

# Report of Working Group

on

# Leather & Leather Products

Twelfth Five Year Plan Period (2012-17)

Submitted by:



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Department of Industrial Policy & Promotion  
Government of India  
Ministry of Commerce & Industry

## BACKGROUND OF THE WORKING GROUP

The Planning Commission constituted a Working Group for Leather & Leather Products for the Twelfth Five Year Plan 2012-17 by Office Memorandum dated 28.04.2011, under the Chairmanship of Secretary, Department of Industrial Policy & Promotion, Government of India. The Nodal Department for this Working Group is DIPP.

The Composition of the Working Group was as follows:

1. Shri R.P. Singh, Secretary, Department of Industrial Policy & Promotion - **Chairman**
2. Member- Secretary, National Manufacturing Competitiveness Commission or Nominee - Member.
3. Secretary, Department of Commerce or Nominee - Member
4. Secretary, Ministry of Micro, Small & Medium Enterprises or Nominee - Member
5. Secretary, Department of Animal Husbandry or Nominee - Member
6. Secretary, Ministry of Environment & Forests or Nominee - Member
7. Secretary, Ministry of Food Processing Industries or Nominee - Member
8. Adviser (Industries), Planning Commission - Member
9. Director, Central Leather Research Institute, Chennai or Nominee - Member
10. MD, Footwear Design & Development Institute or Nominee - Member
11. Director, IIT Kanpur or Nominee(for Saddlery Development) - Member
12. CEO, National Skill Development Corpn. Or Nominee - Member
13. Chairman, Council for Leather Exports, Chennai or Nominee - Member
14. President, Indian Footwear Components Manufacturers Association, Mumbai or Nominee. -Member
15. President, Indian Leather Products Association, Kolkata or Nominee - Member
16. President, Indian Leather Garments Association, Delhi or Nominee - Member
17. President, Agra Footwear Manufacturers & Exporters Chamber (AFMEC),Agra or Nominee. - Member
18. Chairman/MD, Bata India Ltd. - Member
19. CEO, Liberty Shoes Ltd. - Member
20. Chairman/MD, Crew B.O.S. Products Ltd. - Member
21. Chairman/MD, M/s. Tata International Ltd. - Member
22. Chairman/MD, M/s. Bhartiya International Ltd. - Member
23. CEO, Nike India
24. Shri M.C. Singh, Sr. Economic Adviser, DIPP - Member
25. Shri Chaitanya Prasad, Joint Secretary (Leather), DIPP -Member Secretary

The Terms of Reference for the Working Group is given below:

- I. To articulate the long term goals to be achieved in terms of growth, competitiveness and share in global trade in the leather and leather products sector

- II. To review the status of leather, leather footwear, leather garments, leather goods and saddler industry along with forward and backward linkages and indentify the issues and gap areas that need to be addressed to achieve the long term goals
- III. To examine the status and effectiveness of all on-going schemes pertaining to leather sector, and its forward and backward linkages being implemented in the 11<sup>th</sup> Five Year Plan
- IV. To benchmark Indian leather industry against the best practices of international leather industry
- V. To evolve a comprehensive strategy for the development of internationally competitive leather industry including forward and backward linkages keeping in view the long term goals to be articulated as per item 1 above
- VI. To estimate the year-wise demand and capacity for all segments of the leather industry for indigenous consumption as well as for export upto 2016-17 in the perspective of the long term goals and to assess the requirement of raw materials, skilled manpower, technology , infrastructure etc for meeting the same.
- VII. To identify the environment related issues including problems of zero liquid discharge, removal and disposal of total dissolved solids etc and suggest mitigation mechanism.
- VIII. To indicate the milestones to be achieved in the 12<sup>th</sup> Plan in the context of long term goals as per item 1 above, and recommend programmes / schemes / measures that are to be initiated, continued or discontinued in the 12<sup>th</sup> Plan period and estimated fund requirement.
- IX. To make any other recommendations as may be appropriate for sustained growth and competitiveness of the sector

In its first meeting held on 23<sup>rd</sup> May 2011, the Working Group constituted six Sub-Groups to address issues related to different areas / sub-sectors of the leather sector. These Sub-Groups are as follows:

- A. Macro Issues of Leather Sector, Convergence & Linkages
- B. Infrastructure Development
- C. Skill Development Initiatives;
- D. Leather Technology, Innovation & Environmental Issues;
- E. Brand Building;
- F. FDI in Leather Sector in India

The report of the Working Group is placed herewith.

# Contents

BACKGROUND OF THE WORKING GROUP .....	2
SUB-GROUP ON MACRO ISSUES OF LEATHER SECTOR, CONVERGENCE & LINKAGES .....	11
1. THE CURRENT STATUS AND FUTURE OUTLOOK OF THE LEATHER INDUSTRY .....	12
1.1 INTRODUCTION .....	12
1.2 Structure of the Industry .....	12
1.3 Production, Export and Employment in this sector .....	13
1.4 Total factor productivity growth .....	19
1.5 SWOT Analysis .....	21
1.6 Future outlook for production and exports .....	22
2. EVALUATION OF THE INDIAN LEATHER DEVELOPMENT PROGRAMME (ILD) IN THE 11TH PLAN .....	26
2.1 INTEGRATED DEVELOPMENT OF LEATHER SECTOR (IDLS) (Outlay Rs. 253.43 crore): 26	
2.2 LEATHER TANNING COMPLEX AT NELLORE (Outlay Rs. 29 crore): .....	27
2.3 ESTABLISHMENT OF BRANCH OF FDDI AT FURSATGANJ (Outlay Rs. 7.17 crore): .....	28
2.4 FOOTWEAR COMPLEX (Outlay Rs. 3 crore): .....	29
2.5 SADDLERY DEVELOPMENT (Outlay Rs. 10 crore): .....	29
2.6 SUPPORT TO ARTISANS (Outlay Rs 40 crore): .....	30
2.7 HUMAN RESOURCE DEVELOPMENT (Outlay Rs. 60 crore): .....	32
2.8 UP-GRADATION OF FACILITIES OF FDDI AND ESTABLISHMENT OF OTHER SUCH INSTITUTES AND CENTRES: (Outlay Rs. 300.07 crore): .....	34
2.9 UPGRADATION/INSTALLATION OF INFRASTRUCTURE FOR ENVIRONMENT PROTECTION IN THE LEATHER SECTOR (Outlay Rs. 200 crore): .....	36
2.10 MISSION MODE (Outlay Rs. 10 crore): .....	37
2.11 ESTABLISHMENT OF TRAINING CENTRE IN MADHYA PRADESH (Rs. 24.85 crore): ..	37
2.12 Additional Girls Hostel at FDDI Fursatganj (Outlay Rs. 13.77 crore): .....	38
SUB-GROUP ON INFRASTRUCTURE DEVELOPMENT .....	39
3. Infrastructure Development .....	40
3.1 Introduction.....	40

3.1.1	Historical Background .....	40
3.2	Infrastructure Development Activities Implemented during Eleventh Plan Period ..	40
3.2.1	Scheme for ‘Development of Leather Parks’ .....	40
3.2.2	Industrial Infrastructure Up gradation Scheme (IIUS) .....	42
3.2.3	Integrated Development of Leather Sector (IDLS) Scheme .....	43
3.2.4	Micro & Small Enterprises – Cluster Development Programme (MSE-CDP) .....	44
3.2.5	Intervention Measures Proposed for the 12 <sup>th</sup> Plan in Infrastructure Development	46
3.2.5.1	Common Infrastructure .....	46
3.2.5.1.1	Establishment of New Greenfield Clusters via Mega Leather Clusters Scheme	46
3.2.5.2	Establishment & Upgradation of Physical Testing Laboratory of CLRI, FDDI & others .....	49
3.2.6	Infrastructure Strengthening at the Enterprise Level.....	50
3.2.6.1	Modernization, technology up gradation and expansion of production capacities of the enterprises functioning in the leather sector .....	50
	SUB-GROUP ON SKILL DEVELOPMENT INITIATIVES .....	53
4.	Skill Development Initiatives.....	54
4.1	Introduction.....	54
4.1.1	To infuse skill sets into artisans’ products and clusters through the ‘Support to Artisans’ scheme .....	56
4.1.2	Development of employment opportunity for the unemployed youth to meet the growing demand of the sector through the Placement Linked Skill Development Program & Training of Trainers.....	56
4.1.3	To develop adequate training infrastructure to meet the growing demand in the organized sector .....	57
4.1.4	Development of National Design Studios.....	57
4.2	Placement Linked Skill Development Programme, Secondary Training & Training of Trainers (National / International) .....	57
4.2.1	Training of Workers (PLSDP Programme) - Rs. 250.00 Crore .....	58
4.2.1.1	Implementation Mechanism .....	59
4.2.1.1.1	Identification of Implementing Agency .....	59
4.2.1.1.2	Identification of trades .....	60
4.2.1.1.3	Identification/selection of trainees .....	60

