



**AEPC Circular No. 46**

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**Sub: Seeking comments on draft Guidelines for Production Linked Incentive (PLI) Scheme for Textiles for Promoting MMF and Technical Textiles segments**

Dear Members,

Ministry of Textiles has announced Production Linked Incentive (PLI) Scheme vide Notification dated 24.9.2021 and has now issued draft guidelines for implementation of PLI Scheme, inviting comments on draft guidelines by 28<sup>th</sup> October, 2021. AEPC had issued a Circular on 28<sup>th</sup> September, 2021, explaining the main provisions of the PLI Scheme. However, for the purpose of ready reference the main provisions of the PLI Scheme as well as main provisions of the draft guidelines are given in this Circular. **You are requested to offer your comments on draft guidelines as desired by the Ministry of Textiles.**

I. **Ministry of Textiles Notification dated 24/09/2021 on Production Linked Incentive (PLI) Scheme**

Ministry of Textiles vide [Notification dated 24/09/2021](#) (The Gazette of India No. 286 dated 27/09/2021) had notified the Production Linked Incentive (PLI) Scheme for promotion of MMF Apparel, MMF Fabrics and Products of Technical Textiles with a budget outlay of Rs. 10683 Cr. to promote production of MMF Apparel, MMF Fabrics and Technical Textiles products to enable Textiles Industry to achieve size and scale, to become competitive and a creator of employment opportunities.

A Circular No. 42 dated 28/09/2021 in this regard was issued by AEPC to its members with the following major details:-

1. Incentives under the scheme will be available for 5 years period i.e. during FY 2025-26 to FY 2029-30 with a budgetary outlay of Rs. 10,683crore. **However, if a company is able to achieve the investment and performance targets one year earlier then, it will become eligible one-year in advance starting from 2024-25 to 2028-29 i.e. for 5 years.**

2. **The scheme proposes to incentivise MMF Apparels, MMF Fabrics and 10 segments of Technical Textiles products. Turnover of MMF Apparel, Fabrics and products of Technical Textiles will be counted based on product description in GST invoice at 8-digit HS Code. The scheme covers 40 HS Codes at 6 digit level (50 HS code at 8 digit level) of MMF Apparels, 14 HS code at 6 digit level (42 HS code at 8 digit level) of MMF Fabrics and 90 HS codes at 8 digit level of Technical Textile Products.**

3. The PLI Scheme for MMF Apparel, Fabrics and Technical Textile Products comprises of two segments:

**Scheme Part- 1**

i) Any person, which includes firm / company willing to invest **a minimum Rs.300 Crore in Plant, Machinery, Equipment and Civil Works (excluding land and administrative building cost)** to produce products of Notified lines, shall be eligible to apply for participation in this part of the scheme.

ii) However, applicant will **form a separate company** under Companies Act, 2013, before commencement of investment under this scheme.

iii) Such company under the scheme will be eligible to get incentive when they **achieve minimum of Rs.600 Crore turnover** by manufacturing and selling the products Notified under this scheme.

iv) For getting incentive, **both the conditions of minimum investment and minimum turnover should be met.**

v) The participating company is expected to achieve this required turnover after a **gestation period of two years**, i.e. in FY 2024-2025, that will be termed as year 1 and **a 15% incentive will be provided** on attaining required turnover in the Notified lines of MMF and Technical Textiles.

vi) Incentive in the subsequent years will be provided on achieving a minimum **additional incremental turnover of 25%** over the immediate preceding year's turnover up to year 5.

vii) **However, the incentive will be reduced by 1% every year** from year 2 onward till the year 5 i.e. 11% in the year 5. Only **such sales will be counted, which are transacted through normal banking channel.**

### **Scheme Part-2**

i) Any person, which includes firm / company willing to invest **a minimum Rs.100 Crore in Plant, Machinery, Equipment and Civil Works (excluding land and administrative building cost)** to produce products of Notified lines, shall be eligible to apply for participation in this part of the scheme.

ii) However, **the applicant will form a company registered under Companies Act, 2013,** before commencement of investment.

iii) Such company under the scheme will be eligible to get incentive when **they achieve a minimum of Rs. 200 Crore turnover** by manufacturing and selling the products notified under this scheme.

iv) For getting incentives, **both the conditions of minimum investment and minimum turnover should be met.**

v) The participating company is expected to achieve this required turnover after a **gestation period of two years**, i.e. in FY 2024-2025, that will be termed as year 1 and **11% incentive on turnover** will be provided on attaining required turnover in the Notified lines of MMF and Technical Textiles.

vi) Incentive in the subsequent years will be provided on achieving a minimum additional **incremental turnover of 25%** over the immediate preceding year's turnover up to year 5.

