives



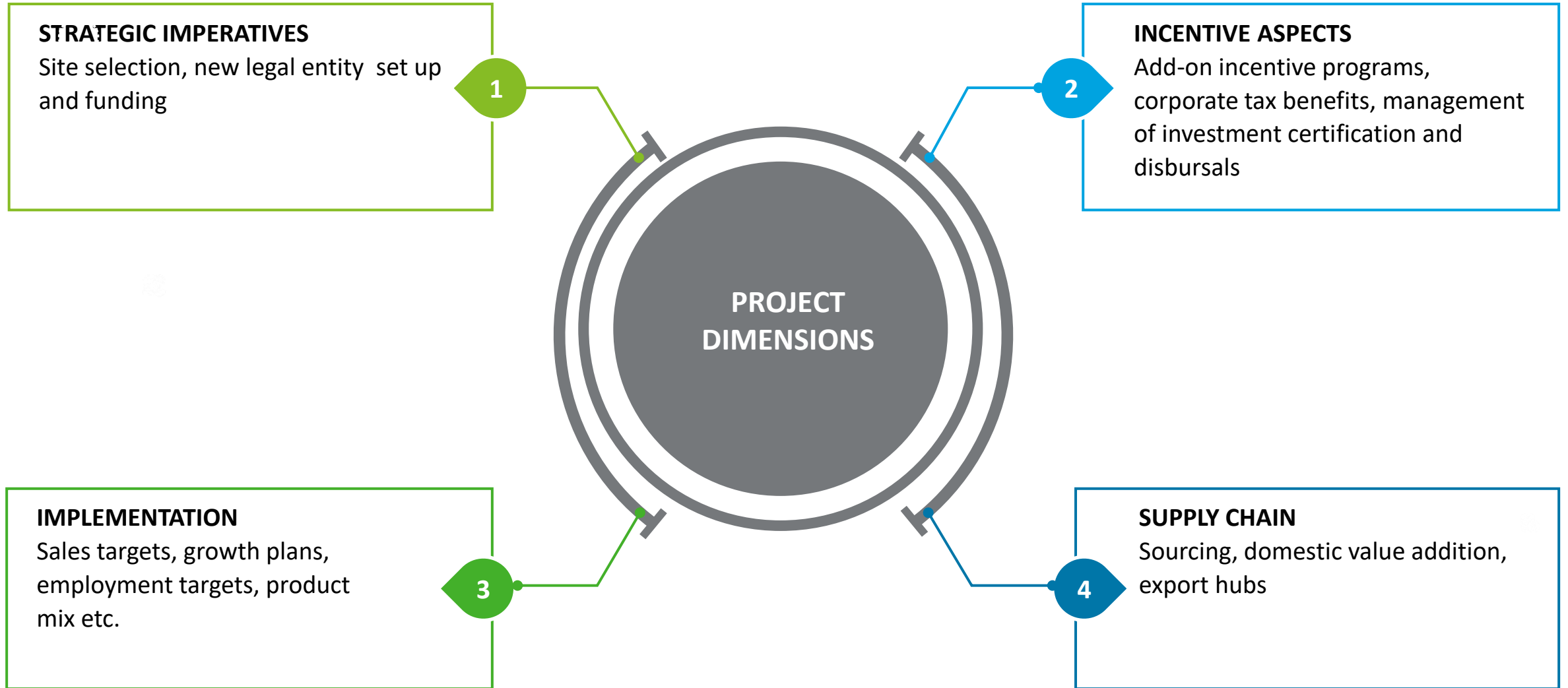
Sales Acceleration -  
Strategy

# Textiles PLI Scheme - Overview

# PLI Scheme