

GOVERNMENT OF TELANGANA  
ABSTRACT

Industries & Commerce Department – Incentives for Textiles and Apparel Sector – Telangana  
Textile and Apparel Incentive Scheme 2017 - Orders – Issued

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INDUSTRIES AND COMMERCE (TEXTILES) DEPARTMENT

G.O.Ms.No. 59

Dated: 18-08-2017

ORDER:

Telangana state is known for its production of long staple cotton, with an annual production of about 60 lakh bales. The quality of the Telangana cotton is highly regarded. However, processing and value addition to cotton in the State is largely limited to ginning and pressing. Roughly 10 lakh bales are utilized by the 35 Spinning Mills having a capacity of 9.3 lakh spindles located within the state. Primary processed cotton from Telangana is being exported to states like Gujarat, Maharashtra, Tamil Nadu and Andhra Pradesh for further value addition. Lakhs of textile workers employed in well-established clusters in the country like Surat, Bhiwandi, Sholapur and Ichalkaranji are natives of Telangana, and have 3-4 decades of experience of working in this sector.

2. Given the availability of high-quality raw material (cotton) and a large pool of workers having deep experience, and the presence of a domestic industry of reasonable scale, Textiles and Apparel present a rich opportunity to help the sector grow manifold through a sector-focused comprehensive incentives framework for the industry. The proposed incentives aim at creating an enabling environment in order to encourage investments in downstream processing activities majorly focusing on spinning, weaving, knitting, processing and garment manufacturing including made-ups within the State. In addition to encouraging new units across the value chain, the incentives also support the existing units for their modernization, expansion, and for marketing and promotion activities. A slew of capital and operational incentives to benefit the textile sector are proposed hereunder: -

3. The incentives proposed hereunder shall be operative for a period of 5 years from the date of notification and will cover all the new and existing units. While the Government is keen to encourage industry with the primary objective of attracting investments and generating employment opportunities for the local population, it is hereby clarified that it expects the industry to provide a fair and decent wage to the workforce. If it is brought to the notice of Government that the workers are not being adequately compensated, or are exploited, then it shall have the right to terminate the approvals granted and recover the monetary value of the incentives accorded till then.

Nature of units and activities that are intended to be covered are detailed as follows:

3.1. New Enterprises : New Enterprise are the enterprises that commence commercial production / service after notification of this order and also obtain acknowledgement of filing Udyog Aadhar Registration (UAR) with the concerned District Industries Center (DIC) or Industrial Entrepreneur's Memorandum (IEM) with the Government of India.

3.2. Existing Enterprises : Existing Enterprise means the enterprise which has filed UAR/EM with the concerned District Industries Center or Industrial Entrepreneur's Memorandum with Government of India and is undertaking expansion / diversification / modernization operations in an existing project

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

(Contd..2)

**3.4. Modernization:** Existing enterprises investing more than 15% in the cost of its existing plant & machinery to upgrade technology by way of adopting new technology, production process shall be categorized as Modernization.

**3.5. Gross Fixed Capital Investment:** Gross fixed capital investment means investment in Land, Plant & Machinery before a unit commences expansion / diversification / modernization and / or obtains sanction of financial assistance from Banks / Financial Institutions.

**3.6. Technical Textiles:** Technical Textiles, for the purpose of this order, are defined as textile materials and products used primarily for their technical performance and functional properties rather than for aesthetics or decorative characteristics, where function is the primary criterion. Technical Textiles include textiles for automotive applications, Medical textiles, Geotextiles, Agrotextiles, Protective Clothing, Pack Tech etc.

**4.** The incentives are provided under five major heads: -

- Capital Assistance
- Operational Assistance
- Infrastructure Support
- Capacity building and Skill development Support
- Fibre to Fabric incentive

The Government will follow a segmented approach for providing benefits, depending upon the size of investment and / or employment created. Each investment will be quantified into one of the following 5 categories. The 5<sup>th</sup> category, namely, units having investment above Rs 200 Cr **and / or** providing employment to more than 1000 persons, will be treated as Mega Projects, and can be considered for special tailor-made incentives if needed. The same benefit can also be extended to any other investment of a strategically important nature for the state.