4.2.1.1.4	Minimum target of trainees .....	60
4.2.1.1.5	Training Curriculum .....	60
4.2.1.1.6	Implementation .....	60
4.2.2	Secondary Training (Existing organized & unorganized workers) – Rs. 50.00 Crore	64
4.2.3	Training of Trainers (National/International) – Rs 10 Crore not exceeding Rs. 1.5 Lakh for National Training and Rs. 3.00 Lakh for International Training .....	64
4.3	Proposed Guidelines for sub-scheme ‘Support to Artisan’ .....	65
4.3.1	Background .....	65
4.3.2	Objective of the Scheme.....	65
4.3.3	Implementation Strategy.....	65
4.3.4	Areas of Investments for Support to Artisan Funds .....	66
4.3.5	Criteria for Selection .....	66
4.3.6	Implementation of the Scheme.....	67
4.3.7	Assessment and Evaluation of the Projects.....	67
4.3.8	Consolidated Results .....	67
4.4	Establishment of new Institutions & upgradation of FDDI, Chhindwara .....	68
4.4.1	Background .....	68
4.4.2	Leather Products Industry in Andhra Pradesh.....	70
4.4.3	Leather Industry of Odisha .....	70
4.4.4	Leather Industry of Punjab .....	71
4.4.5	Leather Industry in Bihar .....	71
4.4.6	Leather Products Industry in Himachal Pradesh & Uttaranchal.....	72
4.4.7	Leather Industry in Uttaranchal.....	72
4.4.8	Leather Industry in Gujarat.....	72
4.4.9	Leather Industry in Maharashtra.....	73
4.4.10	Leather Industry in Karnataka .....	73
4.4.11	Leather Industry in Goa .....	73
4.5	Proposed Establishment Plan of FDDI Branch (per Center) .....	73
4.5.1	Proposed Academic Programmes.....	74
4.5.2	Creation of Physical Infrastructure .....	74
4.5.2.1	Class Rooms, Workshops, Offices, etc. ....	74

4.5.2.2	Hostels and Staff Quarters.....	75
4.5.2.3	Establishment of Training Infrastructure.....	75
4.5.2.4	Centre for Footwear Design & Technology .....	75
4.5.2.4.1	Product Development & Design Centre .....	75
4.5.2.4.2	PILOT PLANT (Consisting Of Cutting, Closing, Components, Non-Leather & Sports Shoe Technology, Lasting & Finishing Workshops).....	76
4.5.2.5	Centre for Leather Goods & Accessory Design.....	76
4.5.2.6	Centre for Retail Management & Fashion Merchandising.....	76
4.5.2.7	Establishment of Information Technology and Service Centre .....	76
4.5.2.7.1	Establishment of Computer Centre .....	77
4.5.2.7.2	Establishment of Internet Enabled Wireless Network .....	77
4.5.2.7.3	Library.....	77
4.6	Cost of Project (per Centre) .....	77
4.7	Sustainability of the Project .....	79
4.8	Establishment of two National Design Studios, in North India and in South India....	80
4.8.1	Need & Justification.....	80
4.8.2	Outputs of National Design Studios.....	80
4.8.3	Upgradation of Footwear Design & Development Institute (FDDI) (NOIDA, RAEBARELI, CHENNAI, KOLKATA & CHINDWARA).....	82
SUB-GROUP ON LEATHER TECHNOLOGY, INNOVATION & ENVIRONMENTAL ISSUES .....		85
5.	Leather Technology, Innovation & Environmental Issues .....	86
	Perspectives for the Leather Sector and Issues Identified .....	86
5.1	Intervention Measures suggested for the Twelfth Plan.....	86
5.1.1	Animal Husbandry Measures.....	86
5.1.2	Animal Slaughter and Skin Collection Improvement Measures .....	87
5.1.3	Rural Tanning Improvement Measures .....	88
5.1.4	Environmental Management Measures in Tanneries / CETP's .....	88
5.1.5	Technology Up gradation and Modernization of Tanneries.....	88
5.1.6	Socially Inclusive Solid Waste Utilization Scheme .....	89
5.2	Details of Measures.....	89
5.2.1	Animal Husbandry Measures.....	89
5.2.2	Structure .....	89

5.2.3 Detailed Plan.....	89
5.3 Slaughter and Skin Collections Improvement Measures .....	90
5.3.1 Aim .....	90
5.3.2 Structure .....	90
5.3.3 Detailed Plan.....	90
5.4 Rural Tanning Improvement Measures.....	91
5.4.1 Aim.....	91
5.4.2 Structure .....	91
5.4.3 Detailed Plan.....	91
5.5 Environmental Management Measures in Tanning Sector.....	92
5.5.1 Aim.....	92
5.5.2 Structure .....	92
5.5.3 Detailed Plan.....	92
5.5.4 Continuation of the sub-scheme of ILDP ‘Up gradation / installation of infrastructure for environmental protection in the Leather Sector’ .....	93
5.6 Technology Upgradation and Modernization of Tanneries .....	94
5.6.1 Aim.....	94
5.6.2 Structure .....	94
5.6.3 Detailed Plan.....	94
5.6.4 Continuation of the sub-scheme of ILDP: Integrated Development of Leather Sector (IDLS) Scheme.....	95
5.7 Socially Inclusive Solid Waste Utilization Program.....	95
5.7.1 Aim.....	95
5.7.2 Structure .....	95
5.7.3 Detailed Plan.....	95
5.8 Technology Benchmarking of Tanneries, Footwear & Components and Leather Goods .....	96
5.8.1 Preamble.....	96
5.8.2 Needed technology interventions for sustainable development.....	97
5.8.2.1 Process innovations for eco-friendly leather.....	97
5.8.2.2 Water and energy saving .....	97
5.8.2.3 Higher customer orientations.....	97



5.8.2.4	High throughput technology systems.....	97
5.8.2.5	Leather as a product of quality circle .....	97
5.8.2.6	Better utilization of raw material resources.....	97
5.8.3	Methodology proposed .....	98
5.8.4	Implementation Mechanism .....	98
5.8.5	Major outcomes envisaged .....	98
5.8.6	Centre of Excellence for developing Leather-like Materials.....	99
5.8.6.1	Aim.....	99
5.8.6.2	Structure .....	99
5.8.6.3	Detailed Plan.....	99
SUB-GROUP ON BRAND BUILDING .....		103
6.	Brand Building.....	104
6.1	Introduction.....	104
6.1.1	Importance of a Brand.....	104
6.1.2	Current Scenario .....	104
6.2	ILDPC : A Governing Body.....	105
6.2.1	Scope the IDLPC should be committed to .....	105
6.2.2	Quantum & Nature of Assistance .....	106
6.3	Indian Leather Mark .....	106
6.3.1	Reference of Other Quality Marks.....	107
6.3.2	Scope .....	108
6.3.3	Quantum of Assistance.....	110
6.4	Scheme for Research & Development and Design & Development .....	110
6.5	Scheme for Outsourced Consultancy Program .....	110
SUB-GROUP ON ATTRACTING FDI IN LEATHER SECTOR IN INDIA.....		115
7.	FDI in Leather Sector in India .....	116
7.1	Need of the Leather Sector to Attract Investments.....	116
7.2	Role of Foreign Investment .....	117
7.3	Current Global Scenario for the Leather & Leather Products Industry Opportunity to Attract FDI .....	118
7.4	Inferences.....	119

7.5 Current FDI Regulations and India’s Positioning .....	119
7.6 Interventions carried out During Tenth and Eleventh Five Year Plan Periods .....	120
7.7 Interventions suggested for the Twelfth Plan .....	121
7.8 Promotional activities in foreign countries to be carried out in various formats .....	122
7.8.1 Organization of Road Shows in foreign countries: .....	123
7.8.2 Investment promotion Delegations to foreign countries: .....	123
7.8.3 Visit of Sourcing Missions to overseas countries .....	124
7.9 Print campaign in International magazines to reach out to the prospective investors 125	
7.10 Investment Meets in India .....	125
CONSOLIDATED SUMMARY OF PROPOSED INTERVENTIONS AND ITS PLAN OUTLAY .....	130
ANNEXURES .....	133