for Textile sector – An overview



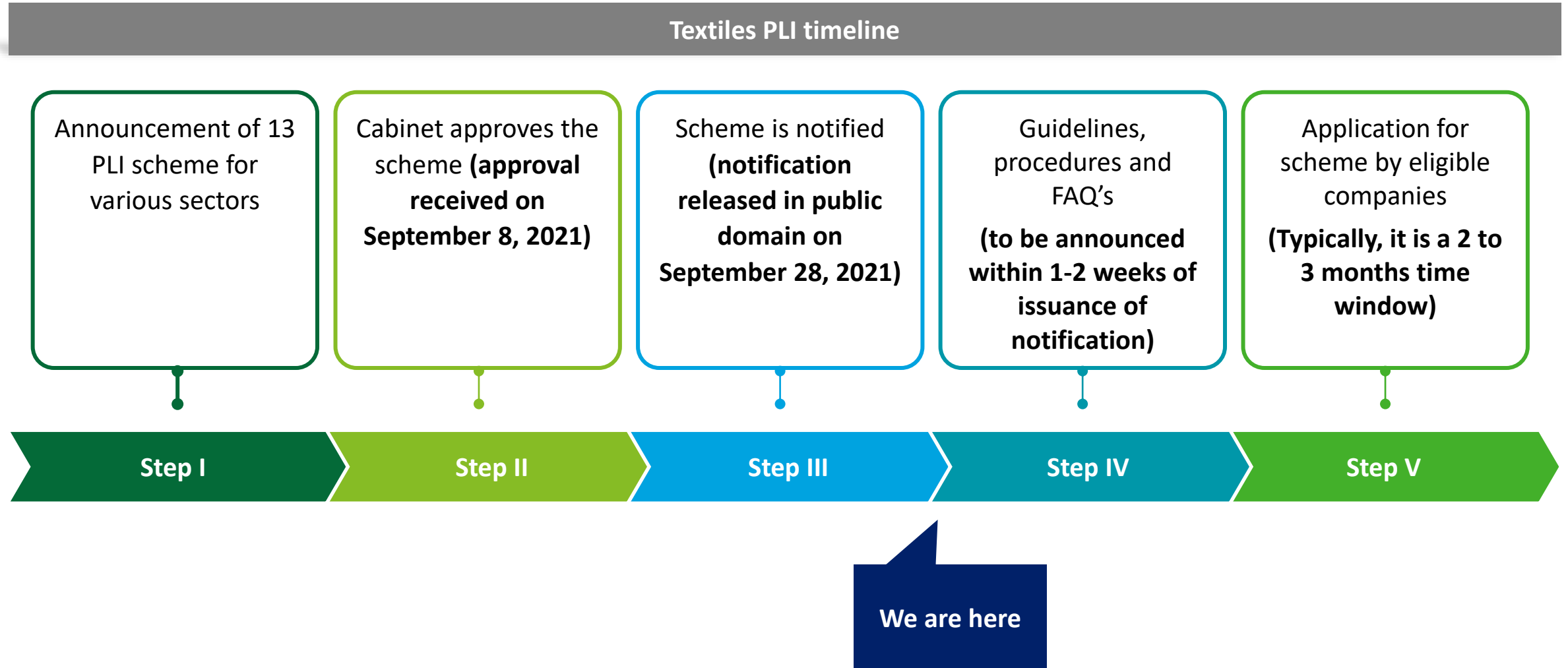
# PLI Projects - Dimensions for consideration