Category	Investment (in Rs Crore)	Minimum employment (number)
A1	<10	50
A2	10-50	200
A3	50-100	300
A4	100-200	500
A5	>200	1000

**4.1. Capital Assistance:** Applicable for new and existing units into ginning, spinning, weaving, knitting, processing, garment manufacturing, technical textiles and manufacturers of textile machinery. Eligible Project Cost for capital subsidy shall include cost of technical civil works including factory sheds and buildings, plant and machinery, laboratories for research and quality testing, laboratory equipments, utilities for power, fuel and water supply and other miscellaneous fixed assets. Costs of land, land development, pre-operative & preliminary expenditure, margin for working capital, Interest During Construction (IDC) and non-technical civil works such as roads, office infrastructure etc are excluded from the Eligible Project Cost for the purpose of capital assistance.

**4.1.1. New Units**

Category	Capital Subsidy (For Conventional Textiles)	Capital Subsidy (For Technical Textiles)
A1	25%(cap of Rs 1 Cr)	35% (cap of Rs 2.5 Cr)
A2	25% (cap of Rs 3 Cr)	35% (cap of Rs 5 Cr)
A3	25% (cap of Rs 5 Cr)	35% (cap of Rs 10 Cr)
A4	25% (cap of Rs 10 Cr)	35% (cap of Rs 20 Cr)
A5	25% (cap of Rs 20 Cr)	35% (cap of Rs 40 Cr)

Units promoted by SC / ST entrepreneurs or persons with disability (PWD) shall get an additional capital subsidy of 5% subject to the above caps (also increased by 5%)

**4.1.2. Existing Units**

- Capital Subsidy: 20% of the cost of plant and machinery upto Rs. 5 Cr per unit
- Assistance for procurement of plant and machinery for modernization, adoption of advanced technologies in textile processing, enhancement of capacities or diversification

**4.1.3. Creation of Energy, Water and Environmental Conservation Infrastructure**

For both new and existing units, Assistance under this component will be available only once. Units adopting environmental protection measures like water & energy conservation measures, will also be given a rebate in the local body taxes like property tax, IALA levies, etc, in line with the facility provided in urban areas.

- Energy, Water and Environmental Conservation Infrastructure: Assistance of up to 40% of cost of equipments with a ceiling limit of Rs. 50 lakhs under each category separately
- Common Effluent Treatment Plant: Assistance of 50% of project cost upto Rs 10 crores at cluster level/ Industrial Parks. For handloom clusters, assistance upto 70% with a cap of Rs 2 crores

**4.2. Operational Assistance:** -Operational assistance shall be available for new units as well as existing units that are into modern ginning & pressing, spinning, weaving, knitting, processing, value addition units (slub, twisting, doubling, mercerizing, gassing), garment manufacturing, technical textiles, manmade fibres based units, and manufacturers of textile machinery. Assistance will be provided under the following heads: -

**4.2.1. Interest Subsidy**

- 75% of the interest rate applicable on the loans availed by a unit subject to a cap of 8% per annum. The total Interest subsidy including any similar benefit availed under any other scheme of Central / State government should not exceed the rate of interest levied by financial institutions on the sanctioned and disbursed term loan to the unit.
- Assistance shall be provided for a period of 8 years (including a construction / moratorium period of 2 years) or the period of repayment of the loan

**4.2.2. Power Tariff Subsidy**

- Tariff subsidy @ Rs 1 per unit will be provided for ginning and pressing mills
- For all other units, power tariff subsidy will be as follows: -

Category	Power Tariff Subsidy
A1, A2	Re 1.00 / unit
A3	Rs 1.50 / unit
A4	Rs 1.75 / unit
A5	Rs 2.00 / unit

- Subsidy Validity: 5 years from the date of commencement of commercial production
- Technical Textiles: Additional Rs 0.5 per unit benefit across all the above categories

**4.2.3. Stamp Duty Reimbursement:** - 100% of the stamp duty / transfer duty paid during purchase of land meant for industrial use, lease in of land / shed / buildings shall be reimbursed. The reimbursement is also applicable for registration of mortgages and hypothecations.