## **SUB-GROUP ON MACRO ISSUES OF LEATHER SECTOR, CONVERGENCE & LINKAGES**

The following is the composition of the Sub-Group on Macro Issues of Leather Sector, Convergence & Linkages:

- |   |   |          |
|---|---|----------|
| 1) Sr Economic Adviser, DIPP                      | - | Chairman |
| 2) Managing Director, M/s Bharatiya International | - | Member   |
| 3) Managing Director, M/s Crew B.O.S.             | - | Member   |
| 4) CEO, M/s Liberty Shoes                         | - | Member   |
| 5) Indian Shoe Federation (Representative)        | - | Member   |
| 6) Chairman, CLE or representative                | - | Convenor |

## 1. THE CURRENT STATUS AND FUTURE OUTLOOK OF THE LEATHER INDUSTRY

### 1.1 INTRODUCTION

The leather industry occupies a place of prominence in the Indian economy in view of its massive potential for employment, growth and exports. There has been an increasing emphasis on its planned development, aimed at optimum utilization of available raw materials for maximizing the returns, particularly from exports.

The post liberalization era has generated significant opportunities for the Indian leather industry. With global players looking for new sourcing options, India stands to gain a bigger share of the global market. The leather industry has undergone a dramatic transformation from being a mere exporter of raw materials in the sixties to being a producer of value added finished products in the nineties. Policy initiatives taken by the Government since 1973 have been, to a large extent, instrumental for such a transformation. India has a 2.6 per cent share in the global leather trade and this sector ranks eighth in terms of the country's foreign exchange earnings from the industry. The composition of exports has also been changing, with more and more value added products being exported.

India's share in global value added from this sector at constant 2000 prices was 2.1 per cent in 2000 and declined to 1.8 per cent in 2009<sup>1</sup>. Though India has distinct advantages in the leather industry in terms of availability of raw materials with the largest livestock population in the world, the tapped potential in the leather sector, particularly in the high end value chain is still limited. This untapped potential provides the sector significant opportunities for expansion and diversification.

### 1.2 Structure of the Industry

The leather industry in India is geographically well diversified, though Tamil Nadu, Uttar Pradesh and West Bengal account for bulk of the output. The major production centres for leather and leather products are located at Chennai, Ambur, Ranipet, Vaniyambadi, Trichi, Dindigul in Tamil Nadu, Calcutta in West Bengal, Kanpur, Agra and Noida in Uttar Pradesh, Jalandhar in Punjab, Bahadurgarh and Manesar in Haryana, Bangalore in Karnataka, Delhi and Hyderabad in Andhra Pradesh. The sector is dominated by micro and small units with bigger units accounting for just around 5 per cent of the total manufacturing units. The distribution of the units in this sector in terms of the broad classification of MSME and others is indicated below:

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<sup>1</sup> UNIDO – International Industrial Statistics Yearbook 2011

	Large Units	Medium Units	Small Units	Micro Units	Merchant Units	Total
Finished leather	30	49	309	68	151	607
Leather Footwear	38	46	228	49	81	442
Non Leather Footwear	4	2	34	13	17	70
Footwear Component	29	32	182	28	22	293
Leather Goods	14	13	242	259	210	738
Leather Garments	8	8	132	49	72	269
Leather Gloves	4	3	38	36	24	105
Harness and Saddlery	3	9	74	69	26	181
<b>Total</b>	<b>130</b>	<b>162</b>	<b>1239</b>	<b>571</b>	<b>603</b>	<b>2705</b>

**NOTE:** Multiple units of a single company are counted as one. But if they produce different products, they figure in each of the production categories.

The leather industry is spread in different segments, namely, tanning and finishing, footwear and footwear components, leather garments, leather goods including saddlery and harness, etc. The estimated production capacity in different segments is as under:

<b>Product</b>	<b>Capacity</b>
Leather Hides	65 million pieces
Skins	170 million pieces
Footwear & Footwear Components	909 million pairs
Leather shoe uppers	100 million pairs
Non-leather footwear	1056 million pairs
<i>Leather Garments</i>	16 million pieces
<i>Leather Goods</i>	63 million pieces
<i>Industrial Gloves</i>	52 million pairs
<i>Saddlery &amp; Harness</i>	12.50 million pieces

### 1.3 Production, Export and Employment in this sector

Production data for leather sector, as for the other industries, are available in the National Accounts statistics (NAS). NAS provides data for both the organized factory sector (defined in terms of employment and covering all units employing 10 or more workers) and the

<sup>2</sup> Central Leather Export Council

unorganized sector (defined as units employing less than 10 workers). As per the NAS, total output of the leather sector increased from Rs 27,233 crore in 2004-05 to Rs 47,940 crore in 2009-10 at an average annual rate of 11.8 per cent. The growth in the organized sector at 16.9 per cent was significantly higher than the unorganized sector, which recorded a growth of 6.9 per cent during this period. The share of the organized sector, therefore, witnessed a sharp improvement. Exports had a slower growth compared to total output resulting in some moderation in the share of exports.

**Table 2: Production and Export of Leather and Leather Products**

	Organized	Unorganized	Total	Share of the Organized Sector	Exports	Exports as% to production
2004-2005	12401	14972	27373	45.3	10881	39.7
2005-2006	15406	15530	30936	49.8	11943	38.6
2006-2007	17482	17263	34745	50.3	13650	39.3
2007-2008	24392	19861	44253	55.1	14101	31.9
2008-2009	24828	19228	44056	56.4	16355	37.1
2009-2010	27017	20923	47940	56.4	15946	33.3

**Source:** National Account Statistics, 2011

The data from NAS (output approach), however, appears to be under estimated<sup>3</sup>. An alternative way of building the data could be from the private final consumption expenditure. The Gross Domestic Product, in terms of expenditure, provides the data for the expenditure incurred by households on purchase of a variety of products. Footwear is one of items covered under the NAS consumption basket. The expenditure on footwear increased from Rs 4,270 crore in 1989-90 to Rs 42,509 crore in 2009-10 at an average annual trend rate of 10.6 per cent. The elasticity of demand for footwear is less than 1 indicating that growth in consumption has remained lower than GDP growth<sup>4</sup>. The share of footwear in total private final consumption expenditure (PFCE), however, continued to fluctuate and averaged 1.18 per cent (the share had peaked to 1.7 per cent in 1990-91). Since the PFCE does not include the consumption expenditure of the public sector (and this may not be insignificant given the purchases by the defence) and since the expenditure pertains only to footwear, the PFCE in itself is an underestimation of leather goods production for domestic use. The PFCE data with some mark up to cover the non-footwear sector and public procurement could be used to build up the market size of the leather industry. (Table 3)

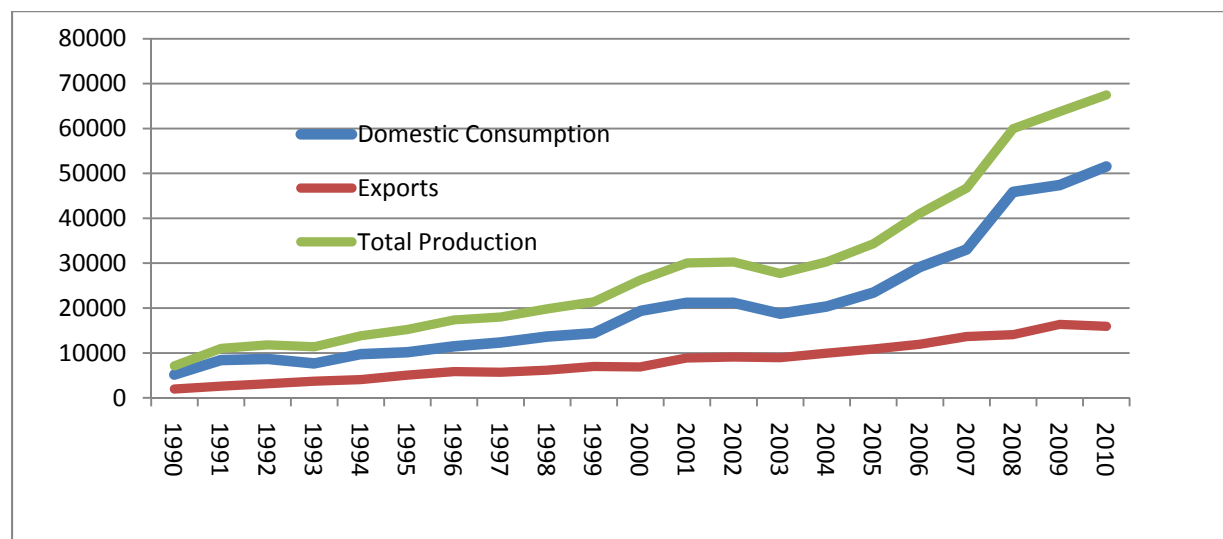
<sup>3</sup> Underestimation could be in the unorganized sector. Industry estimated unorganized to be bigger in size than the organized sector and should be accounting for nearly 60 per cent of output.

