

# *Scheme Guidelines for Pilot Phase to set up Incubation Centers in Apparel Manufacturing*

## **1. Background**

- 1.1 The textile industry is the second largest employer in the country and plays a pivotal role in the economic growth and development of the country. The industry contributes to 14% of the total manufacturing output contributing to 10.5% of export earnings and employs 35 million workers. The size of the Indian apparel market is estimated to be \$45 billion and it is expected to grow up to \$200 billion by 2025
- 1.2 Considering the potential of apparel sector to contribute to jobs and export earnings, the Government of India have been taking necessary measures to strengthen the apparel industry. For every Rs 1 lakh invested in the industry, an average of 7 additional jobs is created. Therefore, there is a need to promote the apparel manufacturing sector for creation of employment, increasing export earnings and provide fillip to the national economy
- 1.3 However, several constraints are faced by first generation entrepreneurs and start-ups in the apparel sector viz., lack of capital for investment in land, buildings and plant and machinery, limited access to finance, competition within the existing market and operational inefficiencies due to lack of trained manpower and poor market linkages.
- 1.4 In view of the above, there is need for creation of a holistic ecosystem that would boost entrepreneurship in the sector by systematically addressing the issues of lack of infrastructure and ecosystem linkages.
- 1.5 The textile parks established under the SITP Scheme would provide the right eco-system to develop, incubate and nurture entrepreneurs by providing (i) necessary infrastructure support and (ii) capacity building services and market linkages. This would allow the entrepreneurs to execute their ideas and deliver the products through a process that is operationally and financially viable.

## **2. Objective**

The main objective of Scheme is to create an integrated workspace and linkages-based entrepreneurial ecosystem for start-ups that is operationally and financially viable and increases the chance of success of start-ups and decreases the time and costs required to establish and grow a new business. The outcomes envisaged include:

- i. Promote entrepreneurship in apparel manufacturing
- ii. Create additional manufacturing capacity
- iii. Generate additional employment opportunities

The target of the scheme is to establish three incubation centres during the balance 12<sup>th</sup> plan period.

### 3. The Project

The Project is to establish an incubation facility in the textile parks. Each incubation centre shall have a maximum of 3 incubatees.

- (i) **Incubatees:** Incubatees shall be identified and selected from the following category of individuals:
- Degree/ Diploma holders of any discipline related to textile, apparel, fashion design etc.
  - First generation entrepreneurs
  - Designpreneurs
- (ii) **Incubation Period:** The period for each Incubatee shall be three years. It is envisaged that during this period the entrepreneur shall have acquired the capability and skills to independently operate his own venture.

The Project Implementing Agency (PIA) shall provide land for the project.

### 4. The Project Components

(a) The eligible components of the project inter alia other things include the following:

(I) **Component I: Infrastructure Support**

- i. **Plug & Play Factory Building** – Ready to use plug & play factory building with a total built-up area not exceeding 45,000 sq ft (@ 15,000 sq ft per incubatee), which can either be spread over three levels (G+2) or over a single floor. This shall comprise of operations area, packing, office, store, workers' amenities, display, etc.
- ii. **Plant and Machinery** : comprising of minimum 100 stitching machines along with ancillary machinery per incubatee

(II) **Component II: Capacity Building Support and Linkages**

- i. Training support for 200 workers per Incubatee. The training shall be carried out for 3 months in accordance with the norms of the Integrated Skills Development Scheme (ISDS) of the Ministry of Textiles
- ii. Training on Entrepreneurship Development to the incubatee for 1 month
- iii. Training on Product Design and Development services to the incubatee
- iv. Support to Market Linkages through exposure visits by participation/visit 3 domestic exhibitions (atleast 1 per year) and a visit to an international fair.
- v. The assistance provided by Ministry to support the capacity building and market linkages per Incubatee is enumerated below:

Sl. No.	Component	Duration & Fee	Per Incubatee (Rs in Lacs)
1	Skill Development for workers	3 month training for 200 workers @ Rs 10,000 per trainee	20.00
2	Market Linkages for incubatee	3 domestic exhibition and 1 international exhibition	5.00
3	EDP Programme for incubatee	1 month training programme for Incubatee	1.00
4	Design Services per incubatee	Rs. 5 lakh	5.00
	<b>Total</b>		<b>31.00</b>

(b) Project Cost under this Scheme shall be the total cost of the components listed at 4.