# Textiles PLI – Feasibility parameters



# Sequencing of events leading up to the application process






# Textiles PLI Scheme - Framework



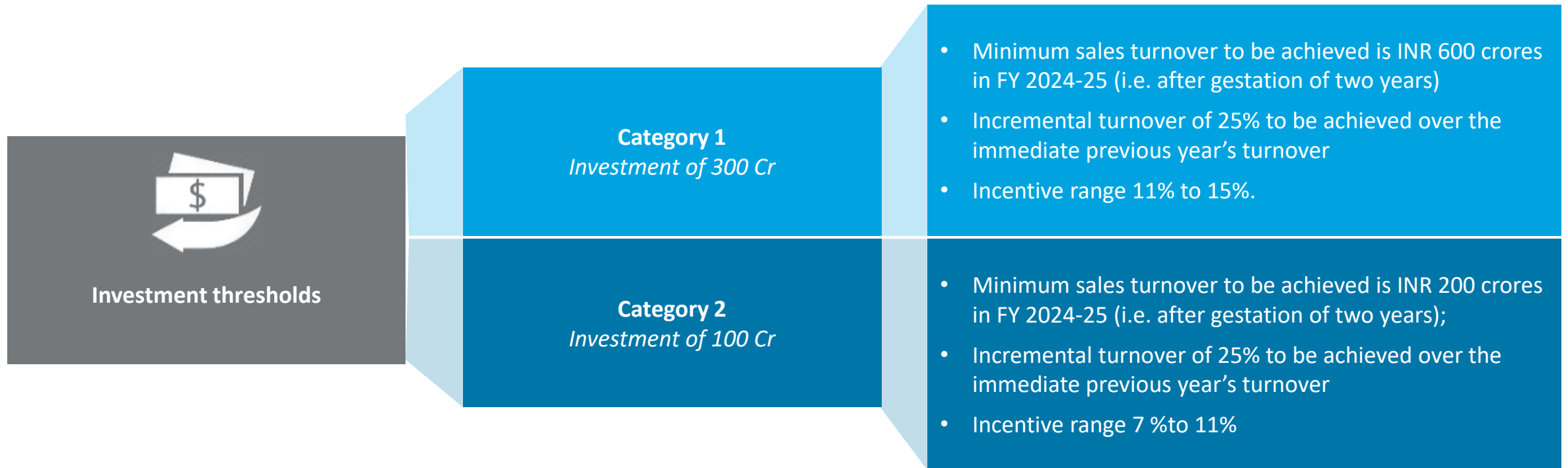
# Product coverage

## Product segments – coverage HSN and description driven

Segment	Illustrative list of key products/product categories
 <p data-bbox="180 689 428 728">MMF apparels</p>	<p data-bbox="558 604 2407 689">Identified products of Chapter 61 and 62, including jerseys, pullovers, trousers, skirts, socks, swimwear, innerwear, gloves, etc.</p>
 <p data-bbox="198 968 410 1006">MMF fabrics</p>	<p data-bbox="558 882 2415 968">Identified products of Chapter 54, 55, 58 and 60, including woven, dyed, pile, crocheted fabrics of identified blends of nylon, polyester, etc.</p>
 <p data-bbox="206 1246 402 1285">TT products</p>	<p data-bbox="558 1160 2382 1253">Identified products of geo textiles, agro-textiles, medical textiles, defence textiles, mobile textiles, sports textiles, protective textiles, smart textiles, building textiles, specialty fibres &amp; composites.</p>

# Investment and sales thresholds

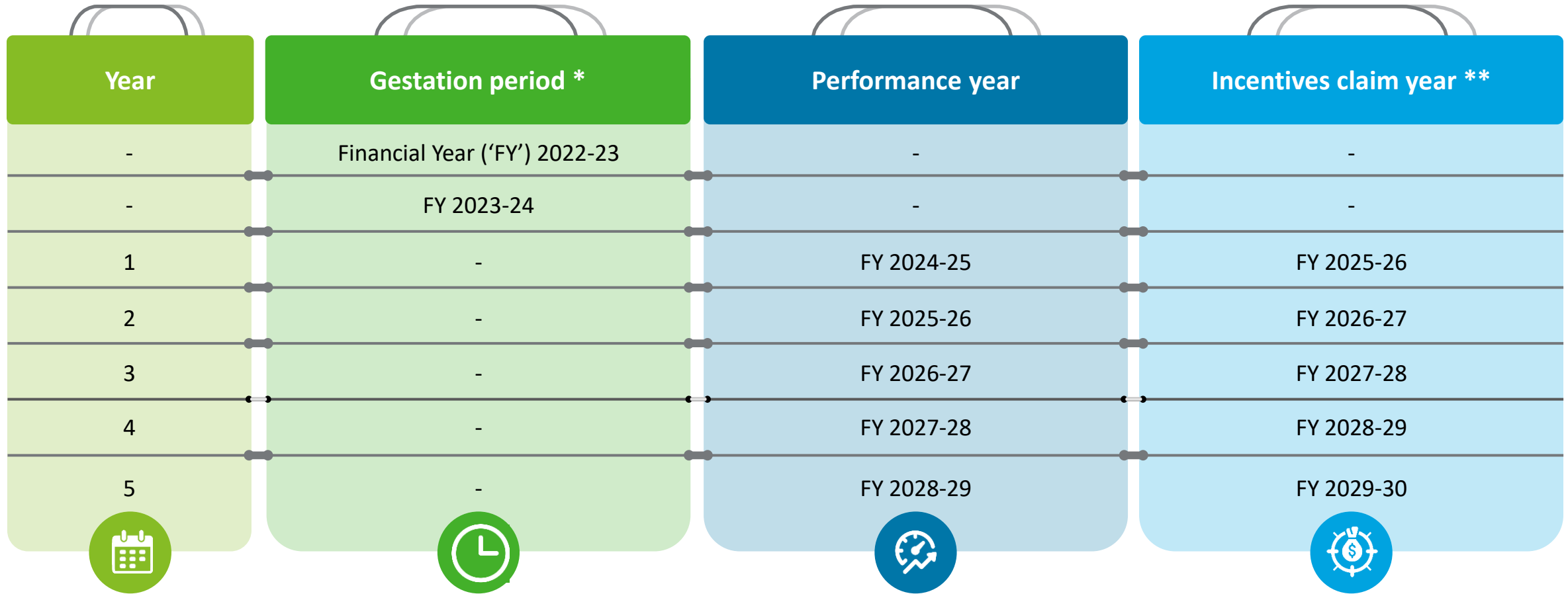
Scheme to result in fresh investment of above 19,000 Crores



