

Sector:

Textiles

Project Title:

Fabric Processing (dyeing) Center

Project Description

Textile industry plays a significant role in the Indian economy. It accounts for nearly 7% of the country's GDP and 17% of the total manufacturing output. The textile sector contributes around 25% of the total Indian exports and is also the second largest employment generating sector after agriculture, providing employment to nearly 4.5 mn people.

The fabric processing (dyeing and finishing) segment is the weakest link in India's textile value chain. The sector is highly fragmented and consists of a large number of small hand and power – processing unit.

To assist the development of textile sector in Madhya Pradesh (MP), the Government of MP (GOMP) proposes to establish a State-of-the-art fabric processing center in the State. The center would employ high-end fully automated machinery to provide high quality processed fabric to be utilized for manufacturing high quality ready made garments and apparels conforming to the international exports.

The center would be set up on 2 acres of land and would employ modern dyeing machinery, which would offer significant advantage in terms of high productivity, reduction in cycle-time, dye stuff, idle time and energy consumption with low liquor ratio in fabric dyeing compared to the conventional dyeing machinery.

The plant would cater to the requirements of domestic industry as well as the exports oriented unit.

Project Rationale

Madhya Pradesh has a prominent place as a leading textile center of the Country. The State has a thriving textile cluster in the southwest region (Malwa). Since the Malwa belt has a large cotton growing area, large number of textiles mills are clustered around Indore, Ujjain, Burhanpur etc.

At present there are around 51 textiles units in the State in the large sector. From production of raw material, to the final manufacturing of RMG, the State has significant strengths across the value chain. The presence of some of the leading textiles players in the State provides testimony to the significance of MP among the textile industry. Some of the key textiles players present in the State are Bhilwaras, Indo-Rama, Bhaskar, Oswals, S-kumar's, Maikal, Parasrampur etc.

The emerging opportunity on the global as well as on the domestic level has encouraged the existing players for significant capacity expansion.

Despite this, MP has a very low share in the total apparel exports of the Country. The textile export from MP is around USD 250 mn which is less than 1% of the national exports. Madhya Pradesh does not have processing facility for printing and dyeing of textile as per latest fashion needs. Presently, grey cloth manufactured in the State are sent to other States for processing. There is an urgent need to establish a modern fabric dyeing unit in the State. In order to meet this requirement, the State Govt. is seeking investments through private sector for establishing the processing facility.

MP has the potential to attract a total investment of USD 2.2 bn approximately in the textile sector in the next 5 years. The GOMP has initiated a series of reform measures to promote the textile sector in the State. Since garment industries has the tendency to flock in clusters, especially near the sources of raw material, the State is focusing on cluster development initiatives.

The establishment of modern fabric processing center would ameliorate the demand of a sophisticated dyeing center and would position MP as a State with strength across the entire textile and garments value chain.

Proposed Facilities

The center would have following key fabric processing machineries :

- ✓ Multi nozzle soft flow dyeing machine
- ✓ Weight reduction machine
- ✓ Relax rotary drum washing machine
- ✓ Automation unit.
- ✓ Tube dehydrator
- ✓ Shrink dryer
- ✓ Knit tube compactor

The center would have the following facilities:

1. R&D center with following key equipments

- ✓ Spectrophotometer color eye
- ✓ Spectra light
- ✓ Weighing balance
- ✓ IR lab dyeing machine
- ✓ PH meter
- ✓ Colour matching cabinet

2. Quality control lab with following key equipments:

- ✓ Washing Machine
- ✓ Tumble dryer
- ✓ Fastness tester
- ✓ Crock Meter for Rub fastness
- ✓ GSM cutter
- ✓ Shrinkage template
- ✓ Grey scale

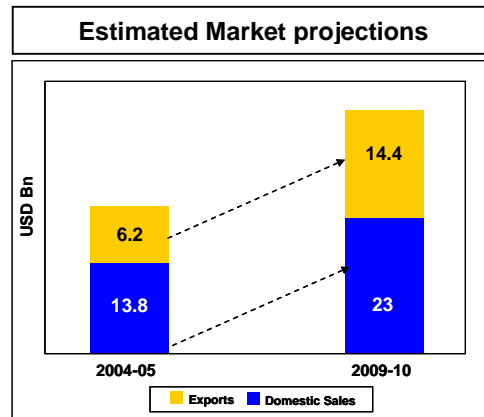
3. Central Utilities:

- ✓ Boiler
- ✓ Thermopak
- ✓ Air compressor
- ✓ Effluent treatment plant
- ✓ Reverse osmosis plant
- ✓ DG. Set
- ✓ Submersible pump

Market Potential and Demand Dynamics

Indian textile industry has a prominent place in the global market. The sector is an integrated, self sustained one with significant strength across the value chain. From production of high quality raw material to final production of high-end apparels and garments, Indian textile industry has strength across the entire value chain.

