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Warp and weft

PLIs, along with mega parks, can transform viability of synthetic textiles

The proposed move to expand the scope of the performance linked incentive (PLI) for the textiles sector to cover intermediaries in the value chain is a welcome one. As per an earlier report in this newspaper (July 16), the Cabinet may consider lowering turnover and investment thresholds for obtaining PLI benefits, so that producers of filament yarn and fibre — besides makers of finished goods such as sweaters, garments, diapers and sanitary napkins — can avail of them. Focusing on intermediates in the man-made fibre (MMF) value-chain is desirable because India's imports of synthetic yarn, basically from China, have been on the rise — not least due to disincentives to produce at home. While the imposition of anti-dumping duties on nylon filament yarn imports in March 2020 may have checked this trend, more steps are required. Anti-dumping duties on imports of viscose spun yarn from China, Vietnam and Indonesia can boost the MMF sector. These moves, along with a reformed PLI, may help in the emergence of a composite value chain in MMFs — an area in which India has a potential advantage on account of its petrochemicals base. The PLI's focus on boosting output in 40 MMF lines and 10 technical textile lines, for which a sum of ₹10,683 crore has been earmarked, can correct India's value-chain weaknesses in the MMF sector. While India's textiles and clothing sector is geared towards cotton, world markets are driven by MMFs.

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A transformation in textiles cannot come about through PLIs alone. India's fragmented textiles sector needs to promote clustering to reduce both fixed and working capital expenses. The creation of seven mega textile parks in three years, announced in the Budget, will help India realise a range of benefits — provided the government turns them into 'plug and play' set-ups as promised. At present, the sector is hobbled by red-tapism with respect to clearance of GST dues (made worse by an inverted duty structure), reimbursement of taxes paid on exports and payment of dues under the Textiles Upgradation Fund (TUF) — an age-old scheme, now called Amended TUF, which seems to have been compromised by misuse. Indeed, the creation of large clusters — better organised with infrastructure than the 10 or so in existence in different parts of the country — can help phase out schemes such as TUF, besides clumsy tax exemptions and export subsidies, if any.

India's textiles and apparel sector is estimated to employ 4.5 crore workers directly. Endemic constraints need to be addressed for the sector's share in industry output to rise beyond current levels of about 7 per cent.