For both categories, eligible investments to include Plant, Machinery, Equipment and Civil Works (excluding land and administrative building cost)

# Implementation framework

Incentives under the Scheme will be available for a period of 5 years



\* For availing lower corporate income tax rate of 15% (plus surcharge and cess) the new company should commence manufacturing or production by 31 March 2023

\*\* On achievement of the investment and performance targets one year early, incentives to be available one-year in advance i.e. starting from 2024-25 to 2028-29

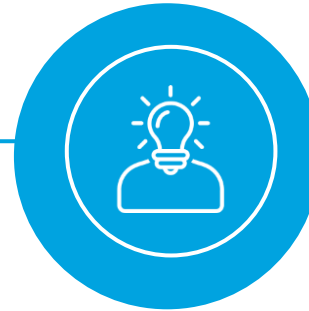
## Textiles PLI – Key features (1/3)



- Requirement to form a **new company** under the Companies Act, 2013 before commencement of investment
  - No base year?
  - Ongoing investment?
- Only existing manufacturing companies engaged in textile sector eligible to apply?



- **2 years initial gestation period for investment** before commencement of production 2024-25
- Under the policy, production/ sales upto 2028-29 to be considered – **investment allowed upto 2027-28?**



- In case of non-fulfillment of prescribed conditions in time, incentives to be available for **lesser number of years**; Rate of incentive to be applicable as prescribed to the first year of the Scheme, and similarly (as per the Scheme) for the following years



- 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

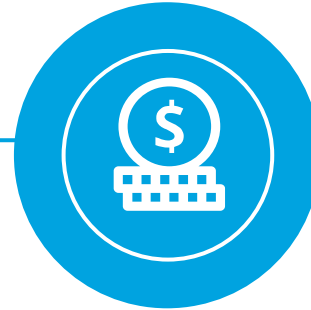
## Textiles PLI – Key features (2/3)



- Turnover achieved from **trading and outsourced job work** (including group companies) **not to be considered**
- Applicant to undertake processing and operational activities in its **own factory premises** only



- **Minimum value addition** requirement of
  - 60% in case of integrated fabric/ yarn to fabric, garment and technical textiles processing and operation activities
  - 30%, in case of independent fabric processing house



- **Cap of 10%** applicable over minimum incremental turnover for computing incentives (from Year 2 onwards). For Year 1, capping to be on the base of turnover equivalent to two times of investment



- Criteria for shortlisting application
  - Relevant experience
  - Financial and technical capacity
  - Investment size
  - Employment generated
  - Location
- Higher priority for investment in Aspirational Districts & Tier 3/4 towns

## Textiles PLI – Key features (3/3)



- **Separate documents and records** to be maintained including
  - Inventory of inputs
  - Sales data
  - Balance sheet



- **Eligible sales**
  - Sales of products with eligible 8 digit HSN
  - Sales made under GST invoices only



- Benefits such as **duty remission/duty exemption/duty neutralisation** provided by the Government of India or State incentives can be claimed additionally



- **New entrants** in the Scheme to be allowed till 2022-23 in case of excess availability of budget

# Corporate tax benefits

# Tax regime for new manufacturing companies

## Snapshot



- **Tax rate of 15%** plus surcharge and cess [i.e., **effective rate of 17.16%**]
- No Minimum Alternate Tax (MAT)