vii) **However, the incentive will be reduced by 1% every year** from year 2 onward till the year 5 i.e. 7% in the year 5. Only **such sales will be counted, which are transacted through normal banking channel.**

4. The scheme shall be valid upto 2029-30. The gestation period for both parts of the scheme will be of two (2) years i.e. FY: 2022-23 to FY: 2023-24. The schedule of the scheme is given as follows:

**II. Draft Guidelines for Production Linked Incentive (PLI) Scheme for Textiles for Promoting MMF and Technical Textiles segments**  
Ministry of Textiles, Government of India now vide No. 12015/03/2020-IT has now issued draft guidelines for PLI scheme and vide letter dated 14/10/2021 has invited comments on draft guidelines for smooth operations of the scheme within 2 weeks from the issue of the letter. The main provisions of the guidelines are reproduced below for your reference:

1. An introduction has been given on the PLI Scheme.
2. Definitions : It describes the meaning of Applicant, Application submission date, Application approval date, Application Window, Captital goods, Group companies, Performance Year, Sanctioning Authority, Turnover, etc.
3. Duration of the scheme:

The scheme is for a fixed period of five years. This 5 year period will start

immediately after the gestation period is over or the year in which investment is completed and production of Notified products are started. Incentive could be claimed on incremental turnover for consecutive 5 years only as under:

### **Scheme Part-1 and Part-2**

<b>Year</b>	<b>Gestation Period</b>	<b>Performance year</b>	<b>Incentives claim year</b>
*	FY 2022-23		
*	FY2023-24	Optional*	Optional*
1		FY 2024-2025	FY 2025-2026
2		FY 2025-2026	FY 2026-2027
3		FY 2026-2027	FY 2027-2028
4		FY 2027-2028	FY 2028-2029
5		FY 2028-2029	FY 2029-2030

**In case investment is completed in the FY 2022-22 and threshold turnover is achieved in the FY 2023-24, incentive on it may be claimed in FY 2024-25. However, in such cases, benefits of the scheme shall be available upto performance of FY 2027-28 only.**

#### 4. Scheme Segments

The Scheme part-1 talks about the minimum investment of Rs.300 Cr. and minimum achievement of Rs.600 Crore turnover during the performance year 1. The Scheme Part-2 talks about the minimum investment of Rs.100 Crore and achieve minimum Rs.200 Crore turnover during performance year 1.

5. Incremental turnover and Incentive Rate: Incentive under the scheme will be provided as per the rate indicated below:

	Scheme Part-1		Scheme Part-2	
Performance Year	Incremental turnover on minimum Rs.300 Cr. investment	Rate of incentive in %	Incremental turnover on minimum Rs.100 Cr.	Rate of incentive in%

Year 1 (FY 2024-2025)	Rs.600 Crore	15	Rs.200 Crore	11
Year 2 (FY 2025-2026)	25%	14	25%	10
Year 3 (FY 2026-27)	25%	13	25%	9
Year 4 (FY 2027-2028)	25%	12	25%	8
Year 5 (FY 2028-2029)	25%	11	25%	7

Cap on incentive: There will be a provision of cap of 10% over and above the prescribed minimum incremental turnover growth of 25% for the purpose of calculation of incentives from Year 2 onward. Turnover achieved beyond that cap will not be taken into account for calculation of incentive. However, for Year 1 this cap of 10% will be applied over and above turnover of two times of investment made under the scheme. Turnover achieved beyond two times of investment + 10% shall not be accounted for calculation of incentives in Year 1. This shall apply to both Schemes Part 1 & 2.

Indicative illustration of Cap and maximum acceptable incremental turnover:

### Example-1

<b>For Illustration: Investment of Rs.400 crore and - turnover Rs.600 crore in year 1 assumed</b>			
<b>Case1: Principle Applicable to both Part 1 and Part 2(with different rates of incentive)</b>			
Performance Year and Incentive Rates	Threshold Turnover (Rs. in crore)	Actual turnover (Rs. crore)	Admissible Incentive (Rs. crore)
Year 1@15%	Minimum Rs. 600 crore and max Rs.880 crore (2024-25) $2 \times 400 + 10\% \text{ of } (2 \times 400) = 880$	600	$600 \times 15\% = \text{Rs. } 90$ Crore Paid in 2025-26

Year 2@14%	From 25% increase over actual turnover in year 1 to Maximum 35% increase	750	$(750-600)*14\%=Rs. 21Cr$ Crore Paid in 2026-27
Year 3@13%	From 25% increase over Actual turnover in year 2 to Maximum 35% increase	937.50	$(937.5-750)*13\%=Rs.24.375Cr$ Paid in 2027-28
Year 4@12%	From 25% increase over Actual turnover in year 3 to Maximum 35% increase	1171.875	$(1171.875-937.5)*12\%=Rs. 28.125Cr$ Paid in 2028-29
Year 5@11%	From 25% increase over Actual turnover in year 4 to Maximum 35% increase (2028-29)	1464.84	$(1464.84-1171.875)*11\%=Rs.32.22Cr$ Paid in 2029-30