<sup>4</sup> The growth of total private final consumption expenditure during 1990-2010 was 11.8 per cent. The elasticity of footwear consumption with respect to total private final consumption was 0.90.

**Table 3: Domestic production and exports of leather products**

March ending	PFCE FW	Production	Exports	Share of FW in PFCE	Exports Share in production	Global Imports	Exports From India	Share in exports
		(Rs in crore)		Per cent			US \$	Per cent
2000	15977	26257	6891	1.21	26.2	54512	1590	2.92
2001	17459	30046	8883	1.24	29.6	59170	1944	3.29
2002	17465	30279	9110	1.14	30.1	62470	1910	3.06
2003	15471	27697	8945	0.95	32.3	63545	1848	2.91
2004	16801	30305	9939	0.95	32.8	68570	2163	3.15
2005	19352	34338	10881	1.00	31.7	97461	2495	2.56
2006	24045	41089	11943	1.11	29.1	109127	2752	2.52
2007	27250	46681	13650	1.10	29.2	118824	3059	2.57
2008	37840	59968	14101	1.33	23.5	131513	3549	2.70
2009	39105	63755	16355	1.20	25.7	139158	3599	2.59
2010	42509	67472	15946	1.12	23.6	115589	3401	2.94
2011\$	50501	79551	18338	1.12	23.1	127841	3877	3.03

\$ Estimates

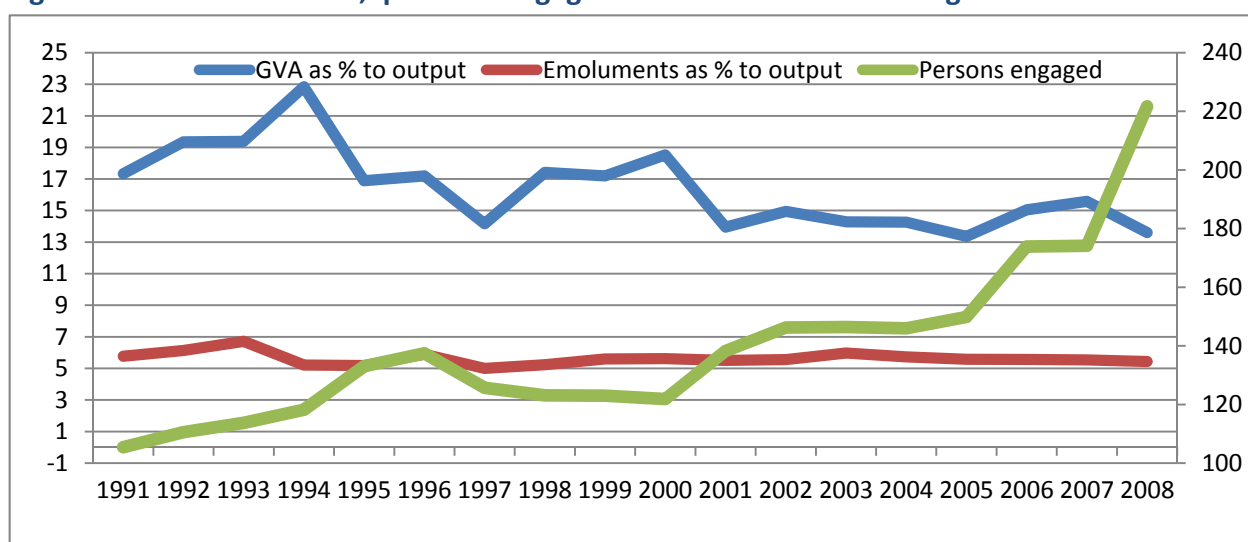
**Fig 1: Domestic footwear consumption, production and export of leather goods**

Production estimates built on the NAS consumption data have assumed that leather footwear would account for nearly 80 per cent of total footwear consumption and share of leather

footwear in consumption of total leather goods would be around 66 per cent. Exports are added to the domestic consumption of leather so arrived to get the overall leather goods production<sup>5</sup>.

While it was expected that with the ban on exports of semi-finished leather in 1990-91, and a structural shift in favour of the organized sector, the leather industry would move up in the value addition ladder. The organized factory sector data, however, reveal that resource intensity in the organized leather manufacturing has actually increased. The ratio of value added to output declined from 22.8 per cent in 1993-94 to 13.6 per cent in 2007-08<sup>6</sup>. The value of inputs consumed in the production process increased to close to 84 per cent in 2007-08. The share of value added in output in leather sector was also lower than the share in the overall organized manufacturing. Four factors, lack indigenous development and acquisition of technology, adoption of the acquired technology through research, brand building and inadequate emphasis on human resource (skill) development may have contributed to this stable (increased) material resource intensity in leather manufacturing. Resource intensity of leather industry was also observed by the ICRA study which based on Capitaline data observed that in footwear sector raw material accounted for 65 per cent of the cost followed by selling and administrative expenses (14 per cent) and expenditure on employees (7 per cent)<sup>7</sup>.

**Fig 2: Gross value added, persons engaged and emoluments in organized leather sector**



<sup>5</sup> Leather industry estimates the leather sector to be around US\$ 175-200 billion. Production as per NAS is less than half of the industry estimates. The alternate approach puts leather sector output at US\$ 140 billion.

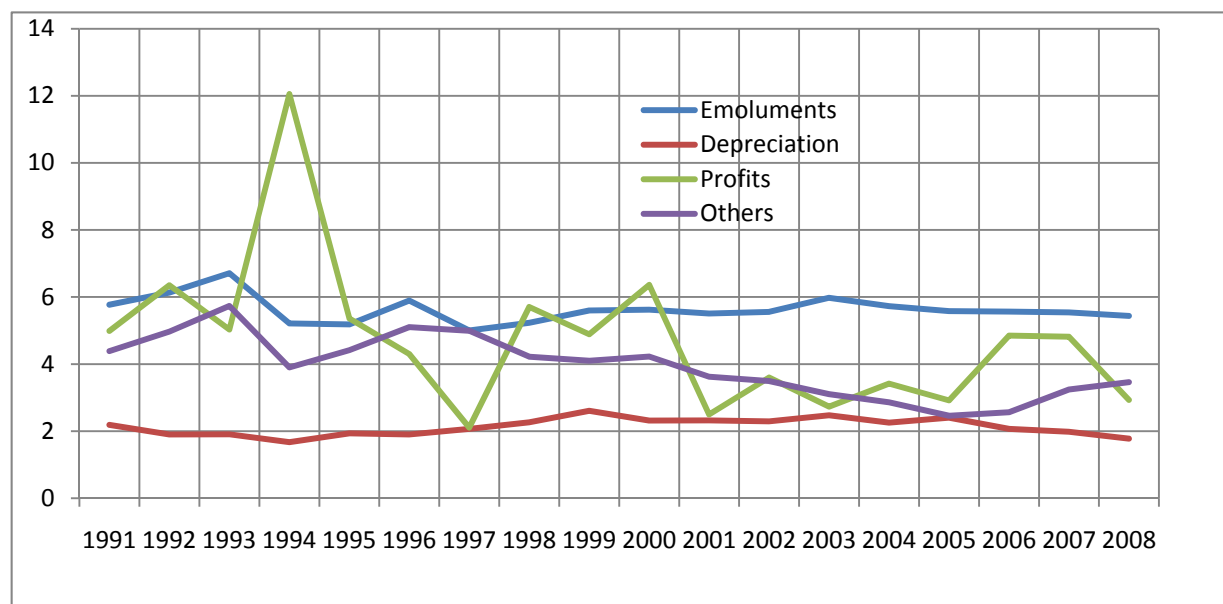
<sup>6</sup> Based on the Annual Survey of Industries various issues

<sup>7</sup> ICRA Study on Manufacturing Competitiveness Indices, page 81



A decline in the share of value added to output becomes apparent from 1999-2000 onwards<sup>8</sup>. The decline in share of value added was largely on account of a decline in the share of profits.