The total market for RMG in 2004-05 was estimated around USD 20.4 bn and is expected to rise to USD 38-40 bn by 2009-10 with a CAGR of 13-14% per annum. With a share of more than 68% in the total sales revenue generated in 2004-05, domestic market has significant impact over the health of textile sector. The total value of domestic RMG market in 2004-05 was around USD 14bn and is expected to grow to USD 24 bn by 2009-10 with a CAGR of 10-11%.



The industry has a high growth potential as the global trade in textiles and clothing is expected to grow from the present USD 356 bn to USD 600 bn by 2010. RMG will be the key contributing segments in the international trade, which is expected to rise from USD 199 bn at present to about USD 400 bn.

The quotas imposed over the exports from the low-cost manufacturing countries like India under the Multi-fiber agreement (MFA), were the key impediments that had hindered the growth of domestic RMG companies. During the quota regimen exports grew by a moderate CAGR of 6.3% from USD 4.6bn in 2000-01 to USD 6.2 bn in 2004-05. With the abolition of quotas exports are expected to grow exponentially with an estimated CAGR of 18-20 % to reach nearly USD 16bn in 2009-10.

The fabric processing is the key link between the manufacturing of RMG and high quality apparels from the raw material (grey). At present the fabric dyeing and processing sector has the estimated capacity of 4 bn meters (excluding traditional dyeing methods) and is witnessing the expansion of new plants and new start-ups. It is estimated that the market for conventional dyeing machinery has saturated and at least 65 to 70% of the existing units would have to go for modernization. The processing link is the weakest vertical in the textile value chain in the Country and there is significant demand for high-end processing plant in the Country.

Why Madhya Pradesh?

Key advantage offered by the State:

- Easy availability of raw material (cotton)
- Large no of ginning and pressing units
- Ample availability of skilled and semi-skilled manpower
- Strategic central location facilitate cost effective logistics functions
- Peaceful labour environment
- Separate incentives to the textile industry
- Established cotton and textile clusters
- Presence of prominent textile players in the State

Location Analysis

The project is proposed to be set up in the envisaged textile cluster at Ujjain. The envisaged location would enable the processing plant to cater to the requirement of various fabric manufacturing companies in the cluster and other players located in and around Indore, Jabalpur etc.

Government Support

Highlights of Special Incentives Given to Textile Industry

- Special Incentives to Readymade Garment, Power looms and Made-up Garment industries:

- Benefits under Government of India's schemes such as *Apparel Park Scheme, Textile Centre Infrastructure Development Scheme (TCIDS)*
- Modernization of units of this sector through *Technology Upgradation Fund Scheme (TUFS), Group Work Shed Scheme*.
- *Exempted from the binding of minimum wage fixation on a daily basis.*
- An *Apparel Training Institute* would be set up with the assistance of Apparel Export Promotion Council in the State, so that maximum number of trained worker could get employment in the Ready-made Garment industry.
- Efforts to establish a *national level fashion designing technology institute* in the State in order to facilitate textile industry of the State regarding the information for design development and to provide forecasts.
- In order to accelerate the pace of modernization of the unorganized power-loom sector, *modern power loom clusters would be developed at Burhanpur, Indore and Ujjain* with financial assistance sought under Government of India's Group Shed Scheme.
- Development of the process house through private participation by providing necessary facilities and if required their cases would be considered by the committee for Mega Projects.
- The provision related to *labour laws declared for Special Economic Zone will be made applicable to the projects / special areas established such as Apparel Park, Garment Complex* and unit established/being transferred under *Group Work Shed Scheme*.
- Cotton ginning and pressing units would be provided high quality cotton and they would be encouraged for modernization under centrally sponsored schemes with the help of their recognized associations.
- Construction of tar roads for smooth transportation to Cotton Mandi and construction of cement platform for storage of cotton, using Mandi Board's fund would be taken up on priority basis.
- Units purchasing yarn produced within the State, would be given a "*set off*" of 2% (*Two percent*) on *Commercial Tax* would be given.

Proposed Capacity

The unit would have the capacity of around 200 – 250 kg per day.

Proposed Investment

The total capital investment is estimated around USD 3.3 mn or INR 15 crores

Returns

The Internal Rate of Returns is estimated in the range of 15 – 18%.

Coordinating Agency

Madhya Pradesh State Industrial Development Corporation