

## PM MITRA FUND: A Comprehensive Initiative for Developing India's Textile Sector

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### 1. INTRODUCTION

The Prime Minister Mega Integrated Textile Region and Apparel Fund, or PM MITRA Fund<sup>1</sup>, is a major effort of the Indian government designed to stimulate the textile and apparel sector. The scheme, which was unveiled as part of the larger plan for the sector's expansion under the Atmanirbhar Bharat (Self-Reliant India) campaign<sup>2</sup>, focusses on building top-notch infrastructure that connects the whole textile value chain, from spinning, weaving, dyeing, and printing to garment manufacturing. The objective is to boost productivity, lower logistics costs, and promote sustainable practices in order to make Indian textiles competitive on a worldwide scale.

The PM MITRA Fund provides funding to build seven integrated textile parks in various states<sup>3</sup>, all of which are intended to house cutting-edge facilities for the production of textiles. A public-private partnership (PPP) approach was used to develop these parks, guaranteeing cooperation between public and private entities. The program<sup>4</sup> places a strong emphasis on environmental sustainability, skill development, and technology advancements while offering a welcoming business environment that draws both domestic and foreign investment. India wants to grow its share of international trade, boost its textile industry, and generate a lot of jobs.

### 2. OBJECTIVE

#### I. **Build Resilient Infrastructure:**

The scheme aims to develop large, integrated industrial parks that cover the entire textile value chain, from raw materials to finished goods. This will enhance production efficiency and capacity in the Indian textile industry.

#### II. **Promote Sustainable Industrialization:**

PM MITRA encourages the adoption of eco-friendly manufacturing practices to reduce environmental impact. It supports the industry's transition to sustainable methods while meeting global environmental standards.

#### III. **Foster Innovation:**

The parks will provide an environment that fosters research and development, encouraging innovation in textile production. This will help Indian textiles stay competitive by adopting new technologies and techniques.

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<sup>1</sup> Centre approves 7 PM Mega Integrated Textile Region and Apparel (PM MITRA) Parks, (Mar. 24, 2023), <https://www.pib.gov.in/pressreleaseiframepage.aspx?prid=1910390>.

<sup>2</sup> Amrit Mahotsav, *Aatmanirbhar Bharat*, Azadi Ka Amrit Mahotsav, Government of India. <https://amritmahotsav.nic.in/aatmanirbhar-bharat.htm>.

<sup>3</sup> PM MITRA: Seven states selected to develop mega textile parks, The Hindu Business Line (Mar. 17, 2023), <https://www.thehindubusinessline.com/economy/pm-mitra-seven-states-selected-to-develop-mega-textile-parks/article66632188.ece>.

<sup>4</sup> Notification issued for setting up of 7 Mega Integrated Textile Region and Apparel (PM MITRA) Parks with a total outlay of Rs. 4,445 crore., (Oct. 22, 2021), <https://pib.gov.in/PressReleasePage.aspx?PRID=1765737>.

**IV. Reduce Logistics Costs:**

By consolidating the various stages of textile production within one site, the scheme reduces transportation and logistics expenses. This makes Indian textiles more cost-efficient and globally competitive.

**V. Attract Investments and Boost Employment:**

The modern infrastructure and government incentives will attract both domestic and foreign investments in the textile sector. This, in turn, will generate significant employment opportunities in the industry.

**Leverage Location Strengths and Enhance Linkages:**

The parks will be strategically located in areas with access to raw materials and strong transportation links. This ensures better connectivity to supply chains and markets, improving overall competitiveness.

**3. ELIGIBILITY AND MODELITIES**

- The establishment of PM MITRA Parks shall be based on bids from State Governments that have readily available contiguous, encumbrance-free land parcels totaling at least 1000 acres.<sup>5</sup> At a nominal cost, the State Government will transfer land to the Special Purpose Vehicle (SPV). The land asset will be utilised as leverage to draw in investment for the PM MITRA parks, enabling them to be developed and maintained to the highest standards possible.
- The State Government would establish the SPV as a legal organisation with a 51% State Government equity investment and a 49% Central Government shareholding in order to carry out the PM MITRA Park Project.
- The transaction documents, such as the Request for Qualification (RFQ), Request for Proposal (RFP), Concession Agreement, etc., will specify the precise terms and conditions for using the land. These documents will be developed in collaboration with the State Government, Department of Economic Affairs, Ministry of Finance, Department for Promotion of Industry and Internal Trade (DPIIT), and NITI Aayog
- There will be a two-stage selection procedure using the Challenge Method to choose the locations for PM MITRA Parks.

**Phase 1: Choosing Locations through the Challenge Route that State Governments Offer:** The following expenses will be allowed at this point: creating a model RFQ/RFP and concession agreement; planning PM MITRA parks<sup>6</sup>; choosing a PMA; and selecting a master developer. A clear approach must be followed in the selection of the Master Developer (MD), who must possess sufficient expertise and capability. The PM MITRA Park's master developer is responsible for creating the comprehensive project report and master plan, which includes the development of the park's essential infrastructure, such as the roadways, sewage, drainage, solid waste management, and treatment facilities. The SPV should authorise this Master Plan.

<sup>5</sup> Notification issued for setting up of 7 Mega Integrated Textile Region and Apparel (PM MITRA) Parks with a total outlay of Rs. 4,445 crore., (Oct. 22, 2021), <https://pib.gov.in/PressReleasePage.aspx?PRID=1765737>.

<sup>6</sup> vikaspedia Domains, <https://vikaspedia.in/social-welfare/entrepreneurship/indian-handloom/pm-mitra-parks-scheme>.

