

Sector:

Textiles

Project Title:

100% Cotton Integrated Knitwear Manufacturing Unit

Project Description

Cotton garments has high demand across the globe and present significant exports opportunities for Indian textile industry especially after the opening of United States (US) and European Union (EU) market under the World Trade Organization (WTO) initiatives. Being one of the most cost competitive producers of textiles and garments, India can significantly leverage the current and upcoming opportunities in the sector.

To assist Madhya Pradesh (MP) realize growth opportunities in the cotton garments market, the Government of Madhya Pradesh (GOMP) propose to establish a 100% cotton integrated knitwear manufacturing unit in the State.

The plant would be set up on 10 acres of land. It would be an integrated manufacturing unit with high-end enabling and support functions across the entire production chain from - from knitting to garmenting. It would employ State-of-the-art technology and machineries to manufacture casual wears such as T-shirts, nightdress, undergarments etc., which are commonly used by men and women in their day to day life. The unit would cater to both domestic and export markets.

The unit would have the following key machineries for processing knitted fabric.

- ✓ Relax dryer
- ✓ Balloon Padders
- ✓ Tubular Heat Setting Machine
- ✓ Hydro extractor
- ✓ Stenter
- ✓ Merceriser
- ✓ Compactor

Project Rationale

Madhya Pradesh has a prominent position 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. From production of raw material, to the final manufacturing of RMG, the State has significant strength across the value chain. Despite of this, MP has a very low share in the total

apparel exports of the Country. The textile export from the State is around USD 250 mn, which is less than 1% of the national exports. The key reason for this lackluster performance is the high degree of fragmentation and lack of modern technology and infrastructure.

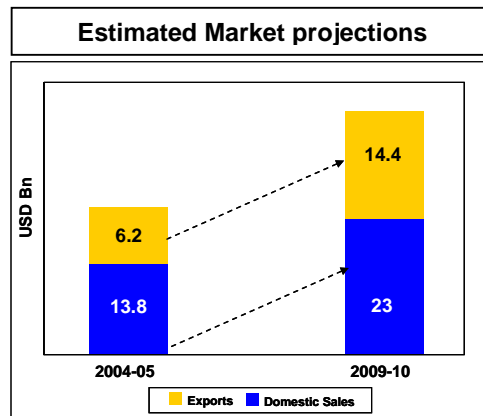
MP textile sector has the potential to attract a total investment of approximately USD 2.2 bn in the next 5 years. To facilitate this, the GOMP has initiated a series of reform measures to promote the textile sector in the State. Since garment industries have the tendency to flock in clusters, especially nearby the sources of raw material, the State is focusing on cluster development around sectors of strategic advantages by developing infrastructure in and around these areas.

There is an urgent need to not only modernize the existing textile units in the State but also to add new high-end facilities such as the envisaged cotton knitwear manufacturing unit.

Market Potential and Demand Dynamics

Indian is the 3rd largest producer of cotton in the world after China and the US and cotton is the most dominating fiber in the garment industry. The exports of garments made from cotton accounts for nearly 5% of the Indian apparel exports. Further, India has largest area under cotton cultivation across the globe. Thus the easy availability of cotton is one of the key advantages of Indian apparel sector.

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%.

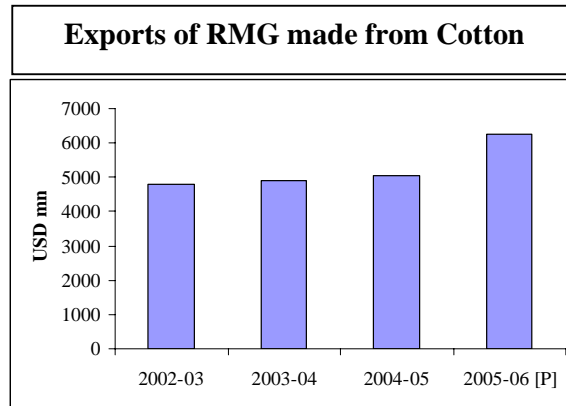


Source: CRIS INFAC

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 4.6 bn 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.

Indian garment exports are expected to cross USD 14.75 bn by 2009-10 from the current 6.35 bn and cotton based garment exports would lead this growth. The growth in apparel exports to the US market would be largely driven by apparels made from cotton, the exports whereof would increase at a CAGR of 32 to 35%.



Source: Ministry of Textiles

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 and cotton apparels would 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.

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 cluster configuration would enable the knitwear unit to realize higher growth avenues arising within the cluster.



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 1200 – 1500 pieces per day.

Proposed Investment

The total capital investment is estimated around USD 35.5 mn or INR 1600 million.

Returns

The Internal Rate of Return from the project is estimated in the range of 15 – 18 percent.

Coordinating Agency

Madhya Pradesh State Industrial Development Corporation