4.2.4. Concession on VAT/CST/SGST: - VAT / CST / SGST reimbursement is available for tax collected on end product / intermediate product within the entire value chain (from cotton to Garment and made ups) to the extent of 100% of VAT / CST / SGST for a period of 7 years from the date of commencement of commercial production, or up to realization of 100% fixed capital investment the eligible fixed capital investment, whichever is earlier. Existing units which undergo expansion / modernization / diversification will be entitled to get similar benefits under this clause.

4.2.5. Assistance for Energy, Water and Environmental Compliance to Existing Units: - Assistance of upto 50%, subject to a maximum amount of Rs 50,000 for each category separately. Available for all existing units with conservation infrastructure and are into commercial production for a minimum period of 3 years

4.2.6. Assistance for Acquisition of New Technology: - Enterprises Developing New Technology: Assistance of upto 50% of investment in technology development, subject to a maximum amount of Rs 10 lakh per process / product

4.2.7. Transport Subsidy to Export-Intensive Textile / Apparel Units: - Reimbursement of freight charges towards import of raw materials and export of finished products either by rail / road, from the project location to the port / dry port in the following scale: -

- Year 1&2: 75%,
- Year 3& 4: 50%,
- Year 5: 25%

Further, the Government will provide transport subsidy at above rates for 5 years, for "Deemed Exports", i.e. supply of goods from within the state to other textile and apparel units within or outside the state provided the goods supplied are ultimately exported after value addition.

4.2.8. Design, Product Development and Diversification Assistance: - 20% of the annual expenditure spent on design and product development expenditure limited to Rs 2 lakhs per year. Eligible unit can avail the assistance twice during the operative period of the scheme. This assistance is however not available for processing units with generic products as output with no scope for design and diversification.

4.3. Infrastructure Support: - Industrial units in ginning, spinning, weaving, knitting, processing, garment manufacturing, technical textiles, units based on manmade fibres and manufacturing of textile machinery are eligible for assistance

4.3.1. Land: - Allotment of land will be carried out across three categories: -

- Industrial Plots in Integrated Textile Parks Developed by TSIIC: Plots for purchase or on lease with common facilities including ETP, infrastructure and R&D facilities etc
- Individual Plots on Stand Alone Basis: Away from Industrial Parks developed by TSIIC
- Land for Development of Industrial Park / Textile Park / Cluster: Land for projects developed through privately owned or PPP modes of investments will be made available

In every new Textile / Apparel park, anchor client(s), and first movers will be extended rebate of 50% of the cost, with an upper limit of rebate being Rs 20 lakhs per acre. Technical Textiles: An additional rebate of 25% with a cap of Rs 10 lakhs per acre will be extended.

4.3.2. Built-Up Space: - In every textile and apparel park, government will create built up space to be used mainly by MSME units. Rental Subsidy of 25% for first 5 years of operations will be provided.

4.3.3. Industrial Water: - Government has earmarked 10% water from all existing and new irrigation sources for industrial utilization

4.3.4. Other Infrastructure: - Support infrastructure like roads, power and water will be provided at door step of the industry for standalone units by contributing 50% of the cost of infrastructure from IIDF with a ceiling of Rs.1.00 Crore subject to: -

- Location is beyond 10 kms from the existing Industrial Estates / IDA's having vacant land / shed for allotment
- Cost is limited to 15% of the eligible fixed capital investment made in the industry

4.3.5. Environmental Infrastructure: - In the Textile / Apparel Parks developed by the Government, the Government will take complete responsibility for providing a Common Effluent Treatment Plant (CETP) which will be developed in a PPP mode by engaging experienced and reputed firms. The individual units located in that Park will be required to take their effluents discharge to the CETP on pay-per-use basis.