**Phase 2:** Development of the Park: In accordance with the approved DPR/Master Plan, selected sites will receive grants in aid from the MoT for the building of PM MITRA parks and infrastructure development. This will guarantee that as soon as the first grant instalment is released, work at the PM MITRA locations may begin.

#### 4. ALLOCATION AND DISBURSEMENT OF FINANCIAL AID UNDER THE PM MITRA PARK SCHEME BY GOI:

- i. The Scheme has a budget outlay of Rs. 4445 crores, which includes Rs. 30 crores in administrative costs spread over seven years, till 2027–2028.
- ii. **Development Capital Support (DCS):** Grant in Aid (Capital) is how the Central Government will give DCS to the Park SPV. DCS provides assistance in the development of Core Infrastructure, such as Internal Roads, Power Distribution Infrastructure, Water and Waste Water Treatment and Other Facilities, Factory Sites, Incubation Centres, and Plug & Play Infrastructure for Textile Designers, Apparel Manufacturers, and Accessory Manufacturers. DCS can also be used for creating Support Infrastructure E.g. Common Processing Facility, Common Effluent Treatment Plant (CETP), Workers' Hostel & Housing, (Specially for women Worker), Health Facility, Training & Skill Development, Warehousing, Logistics etc.

The DCS will be provided in two Phases:

**Phase I** – Depending on the building phase, ₹300 Cr will go towards Greenfield Park and ₹100 Cr towards Brownfield Park. The concession period will last 25 years once Phase 1 is over.

**Phase II** – The payment of ₹200 Cr for Greenfield Park and ₹100 Cr for Brownfield Park Phase II would only occur if the Performance Linked Parameters are met. The concession term will be extended by an extra 25 to 50 years if the necessary threshold is met to initiate Phase II.

#### iii. Competitive Incentive Support (CIS):

In PM MITRA Park, there is a provision of ₹300 Cr per park to encourage the establishment of manufacturing units early on. To save costs and partially offset drawbacks, manufacturing units will get incentives of up to 3% of their overall sales turnover to the PM MITRA<sup>7</sup> Park unit.

- a. The CIS will be Fund Limited and will be first come, first served.
- b. Manufacturing businesses that are not utilising the Textile Scheme's Production Linked Incentive (PLI) will be the only ones eligible for the rewards.
- c. An incentive program for one anchor investor company with an investment of ₹300 Crore or more in its unit in PM MITRA Park will have a cap of ₹10 crores annually and a maximum cap of ₹30 crores.
- d. For one investor business with an investment of between ₹100 and ₹300 crores, there will be a maximum incentive cap of ₹15 crores and a cap of ₹5 crores every year.

<sup>7</sup> *Mega Integrated Textile Region and Apparel (PM MITRA) Parks to attract investment, boost employment generation,*, (Dec. 1, 2021), <https://pib.gov.in/pressreleaseiframepage.aspx?prid=1776857>.

- e. There will be a cap of ₹1 Crore per annum on incentive and a maximum cap of ₹3 Crore on incentive for other investor companies and tenant companies, but they must have employment of 100 persons and above.

## 5. DISBURSEMENT OF CENTRAL GOVERNMENT GRANTS:

- The project's development and the Master Developer's matching contribution will determine when the MoT funding is awarded. After the Master Developer mobilises ₹50 crore and uses a minimum of ₹25 crore for the creation of some portion of key support infrastructure, the first tranche of ₹50 crore will be released.<sup>8</sup> Subsequent release will occur only if 75% of the previously mobilised resources have been used, in accordance with the PMA report and proof of equivalent physical development. Before the next tranche is released, the MD's matching contribution and the site's corresponding physical progress will be guaranteed.
- The funding issued by the Government of India and the funds raised by the Master Developer must be stored in separate accounts, and these accounts are subject to audits by the C&A General of India and any other organisation the Ministry of Textiles designates. Annexure II contains information on the monies that will be made available for Greenfield projects.

## 6. COMPLETION OF RFQ, RFP, AND CONCESSION AGREEMENT AND APPOINTMENT OF MASTER DEVELOPER

In addition to the initial site selection process, the Ministry of Textiles will work with PMA to create sample RFPs, RFQs, and concession agreements for the purpose of choosing a master developer. These model documents may need to be adjusted (if necessary) after the sites have been chosen in cooperation with the State Governments, NITI Aayog, DEA, and Ministry of Finance in order to meet the needs of each particular location. Following this procedure's completion, a transparent procedure will choose an MD for every PM-MITRA park location. The work for PM MITRA Park will start as per the terms and conditions finalized in the above-mentioned documents.

## 7. CONCLUSION:

The PM MITRA Fund is a valuable opportunity to enhance the Indian textile sector's global competitiveness. By providing modern infrastructure, reducing logistics costs, and promoting sustainable practices, the scheme attracts both domestic and foreign investments. The financial incentives, such as development capital support (DCS) and competitive incentive support (CIS), reduce investment risks and operational costs, benefiting businesses of all sizes.

With strong government backing and a public-private partnership model, the scheme ensures a favorable business environment. The integrated parks streamline the entire textile value chain, making operations more efficient and cost-effective, ultimately driving growth in India's textile industry.

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<sup>8</sup> PM MITRA: Seven states selected to develop mega textile parks, The Hindu BusinessLine (Mar. 17, 2023), <https://www.thehindubusinessline.com/economy/pm-mitra-seven-states-selected-to-develop-mega-textile-parks/article66632188.ece>.