### Example-2

<b>For Illustration: Investment of Rs.400 crore and actual turnover Rs.900 Cr in Year 1 assumed</b>			
<b>Case2: Principle Applicable to both Part 1 and Part 2 (with different rates of incentive)</b>			
Performance Year and Incentive Rates	Turnover Range for Incentive (Rs. in Crore)	Actual turnover (Rs. Crore)	Admissible Incentive (Rs. Crore)
Year 1@15%	Minimum Rs.600 crore and max Rs. 880 crore $2 \times 400 + 10\% \text{ of } (2 \times 400) = 880$ Crore 2024-25	900	$880 * 15\% = Rs.132$ Crore Paid in 2025-26
Year 2@14%	25% increase over year 1 on Last year actual performance i.e Rs 900 Crore Target for Next Incentive Rs.1125Crore 2025-26	800	No incentive Dies Non Year 2026-27

Year 2@ 14%	Rs.1125 –Rs.1215 Crore 2026-27	1150	(1150- 900)*14%=35 Paid in 2027-28
Year 3@13%	Target 25% increase over actual performance in year 2 i.e Rs.1150 Crore i.e Rs.1437.5 Crore-Rs.1552.5 2027-28	1400	No Incentive Dies Non Year 2028-29
Year 3@13 %	Rs.1437.5 Cr to Rs.1552.5 Cr 2028-29	1480	(1480- 1150)*13%= 42.9 Paidin2029-30 No admissible incentive beyond 2029-30

In case if the minimum threshold of turnover range for incentive is not achieved in any year, that year would be considered „Dies Non Year" and would not be considered for calculation. Instead the incremental turnover for next year after Dies Non year would be calculated on the basis of actual turnover of the previous successful year.

6. Selection Criteria: Ministry of Textiles shall invite applications from industry for selecting Participants for the scheme. After screening of the applications, MoT shall publish the list of selected entities on the basis of recommendation of a Selection Committee under the Chairmanship of Secretary Textiles.

While examining the application for selection, following grading system, if required, may be used as under:

<b>Criteria</b>	<b>Grading</b>	<b>Marks for Prefer ence</b>
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Financial Capacity of the Applicant	Based on Turnover and Reserves & Surplus (50:50%)	0 to 10
Relevant Experience & Technical Capacity of the Applicant	Based on Experience in MMF Technical Textiles Weaving/Processing/Garmenting etc and General Technical Capacity (50:50%)	0 to 10
Location of the Manufacturing Activity	Preference to Investment in Aspirational Districts and Group "C" towns as notified by Ministry of Housing & Urban Affairs,*	0 to 15
Investment	Investment	5-20
Additional Direct Employment	Between 500 to 5000	5
	5000-10000	10
	10000 and above	15
Product line	Single segment investment only	5
	investment in Integrated Weaving & Processing or Fabrics & garmenting	10
Total Maximum	80	

\* List of Notified Towns may please be seen in the draft guidelines at Page 15.

7. Further the guidelines describe the Composition of Selection Committee, Eligibility criteria and Conditions for claiming incentive, condition of investment,

associated utilities, ineligible investment, Time schedule for application for selection procedure, procedure for selection under the scheme.

8. Application fee: Applicant shall pay Rs. 50,000/-(Rupees Fifty Thousand) for registration under the scheme and Rs.1,00,000/-(Rupees One Lakh) for claiming incentives, as an application processing fee with each application as per Appendix-VII.

Besides the above points, the details of following have also been given in the draft operational guidelines.

- Criteria for Calculation of Incentive
- Procedure for Disbursement of Incentives
- Provision for late cut
- Project Management Agency
- General Terms and Conditions of Investment
- Certifications
- Undertakings
- Change in Ownership
- Risk Management System and Internal Audit Mechanism
- Appellate Authority and dispute redressal

For detailed information of the Guidelines for Production Linked Incentive (PLI) Scheme for Textiles for Promoting MMF and Technical Textiles segments, please [click here for the guidelines](#) for giving your comments / observations / inputs.

**The feedback on the above draft guidelines may please be given by**  
**28<sup>th</sup> October 2021 on the**

**email [m.ramakrishnan94@nic.in](mailto:m.ramakrishnan94@nic.in) and [teptj2@nic.in](mailto:teptj2@nic.in) with a copy**  
**to [policycell@aepcindia.com](mailto:policycell@aepcindia.com).**

With warm regards,

Yours sincerely,

Dr. L.B. Singhal  
Secretary General