#### **5. Project Implementing Agency (PIA)**

The following organizations will be eligible to submit proposals as Host Institutions under the Scheme and will function as PIA's:

- i. The SPV's set up under SITP where a minimum of 25% units are operational and where the approved DPR of the ITP does not include components provided under this scheme.
- ii. The SPVs promoted under the other schemes Ministry of Textiles viz., TCIDS, APES, etc.
- iii. State Industrial Development Corporations.
- iv. SPV's of Textile Parks promoted by State governments/UTs.
- v. Developers of SEZs.
- vi. Industry Associates or groups of Entrepreneurs.

#### **6. Role of Implementing Agency:**

The role of the PIAs, shall be the following:

- (i) Conceptualise, formulate and prepare the Detailed Project Report
- (ii) Provide land for the incubation centre
- (iii) Identify, screen and select the Incubatees through a fair and transparent selection process on the basis of their business plans
- (iv) Obtain all the necessary statutory approvals to the project
- (v) Create the incubation centre with grant assistance from the Ministry
- (vi) Provide capacity building services and market linkages to the Incubatee
- (vii) Operate the incubation facility through collection of rentals and other user charges to ensure sustainability
- (viii) Assist the Incubatee in obtaining financial support, if required

- (ix) Procurement of contractors/services/vendors/consultants in a fair and transparent manner.
- (x) Provide Utilisation Certificate for the grant utilised
- (xi) Execute an agreement with Incubatee for operationalisation of the centre as envisaged under the scheme

PIA shall enter into an agreement with the Ministry to ensure that the incubation facility built under the proposed scheme is used for providing incubation services to apparel entrepreneurs only.

## 7. Grant Assistance and Release of Grant

The Ministry of Textiles will provide the grant assistance to the PIAs as outlined below:

Component	Grant Assistance
Component I – Infrastructure	100% grant – in – aid will be provided towards infrastructure support not exceeding Rs 4 cr per incubatee and Rs. 12 cr per Incubation Centre.
Component II Capacity Building Services and Linkages	100% grant –in-aid towards Capacity Building Services and Linkages @ Rs 31 lacs (maximum) per incubatee

The cost of Land cost shall not be considered in the project cost and the required land for hostels shall be contributed by the PIA. The land area where the cost has been included in the approved DPR of the ITP's and the grant has been availed for the same shall be excluded from the land area of the incubation centre.

## 8. Grant Release

The grant is released by the Ministry in three equal installments, after the project is approved by PAC. The release of grant is as follows:

- i. **Infrastructure Support:** Three equal installments after the project is approved by the PAC.

**1<sup>st</sup> Installment:** 1/3<sup>rd</sup> of the total grant shall be released upon subject to SPV furnishing a Bank Gurantee of equal amount to the ministry and fulfillment of following conditions

- (a) Land in possession of the PIA
- (b) Availability of all statutory clearances necessary for commencement of the project
- (c) Appraisal of the DPR and recommendation by the PMC
- (d) Approval by Project Approval Committee (PAC)

**2<sup>nd</sup> Installment:** 1/3<sup>rd</sup> of the total grant Utilization Certificate (UC) of the 1<sup>st</sup> Installment is submitted by the PIA and award of contracts equivalent to at least 60% of the total project cost. Interest, if any earned on the GoI grant will be returned/adjusted while claiming the installment.

**3<sup>rd</sup> & Final Installment:** The third installment shall be released after Utilization Certificate of the second installment is furnished and certified by PMC and the incubatee has been identified and selected and subject to award of contracts worth equivalent to 100% of the total project cost. Interest, if any earned on the GoI grant will be returned/adjusted while claiming the instalment.

**Completion Certificate:** The PIA should submit a completion certificate to the ministry. The bank guarantee shall be returned to the PIA after the submission of completion certificate to the ministry's satisfaction. Interest, if any earned on the GoI grant will be returned/adjusted while claiming the bank guarantee.

- ii. **Capacity Building Support and Linkages:** The grant for Capacity Building Support and Linkages shall be released to the PIA after the identification of the incubatees. The grant shall be released in the same manner as has been defined under Infrastructure support (Para 8(i)).