### Lower tax rate vis-à-vis select other jurisdictions –

- China: 25%
- Vietnam / Taiwan: 20%
- Philippines: 25%

### Attractive tax regime for

- New manufacturing companies in India
- Incorporated on or after 1 October 2019

- Company engaged only in **manufacture** of any article or thing and **research** in relation to, or **distribution** of, such article or thing manufactured by it
- **Commencing manufacture on or before 31 March 2023**
- Not formed by splitting up or reconstruction of an existing business; certain incentives not to be claimed (e.g. additional depreciation)

- Meaning of ‘splitting up’ or ‘reconstruction’ in light of domestic anti abuse rules, especially from contract, employees and plant & machinery perspective
- Restriction on use of old plant & machinery ~ 20%
- Whether certain businesses qualify as manufacture / production
- Domestic transfer pricing provisions to apply for transactions with closely connected entities

### Other incentives



Income-tax benefits on **employment generation** available [deduction for 30% of additional employment cost for 3 years, subject to conditions]



# Sales Acceleration

# PLI – Business opportunities

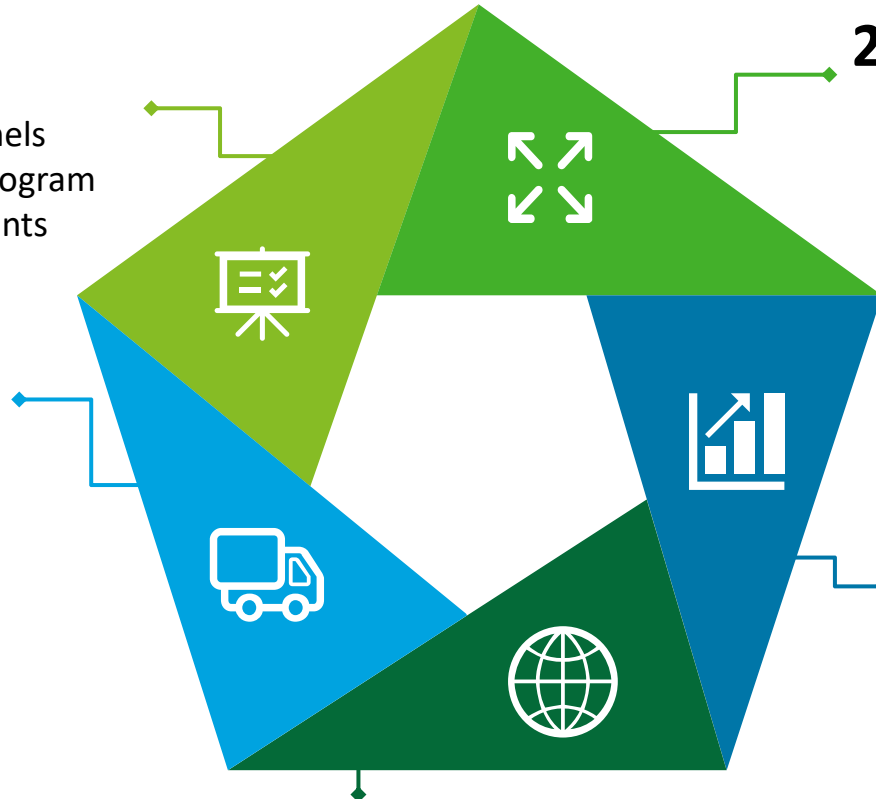
High sales threshold & YoY growth are key to achieving the PLI incentive and need a relook at Sales

## 1 Growth in Existing markets

- Optimize S&D structure, digitize sales operations & develop alternate channels
- Enhance key account management program to be strategic partner for large accounts

## 5 Business model transformation

- Evaluate vertical integration opportunities
- Analyze feasibility for in-house manufacturing compared to outsourcing



## 2 Import substitution

- Due to PLI scheme, some imported products can be produced economically in India
- Textile co's can evaluate tech transfer & manufacturing in India to cut imports of textiles (e.g. Technical textile)

## 3 New products & diversification

- Cos can launch products (from 64 categories under PLI) experiencing high growth in current markets & accounts
- Cos may invest/ enter into PLI focus segments – from current allied/non-allied segments

## 4 Expansion into new markets

- Leverage pricing competitiveness to identify potential markets for growth
- Identify right products, channels and accounts in new market



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