**Fig 3: Share of various components of value added in Output (% to output)**



Contrary to the general perception, the overall employment in the leather sector seems to have declined in the last five years. The NSSO 61<sup>st</sup> and 66<sup>th</sup> Rounds<sup>9</sup> indicate that overall employment in manufacturing and leather sector (covering both the organized and unorganized sector) has declined not only in absolute terms but also relative to total employment. In 2009-10, the leather sector (manufacturing segment) employed 2.2 per cent of total persons (usual principal and subsidiary status basis) engaged in manufacturing. The employment in organized leather sector, however, witnessed an increase. But the organized sector employed only about 20 per cent of the persons engaged in the entire sector.

**Table 4: Employment in Manufacturing and leather sector (persons in millions)**

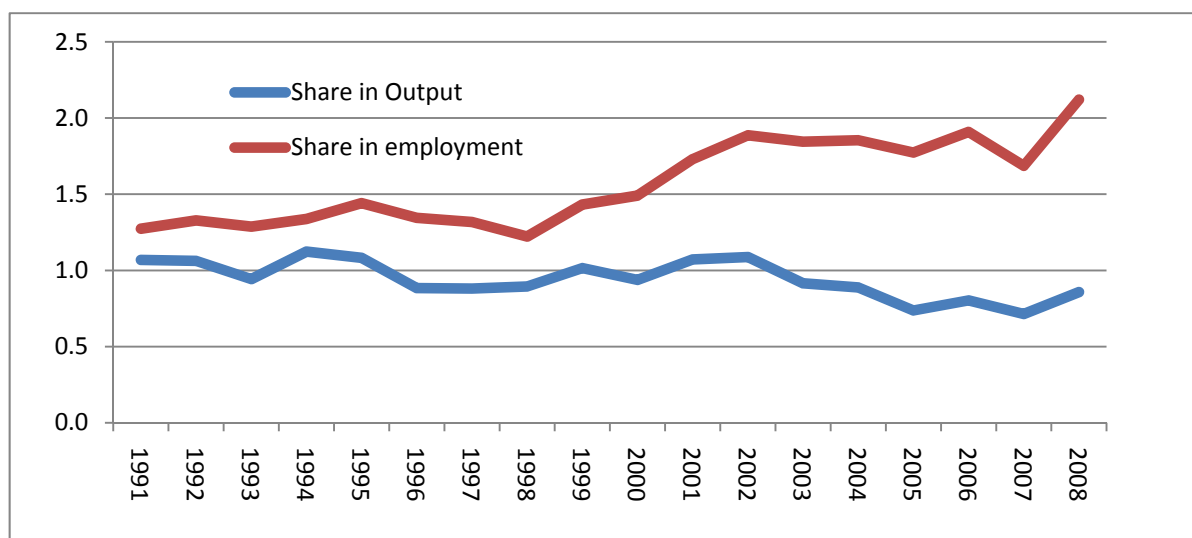
Employment	Leather	Total Manufacturing	Total Employment	Share of the Leather sector
2004-05	1.4	53.6	457.9	2.6
2009-10	1.1	50.5	459.0	2.2

<sup>8</sup> Overall share of value added in output for the ASI sector also witnessed a decline, from 24.9 per cent in 1996-97 to 18.7 per cent in 2008-09.

<sup>9</sup> Report of the NSSO 61<sup>st</sup> and 66<sup>th</sup> Round Surveys, Ministry of Statistics and Programme Implementation

Leather industry, however, is of the view that both the production and employment numbers are grossly underestimated. Direct employment in leather sector is expected to be over 2 million persons<sup>10</sup>. The share of total persons engaged in leather sector in organized manufacturing, however, increased from 1.3 per cent in 1990-91 to 2.1 per cent in 2007-08, though its share in output declined from over 1 per cent to 0.86 per cent during this period.

**Fig 4: Share in output and employment of the leather sector**



Leather industry is amongst the top ten foreign exchange earners for the country. Indian Leather Sector has registered consistent growth in exports during the six year period from 2003-04 to 2008-09 with exports increasing from US\$ 2.22 billion in 2003-04 to US\$ 3.60 billion in 2008-09. The Leather sector has shown positive export performance even during 2007-08 when the Indian Rupee appreciated significantly. The sector surpassed the set export targets in the five year period from 2003-04 to 2007-08. However, during 2009-10 the exports from Leather Sector has declined by 5.51 per cent in Dollar Terms due to continued impact of global financial crisis. Growth in export segment is returning in 2010-11 and 2011-12.

<sup>10</sup> The industry estimates of total employment in leather sector is 2.7 million, but comparison with NSSO needs to be made with employment in manufacturing sector.

**Table 5: Commodity composition of exports (US \$ Million)**

Product	2005-06	2006 - 07	2007 - 08	2008 - 09	2009-10	% Share	Apr-Jan 2009-10	Apr-Jan 2010-11
Finished Leather	636.3	724.0	807.2	673.4	625.5	18.4	506.5	669.5
Footwear	1045.2	1236.9	1489.4	1534.3	1507.5	44.3	1018.5	1159.1
Leather Garments	333.3	309.9	345.3	426.2	428.5	12.6	372.2	330.5
Leather Goods	660.2	706.3	800.5	873.4	756.0	22.2	616.7	657.0
Saddlery & Harness	77.5	82.3	106.2	92.2	83.4	2.5	67.5	69.1
<b>Total</b>	<b>2752.5</b>	<b>3059.4</b>	<b>3548.5</b>	<b>3599.5</b>	<b>3401.0</b>	100.0	<b>2581.3</b>	<b>2885.2</b>
% Growth	10.30 %	11.15%	15.99%	1.44%	<b>-5.51%</b>			11.77%

#### 1.4 Total factor productivity growth

Notwithstanding a declining share in gross value added (or increased material intensity of the sector) and near stagnant (or even a moderately declining) employment, the sector achieved a better growth in total factor productivity. The trend growth of total factor productivity in the organized leather sector increased from 0.78 per cent per annum during 1980-81 to 1990-91 (pre reform period) to 1.18 per cent during 1992-92 to 2003-04 (post reform period). A higher growth in TFP in post reform period relative to the overall manufacturing indicates the responsiveness of this sector to factor market reforms undertaken during the 1990s. The trend total factor productivity growth in the leather sector during 1980-81 to 2003-04 at 1.17 per cent per annum was significantly higher than the total factor productivity growth of 0.92 per cent per annum in the total manufacturing sector<sup>11</sup>.

<sup>11</sup> Reserve Bank of India, Development Research Group Study No 37- Productivity, Efficiency and Competitiveness of the Indian Manufacturing Sector- Pushpa Trivedi, L Lakshmanan, Rajeev Jain and Yogesh Gupta- page 106

**Table 6: Total factor productivity growth (per cent per annum)**

Period	Leather Sector	Overall Manufacturing
1981-1985	5.85	4.32
1985-1990	-0.83	1.19
1990-1995	1.57	0.27
1995-2000	0.48	0.24
2000-2004	2.94	2.21
Average annual TFPG	1.79	1.5
Trend TFPG	1.17	0.92

The labour productivity comparison for the organized and unorganized sector in the leather sector relative to overall manufacturing indicates that, while in the organized manufacturing sector the leather sector recorded a low productivity growth, in the unorganized sector the increase in productivity was substantially higher than over the unorganized manufacturing. While the organized leather sector became more resource and capital intensive and generated higher total factor productivity growth, the unorganized sector successfully improved the productivity of labour. Increase in labour productivity in the unorganized sector, with a significant proportion of self-employed persons, indicate that the policy interventions raised the income in leather sector at a rate higher than in other sectors.

