

Sector	Project Title
Textiles	Cotton Yarn Project

Project Description

The textile sector accounts for 4% of the country's GDP. The Indian textile industry is worth USD 55 billion out of which 64% caters to the domestic demand. This sector contributes 16.63% of the total export earnings of India. It is also the 2nd biggest employment generator after agriculture.



Various textile items produced in the country include

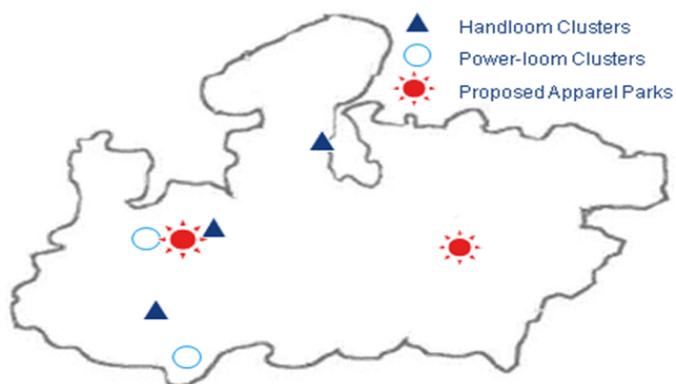
- Cotton textile
- Man-made textile
- Wool and woollen textile
- Silk
- Readymade garments

Recent developments in the textile industry in the domestic as well as international markets have opened various opportunities for the Indian textile firms. In January 2005, the quota system in developed countries on textile imports from developing countries like India, China, Brazil, etc. was abolished and competitive forces started driving the market.

This project proposes to setup cotton yarn spinning units in Madhya Pradesh. There is significant untapped demand for cotton yarn in the domestic as well as international market. India's textile sector is expected to reach USD 110 billion by the year 2012 and the country aims to secure 7% share of the global textile trade by 2012.

India accounts for 16% of the world's cotton production and has a share of 25% in the world trade of cotton yarn. Madhya Pradesh is a well suited location for a cotton yarn project due to its soil and climatic conditions as well as the infrastructure being developed by the state government and its policy initiatives.

Important textile clusters in MP are shown below:



Source: Economic Survey of MP 2009-10, TRIFAC

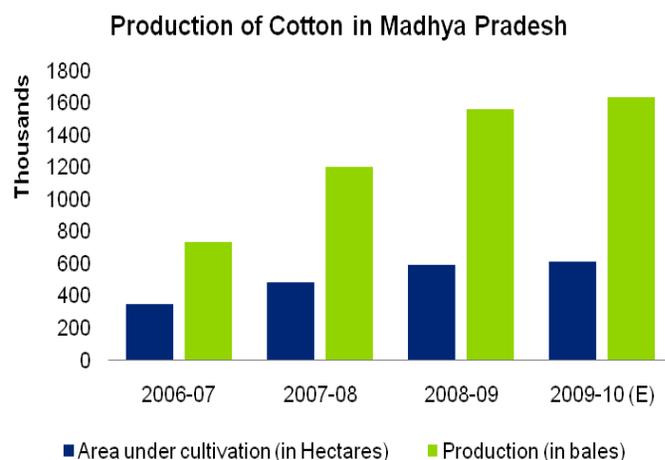
Project's Value Proposition

Madhya Pradesh Textile Industry Vision 2012 states the following:

- To have 7% of spindles capacity in the country by 2012
- Setting up knitting and processing units having capacity to produce 800 tons knit fabric per day
- To create dyeing and finishing capacity matching to knitting and processing units
- Projecting that 50% of the fabric to be used to produce garments within State = garment manufacturing to the tune of Rs. 60 billion
- Setting up weaving capacity having 3000 shuttle less looms in the State

The proposed cotton yarn project will support the growth potential of the state's textile industry. There is ample scope for investors and exporters in the fast growing textile sector.

Madhya Pradesh has more than 55 textile mills and the state accounts for USD 325 million p.a. worth of textile exports. 6% of the country's overall cotton production is accounted for by the state of MP. Following figure illustrates the cotton production in MP over the last few years.



Source: Economic Survey of MP 2009-10, TRIFAC

MP's value proposition

Madhya Pradesh is ideally suited to house this project on account of the following reasons:

Natural resources and abundant raw materials

- Climate and soil is well suited for cotton cultivation
- Marketable surplus in cotton

Crop	Paddy	Maize	Soyabean	Sesamum	Wheat	Cotton	Gram	Mustard
Production (in lakh MT)	13.7	8.4	47.8	0.88	73.3	8.65	21.4	6.9
Surplus (in lakh MT)	5.0	2.3	43.0	0.68	38.1	7.74	8.5	6.2

Land cost advantage

- MP offers cheap land cost in comparison to other developed industry centres



Man Power Cost Advantage & peaceful labour environment

- Skilled manpower is available in the state for weaving, knitting and stitching
- Cost to a company for human resources is cheaper by 30-35% in the State
- Greater saving potential for the executive levels on account of cheaper land, cheaper housing and cheaper labour
- Man days lost over last 5 years < 1% of total available man days
- One of the most peaceful and labour productive State



Policy Initiatives (for textile developers)

- Infrastructure for the textile industry is being built at a large scale with textile and apparel parks as well as garment clusters coming up in the state
- Technology Up-gradation Fund Scheme (TUFS) for Specified Textile Processing Machinery
 - Investments such as land, factory building, margin money and pre-operative expenses by apparel sector units eligible for reimbursement with 50% cap.
 - Provision of 4% interest reimbursement for spinning machinery; 5% for remaining sectors.
 - Provision to purchase second hand machinery for shuttle less Power Looms
 - Margin money subsidy @ 20% to Power Loom units in lieu of 5% interest reimbursement subject to capital ceiling of Rs. 20 million.
 - Margin money subsidy @ 15% to SSI Textile units in lieu of 5% interest reimbursement
 - 25% capital subsidy on purchase of new machinery and equipments for pre-loom and post-loom operations, handloom up gradation, etc.
- Units purchasing yarn produced within the State, to be given a "set off" of 2% on Commercial Tax
- Various benefits under schemes such as Apparel Park Scheme, Textile Centre Infrastructure Development Scheme (TCIDS) to be given
- State level Textile Promotion Committee to be established
- Development of the process house through private participation
- Development of Modern power loom clusters to be developed and electricity subsidy to be provided to Power Looms
- Setting up of Apparel Training / National level fashion designing technology institute

Project Specification

The proposed project will have the following specifications:

- Location: Project can be located in the existing and proposed apparel and textile parks in Indore, Chhindwara etc. where there is ample availability of raw material in nearby areas.
- Capacity: The capacity at a unit is proposed at 14000 TPA
- Project Cost: Major components of the project (for a single unit) and their estimated costs are presented in the table below:

Particulars	Amount (INR in Millions)
Land	200.00
Building	754.00
Plant & machinery	1800.00
Misc. Fixed assets/furniture fixtures	520.00
Contingencies	540.00
Pre-operative expenses	300.00
Margin money for working capital	137.00
Total	4251.00

- Returns: Internal rate of return (before tax) is estimated at 20-22%

Project Contacts

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