In other cases, where a unit develops its own ETP or waste treatment plant or water recycling plant, the Government will provide a capital subsidy of 50% of the project cost with a cap of Rs 10 crore as per 4.1.3.

For a CETP or an ETP, Government will also provide a rebate in the O&M charges in the following scale:

- Year 1 and 2: 75%
- Year 3 and 4: 50%
- Year 5: 25%

4.3.6. Assistance for Development of Worker Housing / Dormitories: - Rebate on 60% of the land cost and land conversion charges (upper limit being Rs 30 lakhs per acre for land cost and conversion charges) for construction of houses / dormitories for worker.

4.4. Capacity building and skill development support: - Textiles and Apparels will be an important focus of the Telangana State Skills Development Mission. The Government will facilitate reputed institutions involved in Textiles-related training programmes to set up their permanent centres in the state

4.4.1 Training Subsidy: - One time support of Rs.3000/- per employee will be provided to reimburse the cost incurred in skill up-gradation and training the local manpower. For units employing more than 1000 persons, the training subsidy will be Rs.5000/- per person.

4.4.2 Assistance Towards Training Infrastructure in Apparel Design and Development: -

- Autonomous Institution Promoted by Government / Public or Private Sector: 75% assistance, subject to a maximum amount of Rs 1 crore towards infrastructure creation.
- New or Existing Training Centres that Intend to Upgrade their Facilities: 50% of their investment towards infrastructure creation subject to a maximum amount of Rs 20 lakh per centre

4.5 Fibre to Fabric Incentive: -Any entity that establishes a production chain that starts with production of Textile Fibre to the Fabric as an integrated family will be eligible for an additional 5% subsidy on items like capital investment and power tariff than what is provided above.

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5. Returning Migrants' Incentive Scheme: - In order to encourage the Return of Weavers who had left Telangana to other States, the Government will provide 50% of the capital investment required to be borne by the weaver group to develop Textile Parks as per the scheme guidelines of SITP, Government of India as well as MSME Cluster Development Incentive / Scheme of Government India. Only those groups will be eligible for such subsidy support that has at least 60% of members as weavers who have migrated to other States. The capital investment subsidy will be limited to Rs 2.0 Cr or 50% of the required beneficiary group contribution, whichever is lower.
6. Necessary amendments / orders and detailed operational guidelines will be issued separately.
7. Government may review and modify the incentives from time to time.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF TELANGANA)

JAYESH RANJAN  
PRINCIPAL SECRETARY TO GOVERNMENT & CIP (FAC)

To

The Director of Handlooms & Textiles and Apparel Export Parks, Hyderabad.  
The Commissioner of Industries, Hyderabad.  
The Vice-Chairman & Managing Director, Telangana State Industrial Infrastructure Corporation Limited, Hyderabad.

Copy to:-

The Vice-Chairman & Managing Director, Telangana State Handloom Weavers' Co-operative Societies Ltd., Hyderabad.  
The Vice-Chairman & Managing Director, Telangana Handicrafts Development Corporation Limited, Hyderabad.  
The Secretary, Ministry of Textiles, Govt. of India, New Delhi.  
The Textile Commissioner, Govt. of India, MoT. Mumbai.  
The Revenue Department.  
The Energy Department.  
The P.S. to Prl. Secretary to Hon'ble Chief Minister.  
The P.S. to Hon'ble Minister for Handlooms & Textiles.  
The P.S. to Chief Secretary to Govt. T.S. Secretariat  
The P.S. to Prl. Secretary to Govt., Finance Department, T.S. Secretariat.  
The P.S. to Prl. Secretary to Govt., Revenue Department, T.S. Secretariat.  
The P.S. to Prl. Secretary to Govt., Ind. & Comm. (Tex) Dept.  
Ind. & Comm. ( I.P. & INF / M.S.M.E.) Department.  
SF/SC

//FORWARDED::BY ORDER //

SECTION OFFICER