**Table 7: Labour productivity in leather and overall manufacturing (Rs at 1981-82 prices)<sup>12</sup>**

	1989-90	1994-95	2000-2001	1989-90	1994-95	2000-2001
	Organized sector			Unorganized sector		
Leather Manufacturing	117840	162685	208403	9953	19850	27800
Overall Manufacturing	168007	208557	336726	12452	14949	22794
Ratio of leather sector's labour productivity	70.1	78.0	61.9	79.9	132.8	122.0
ROG Leather		6.7	4.2		14.8	5.8
ROG Manufacturing		4.4	8.3		3.7	7.3

Success of policy interventions are corroborated by other results as well. Using the Cob Douglas Production Function approach for measurement of the total factor productivity growth, a

<sup>12</sup> Reserve Bank of India, Development Research Group Study No 37- Productivity, Efficiency and Competitiveness of the Indian Manufacturing Sector- Pushpa Trivedi, L Lakshmanan, Rajeev Jain and Yogesh Gupta- page 125

Development Research Group Study commissioned by the Reserve Bank of India observed that while policy environment *per se* did not emerge as an enabling factor leading to a shift to a higher growth path for the organized manufacturing sector, the leather sector was one of the exceptions. The co-efficient of policy dummy for the leather sector was not only positive but statistically significant<sup>13</sup>. An ICRA study done for the National Manufacturing Competitiveness Council (NMCC) has also observed an improvement in manufacturing competitiveness index for the leather sector by around 27 per cent in 2007 compared to the base year of 2004.<sup>14</sup>

## 1.5 SWOT Analysis

ICRA study conducted on behalf of NMCC has very exhaustively outlined the strengths, weaknesses, opportunities and threats of the Indian leather industry. A summary version is presented below:

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<sup>13</sup> Reserve Bank of India, Development Research Group Study No 37- Productivity, Efficiency and Competitiveness of the Indian Manufacturing Sector- Pushpa Trivedi, L Lakshmanan, Rajeev Jain and Yogesh Gupta- page 111

<sup>14</sup> Deriving Manufacturing Competitiveness- ICRA study page 83

### Opportunities

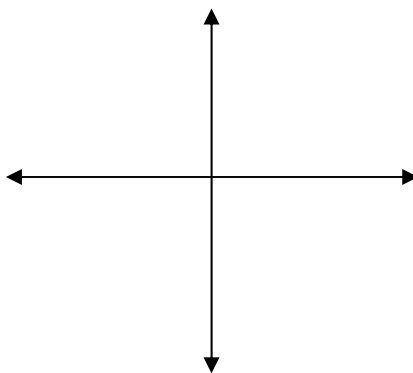
- Rising potential in the domestic market
- Growing fashion consciousness globally
- Use of information technology and decision support software to help eliminate the length of the production cycle for different products
- Use of e-commerce in direct marketing

### Strengths

- High Growth
- Ready availability of highly skilled and cheap manpower
- Large raw material base
- Policy initiatives taken by the Government
- Capability to assimilate new technologies and handle large projects
- Continuous emphasis on product development and design upgradation

### Threats

- Major part of the industry is unorganised
- Limited scope for mobilising funds through private placements and public issues (many businesses are family-owned)
- Difficulty in obtaining bank loans resulting in high cost of private borrowing
- Stricter international standards
- High competition from East European countries and other Asian countries
- Lack of communication facilities and skills



### Weaknesses

- Lack of warehousing support from the government
- International price fluctuation
- Huge labour force resulting in high labour charges
- Lack of strong presence in the global fashion market
- Unawareness of international standards by many players

## 1.6 Future outlook for production and exports

The sector's perception of the leather industry based on the survey of 100 firms and by the ICRA Study has observed that the major factors limiting the growth of firms in the leather industry were access to capital, high per capita cost, shortage of skilled labour, taxation and

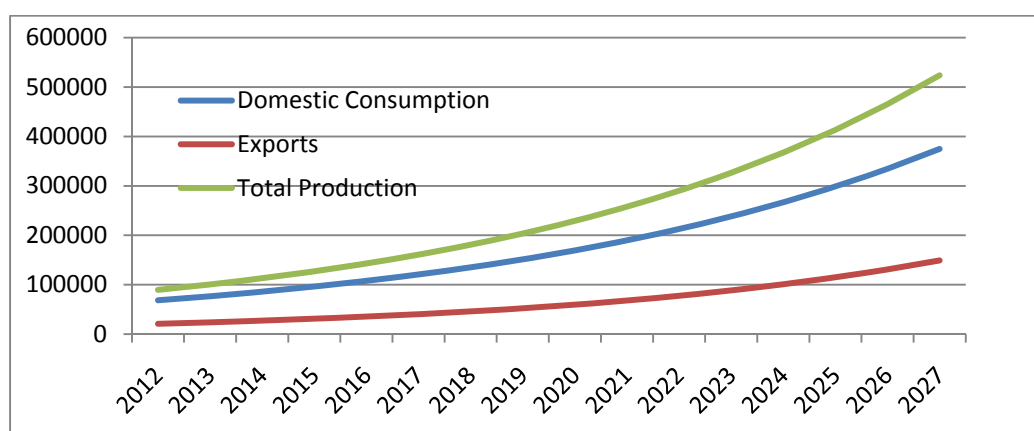
regulations, appreciating rupee, competition from imports and high employee cost. At the macro level, the key constraints of the leather industry particularly in its shift to a high value chain segment is quality of raw materials, absence of an institutional mechanism for design, inability of Indian producers to build the brand despite a huge domestic markets and technology gaps. However, given the responsiveness of this sector to the policy initiatives as illustrated by the study, it is possible to be optimistic about the future prospects of this sector.

A rising disposable income and a low share of the footwear and leather components in the overall consumption expenditure of the households, abundance of leather as a raw material and low cost manufacturing base are the strong points on which the leather sector could build up its future growth story. The de-reservation and de-licensing of several leather goods from the small scale sector in 2001, 100% FDI allowed in the leather and footwear sector since 2002 and focused market scheme introduced by Department of Commerce have created the ground work for the expansion of this sector. Comprehensive scheme of the ILDP for modernization and technological upgradation of the leather sector covering tanneries, footwear, leather goods and garments have created the basic conditions for building growth in future.

**Table 8: Domestic production and exports of leather products- Outlook**

March ending	PFCE FW	Exports	Production	Share of FW in PFCE	Exports Share in production	Global Imports <sup>15</sup>	Exports From India	Share in exports
	Rs crore			In per cent		US \$ Million		Per cent
2012	59086	22006	93625	1.12	23.5	141393	4725	3.34
2013	66176	25307	105520	1.16	24.0	156380	5434	3.47
2014	74117	29103	118942	1.19	24.5	172957	6249	3.61
2015	83011	33468	134088	1.23	25.0	191290	7186	3.76
2016	92973	38489	151183	1.27	25.5	211567	8264	3.91
2017	104129	44262	170479	1.31	26.0	233993	9504	4.06
2018	116625	50901	192265	1.34	26.5	258796	10929	4.22
2019	130620	58536	216864	1.39	27.0	286228	12569	4.39
2020	146294	67317	244643	1.43	27.5	316569	14454	4.57
2021	163850	77414	276020	1.47	28.0	350125	16622	4.75
2022	183512	89027	311465	1.52	28.6	387238	19115	4.94
2027	323410	179064	571076	1.76	31.4	640846	38448	6.00

<sup>15</sup> Global imports are projected to increase at 10.6%, at the observed rate of growth of imports during 2000-2010.

**Fig 5: Production and Exports of leather products**

We expect the future outlook of the leather production and exports to be really promising. The future production and export outlook have been projected on the assumption that the share of the footwear consumption in private final consumption expenditure would reach 1.5% in next ten years. India's share in the global leather market is also expected to increase by around 5% in 2027. Within these two considerations we have assumed a growth of 12% in the private final consumption expenditure of footwear, giving the elasticity of expenditure to GDP at 1.3. The export sector is expected to growth at 15% per annum in rupee terms. The projection is at 2011-12 prices. Based on these, the future outlook for production and export is indicated in table 8 above.

The export projection at the product level has also been worked out assuming differential rates of growth for finished leather, footwear and other leather products. The results are presented in table 9.

**Table 9: Commodity Composition of Exports (US \$ Millions)**

Product	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2021-22	2026-27
	Finished Leather	950	1093	1256	1445	1662	1911	3843
Footwear	2200	2530	2910	3346	3848	4425	8900	17902
Leather Garments	500	575	661	760	875	1006	2023	4069
Leather Goods	950	1093	1256	1445	1662	1911	3843	7730
Saddlery & Harness	125	144	165	190	219	251	506	1017
<b>Total</b>	<b>4725</b>	<b>5434</b>	<b>6249</b>	<b>7186</b>	<b>8264</b>	<b>9504</b>	<b>19115</b>	<b>38448</b>



The Working Group on Boosting India's Manufacturing Export in 12th Five Year Plan has projected a growth at 24% during 2012-17. The Report indicates that "while the leather exporters favour a much more conservative scenario of about 24%, the goal is achievable provided no economic major disruptions occur in the main markets, and the proposed strategies are implemented"<sup>16</sup>. As per the scenario indicated by the Working Group, total exports of leather by 2016-17 are expected to reach at US \$ 14 billion. The sub group considered the Report and was of the view that it may be a little more optimistic. Even at 15 per cent growth, the exports from India would be growing at 1.5 times the global import growth.