In the event of dovetailing of other existing schemes the PIA should ensure that the grant for the components is availed under a single scheme only.

## 9. Approval & Monitoring

### 9.1. Project Management Consultant

The empanelled PMCs of all the projects covered under Para 5 will function as, PMCs for this Scheme. PMCs for existing ITPs under the MoT scheme will be paid fee equivalent to the fee amount currently in force for PMC services under the projects already sanctioned. For all other PIAs covered under Para 5, the fee will be finalized based on RFP process. The fee shall be released as per the following schedule:.

<b><u>Fee Amount</u></b>	<b><u>Payment Milestone</u></b>
33% of Professional Fee	On approval of DPR and release of 1 <sup>st</sup> instalment
33% of Professional Fee	On release of 2 <sup>nd</sup> instalment
34% of Professional Fee	After the submission of completion certificate by PIA to the ministry's satisfaction

### **9.1.1. Role of the Project Management Consultant (PMC)**

The PMC shall be responsible for:

- Conceptualization and preparation of Detailed Project Report
- Assist the PIA in screening and selection of the Incubatees
- Assist the PIA in capacity building services
- Assist the PIA in obtaining the necessary approvals and clearances
- Carry out Technical & Financial appraisal of the proposal/DPR
- Periodical monitoring of the progress of the projects
- Ensuring timely completion of project(s) as determined by the Ministry
- Assist the ministry in developing appropriate agreements with the His and Incubatees

The PMC shall not be permitted to enter into any agreement with the PIA for provision of any services related to the implementation of the project that would create a conflict of interest

### **9.1.2. Role of Incubatee**

The Incubatee shall be responsible for:

- Ensuring working capital for the project
- Participate in the capacity building programs provided by the PIA
- Carry out the business from the Incubation Centre
- Operate, maintain and manage the project facilities during his tenure
- Pay rentals and other charges as prescribed by the PIA
- Work closely with the PIA in establishing the market linkages
- Sign an agreement with the PIA for operationalisation of the facility during his tenure

### **9.1.3. Role of State Government**

The role of the State Government is envisaged in the following areas:

- (a) Providing all the requisite clearances, wherever needed, for setting up the incubation facility
- (b) Providing the necessary assistance for power, water and other utilities to the facility.
- (c) Other facilitating support

## **9.2. Approval Process**

Ministry of Textiles shall constitute a Project Scrutiny Committee (PSC) for appraising the project and a Project Approval Committee (PAC) for approving the project.

- (i) **Project Scrutiny Committee (PSC)**: The project proposals submitted by the PIA through PMCs shall be evaluated by the Project Scrutiny Committee (PSC) headed by JS (SITP), Ministry of Textiles and comprising of:
- i. Advisor (Industry), Planning Commission or his representative
  - ii. Joint Secretary (PF-II), Department of Expenditure or his nominee
  - iii. Joint Secretary (Infrastructure), Department of Commerce or his nominee
  - iv. Joint Secretary (IIUS), Department of Industrial Policy & Promotion or his nominee
  - v. Textile Commissioner, Mumbai
  - vi. Economic Advisor, Ministry of Textiles
  - vii. Director, IFW, Ministry of Textiles
  - viii. Director (SITP), Ministry of Textiles – Member Secretary

The PSC shall recommend the list of eligible proposals in the order of merit to the PAC for its consideration and approval.

- (ii) **Project Approval Committee (PAC)**: Subsequent to the PSC recommendation, a Project Approval Committee headed by Secretary (Textiles), AS&FA and JS, Ministry of Textiles in charge of SITP as members shall consider and approve the projects in accordance with laid down technical criteria and budget availability.

The PAC is empowered to put in place detailed operating procedures and supplementary rules for implementation of the scheme guidelines

#### **10. Project Implementation Period**

The implementation period for completion of the Project shall be 18 months from the date of release of first installment of grant.

#### **11. Assets**

The assets built/acquired by the PIA through the grant assistance of MoT shall not be disposed or utilized for the purposes other than for which the funds have been released.

#### **12. O & M Framework**

The PIA shall develop appropriate framework for operation and maintenance of the incubation centers, such framework may include collection of appropriate user fee from the incubatees, profit sharing with the incubatees etc.