Leather sector indeed provides a lot of optimism. The local resource base, low wage cost and policy support could accelerate growth to 14-15 per cent range in twelfth plan and beyond.

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<sup>16</sup> Report of the Working Group on Boosting Manufacturing Exports

## 2. EVALUATION OF THE INDIAN LEATHER DEVELOPMENT PROGRAMME (ILDPA) IN THE 11TH PLAN

Leather Sector is the 10<sup>th</sup> largest manufacturing sector in India and it plays an important role in the Indian economy in view of its substantial overall output, export earnings and employment potential. The Leather Sector employs 2.5 million people with a majority from the weaker sections of the society and comprising about 30% women. The Sector is dominated by small and medium enterprises. In order to augment raw material base, enhance capacity, address environmental concerns, human resource development, attract investment and global marketing Indian Leather, the Central Scheme “Indian Leather Development Programme (ILDPA)” was approved for implementation for the 11th Five Year Plan Period with thirteen sub-schemes.

The Planning Commission allocated Rs1300 crore for implementation of the ILDPA during the 11th Plan. 13 sub-schemes with total outlay of Rs1251.29 crore were approved for implementation under ILDPA. Out of this approved outlay, Rs738 crore was made available under ILDPA in five years of 11th Plan.

The component wise evaluation of performance of the 13 on-going sub-schemes of ILDPA (as on 30.09.2011) is as under:-

### 2.1 INTEGRATED DEVELOPMENT OF LEATHER SECTOR (IDLS) (Outlay Rs. 253.43 crore):

This is a 10th plan scheme which was continued in the 11th plan. The scope of the scheme was enhanced to include new units. The scheme provides assistance in the form of investment grant @ 30% to SSI and 20% to Non-SSI upto grant of Rs 50 lakh for infrastructure strengthening, modernization and technology up-gradation of the leather units. Assistance is provided @ 20% if the grant amount is above Rs. 50 lakh within the ceiling of Rs. 2 crore. Disbursements above Rs. 25 lakh are made in four equal annual installments. This is a demand driven scheme.

The total outlay for this sub-scheme for the 11th Five Year Plan was Rs. 253.43 crore. A total of 1254 cases involving GOI assistance of Rs.182.93 crore was approved by DIPP till September 2011 during the 11th Five Year Plan Period. DIPP had released Rs.138.97 crore to the Nodal Bank SIDBI as on 30.09.2011 for providing subsidy to the approved eligible leather units for their modernization and technology upgradation.

In view of larger scope of the scheme, two organizations were nominated as Project Implementation Units (PIUs), one at CLRI, Chennai for Tanneries and other at FDDI, Noida for footwear components, leather goods and garments and saddlery.

In order to provide the benefit of the IDLS Scheme to the industry & for the timely implementation of the IDLS Scheme, maximum publicity by releasing advertisement of this scheme & by organizing Road Shows at various parts of the country such as Kolkata, Jalandhar, Agra, Mumbai, Dewas, Saharanpur, Jaipur, Noida, Indore, Kanpur etc., was carried out.

The scheme was very popular among the leather industries during the 10th plan as well 11th plan period. It is felt that the scheme should be continued during the next plan period for modernization and technology upgradation of the leather units to compete with the latest technology.

## 2.2 LEATHER TANNING COMPLEX AT NELLORE (Outlay Rs. 29 crore):

This project aims to increase the capacity of the tanning sector and was to be implemented during the 10th Five Year Plan. However, the project could not take off for want of decision by the State Government and is being implemented during the 11th Plan.

A provision of Rs29 crore was approved during 11th Plan as assistance for setting up of a state of art tanning complex at Nellore. It was proposed that the area of the park would be 412 acres and would house about 25 tanning units and 21 leather processing units. The park would have modern facilities like, Central Common Facility; Common Effluent Treatment Plants with Marine Outfall; Storm Water Drainage; Secured Landfill; Research & Testing Facility; Warehousing; etc.

The Krishnapatanam International Leather Complex (KPILC) was to be developed by an SPV, the Leather Industries Development Corporation of Andhra Pradesh (LIDCAP) and Andhra Pradesh Industrial Investment Corporation (APIIC) is the implementing agency. DIPP released the first installment amounting to Rs. 15 crore to LIDCAP during the 2008-2009 in the 11th Five Year Plan period. The Special Purpose Vehicle has been formed and Chief Executive Officer of the SPV appointed but the project has not taken off as yet. Some of the reasons are as follows:

- Environment Clearance of the project is awaited.
- Out of the total area of 412 acres projected in DPR, SPV was in possession of 142.85 acres only and planned to develop it as phase-I of the park.
- The State Government of Andhra Pradesh has now identified an area of 538.65 acres of Government land in Kothapatnam Village, Kota Mandal for this project but the transfer of land is still pending.
- Out of the total release of Rs.15 crore two years ago, expenditure of Rs.9.56 crore only has been reported to have been incurred by the SPV. The balance amount of over Rs.5 crore is lying unspent with the implementing agency. Now that the land itself has been changed by the State Government, even the expenditure incurred

uptil now will have to be treated to have been borne by the State Government and almost the entire Rs 15 crore would be treated as unspent.

- The State Government of Andhra Pradesh has only contributed Rs.10 crore for the project as against its commitment of Rs.50 crore for the provision of external infrastructure for the project.

It is clear that even after expiry of three years, the project has still not taken off on the ground. A provision of Rs.29 crore was kept for providing assistance for infrastructure development of tanning park. The SPV has not been able to utilize the funds during the 11th Plan due to several reasons interalia including non-completion of environment clearance. The Scheme aims to provide the infrastructure support for the Leather Industry with all modernized facilities. . The Project can take off only if the land is transferred finally by the State Government and environment clearance is obtained.

### 2.3 ESTABLISHMENT OF BRANCH OF FDDI AT FURSATGANJ (Outlay Rs. 7.17 crore):

The Institute is a branch of the Footwear Design and Development Institute, Noida and equipped with facilities of latest technologies to provide training of international standards with latest technology.

The Institute has been developed with total Central Assistance of Rs. 96.69 crore with support from DIPP to the extent of Rs. 13.53 crore and from the Department of Commerce Rs. 83.16 crore. An amount of Rs. 6.36 crore was released by DIPP during the 10th Plan Period. The balance of Rs. 7.17 crore has also been released in December 2007 i.e., during the 11th Plan Period. The assistance from the Department of Commerce has also been released.

FDDI Noida was the implementing agency for the project. The institute has become operational within 12 months to ensure international standards of training and high end support services to the Industry in the domain of Footwear & Leather Products Design Technology, Retail Management and Fashion Merchandising.

The campus has the capacity to train 800 to 1000 students through its PG and UG level Programmes. The campus is functional since 2008 with a total enrolment of more than 800 students as on date.

The world class infrastructure and facilities created in the campus such as smart classrooms, workshops in each operational area of manufacturing equipped with modern state-of-art machineries & equipment, auditorium, open-air theatre, high tech IT lab, comprehensive library etc., along with fully furnished separate Girls & Boys Hostel portrays FDDI Fursatganj, campus as an attractive destination for many of the aspirant youths of the region seeking lucrative career opportunity in the sector.

#### 2.4 FOOTWEAR COMPLEX (Outlay Rs. 3 crore):

This was an ongoing scheme of the 10th Plan and aimed to build a Footwear Complex near Chennai on 153.65 acres and provide infrastructure facilities for housing large footwear manufacturing units. Infrastructure development towards design and testing centres, display centre, warehousing, common power plant etc. was to be provided. State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT), a State Government undertaking is the implementing agency. The Central Government has released Rs 11 crore during the 10th Plan and the balance of Rs 3 crore was to be released during the 11th Five Year Plan period.

The funding pattern of the GoI grant was such that it could be used to defray 40% of the cost of development of common infrastructure excluding land subject to a ceiling of Rs 2 crore where the total saleable land was less than 100 acres and Rs 4 crore where it was 100 acres or more. It could also be utilized to the extent of 100% of the cost of special infrastructure subject to a ceiling of Rs 8 crore where the total saleable land was less than 100 acres and Rs 10 crore where it was 100 acres or more.

SIPCOT has only been able to construct common infrastructure and DIPP has decided to recover the balance GOI grant amount lying with the implementing agency with penal interest. Also, since the leather industry has shown no interest in establishing units in this location, it may not be feasible to continue the scheme during the next plan period.

#### 2.5 SADDLERY DEVELOPMENT (Outlay Rs. 10 crore):

Harness and Saddlery comprise a wide range of products. The industry had identified the upgradation and development of skilled manpower, standardization & development of components accessories and tools, development of low cost indigenous machinery, and improvement in production techniques and processes as major areas of concern. International Institute of Saddlery Technology and Export Management (IISTEM) Kanpur, a Special Purpose Vehicle constituted under the overall guidance and superintendence of IIT (Kanpur) would continue to provide skilled human resources to meet the need of the sector and function as an R & D base for the industry. In order to achieve the above stated objectives an allocation of Rs. 10 crore has been approved for the XI Plan period.

During the 11th Plan Period, the scope of the sub-scheme sub-scheme was to provide assistance for skill up-gradation training to the skilled manpower of saddle industry, standardization & development of components accessories and tools, development of low cost indigenous machinery and improvement in production techniques and processes.

During the 11th Plan, the main utilization of assistance by the IA i.e. IIT Kanpur is in the area of R&D of saddletrees for local saddle industry. IIT Kanpur has developed 6 kinds of saddle so far.

The works of four types of saddles are in progress. Prototype designing of 4 machines has been completed. The prototype designing work for four machines is under progress.

Skill upgradation training programme was to be conducted by IISTEM but could not take off.

This is the only sub-scheme which provides R&D for the Leather Sector through a prominent technical institute i.e. IIT Kanpur. The sub-scheme requires continuation in 12th Plan with emphasis on R&D works with a broaden ambit. The sub-scheme may include the R&D study of latest technologies for Leather Sector along with the Saddle Industry. The skill upgradation training may also be a part of the sub-scheme.

## **2.6 SUPPORT TO ARTISANS (Outlay Rs40 crore):**

There are various clusters in the India making traditional footwear and other leather goods. The aim of this component is to promote the clusters at various forums as they are an integral part of rural Indian economy and have potential for generating local employment and export. The artisan clusters (both urban and rural) would be supported for enhancing their designs as per the changing trends and fashion, corpus of revolving funds for obtaining bulk raw material, grant based livelihood support, marketing support/linkages and also bank linkages. The broad objective of this component would be to ensure better and higher returns to the artisans.

Till date, about 14,400 leather artisans have been covered under this sub-scheme for providing livelihood support and marketing support along with promotion of the traditional rural clusters. The sub-scheme is being implemented in Arunachal Pradesh, Bihar, Orissa, Madhya Pradesh, Andhra Pradesh, Maharashtra, Tamil Nadu, Karnataka (traditional Kolhapuri), Punjab (traditional Punjabi Jooti) and Rajasthan (traditional Mojari).

For supporting the artisanal sector, 360° interventions are being done in the areas of Trust Building and SHG Formation, Establishment of Centralized Resource Centers (CRC's), Process Product and Design Development, Advertisement & Brand promotion and Development of Market Linkages.

The major focus of the intervention is to synergise and build awareness among the artisans for their socio-economic upliftment, introduction of new low cost technology, development of tools, raw material up gradation, designing up gradation for building up a diverse product range based on market feedback, development of market linkages etc.

Interventions are done through various skill development & skill diversification workshops at regular intervals.

The status of on-going projects is as under:-

S. No.	Name of Organization	Approved Project cost 11 <sup>th</sup> FYP	Amount released (in Rs.)	Intervention areas
1.	Footwear Design & Development Institute (FDDI) Noida	Rs.518.00 lakh	Rs.259.00 lakh	Jaipur & Alwar (Rajasthan)
2.	Footwear Design & Development Institute (FDDI) Noida	Rs.494.40 lakh	Rs.247.20 lakh	Jodhpur (Rajasthan)
3.	Footwear Design & Development Institute (FDDI) Noida	Rs.555.17 lakh	Rs.278 lakh	Patiala (Punjab)
4.	Asian Centre for Entrepreneurial Initiatives (ASCENT) Bangalore	Rs.275.27 lakh	Rs.68 lakh	Athani (Karnataka)
5.	Gramin Jan Kalyan Parishad, Muzzffarpur (Bihar)	415.24 lakh	207.62 lakh	Sahebganj, Matipur, Mushahari, Dumari, Kasti, Tariyani and Sheohar clusters (Bihar)
6.	Yallang Multipurpose Cooperative Society, Arunachal Pradesh	43.75 lakh	21.874 lakh	Papum Pare Dist, Itanagar and Lower Subansiri (Arunachal Pradesh)
7.	Janjagaran Kendra, Dhenakanal (Orissa)	149.19 lakh	37.2975 lakh	Athamalik, Angul, Khamar, Talcher, Dhenkanal and Jujmara (Orissa)
8.	Tata International, Dewas MP	458.76 lakh	114.69 lakh	Dewas District (Madhya Pradesh)
9.	Rural Education and Action for Change, Tirupati (AP)	75.22 lakh	18.805 lakh	Anantpur, Prakashan, Nellore, Chittor (Andhra Pradesh)
10.	Center Footwear Training Institute, Chennai	700 lakh	175 lakh	Salem & Erode (Tamil Nadu)
11.	Harshal Gramin Vikas Sanstha, Chandrapur, (Maharashtra)	262.50 lakh	65.625 lakh	Nagpur, Chandapur, Bhandara, Wardha (Maharashtra)

Support to Artisans is one of the crucial sub-schemes under ILDP providing livelihood support and marketing support to the artisans along with promotion of the traditional rural clusters. Implementation of this scheme requires more and more coverage for the rural artisans scattered in various villages all over India. The sub-scheme requires continuation in 12th Plan with emphasis on the left out areas.

## 2.7 HUMAN RESOURCE DEVELOPMENT (Outlay Rs. 60 crore):

HRD mission targets non-traditional potential work force in the rural areas. This project is intended to train and prepare individuals in the rural areas to be fit to work in medium to large industrial units that are likely to be set up. Up gradation of skills of persons already employed in the sector besides training for trainers/supervisors is also be undertaken. The scheme lays stress on skill development and technical development especially in cutting and stitching. The training proposed under the scheme is to be output linked where atleast 75% of those trained would be placed in the industry.

Till date about 22,000 unemployed persons have been provided skill development training and placed in the leather sector. Besides it, 1200 employed workers have been provided skill upgradation training. The sub-scheme is being implemented in Uttar Pradesh, West Bengal, Madhya Pradesh, Haryana, Uttarakhand, Rajasthan, Maharashtra, Andhra Pradesh, Orissa, Karnataka, Himachal Pradesh and Tamil Nadu.

The details of the status of on-going projects are as under:-

### **Placement Linked Skill Development Programme (PLSDP):**

PLSDP is implemented through establishment of training centers at various places like Kanpur, Agra and at the sub-centers at Mumbai, Bangalore, Chennai in addition to various on-site locations across the country.

At these locations the unemployed youths belonging from the economically weaker section of the society were selected, trained and provided assistance to get employment in the footwear industry at the shop floor level operations.

The Government's efforts in creating fresh work force through a short, but, intensive training programme has been a great success and applauded at various forums as the most innovative and effective approach of implementation of any of the scheme carried out so far. It is providing much needed skilled workforce to the Industry one hand and permanent livelihood to the unemployed youths at other and is very much in demand at both levels.

Reputed companies such as M/s. Tata International, Dewas, M/s. N. M. Zackriah & Company, Ambur, M/s. Zeta Shoes, Rewari, Haryana, M/s. SSIPL, Sonapat, M/s. Dawar Shoes Agra, M/s. Oscar Leathers Mohali, M/s. Super House, Unnao, M/s. Florence Shoe Co. Pvt. Ltd., Ambur, M/s. Leeyan Overseas Kanpur, M/s. Prime Shoes Chennai., M/s. Zermatt Shoes Ambur, M/s. Tej Shoes Agra have benefited as on date under On-Site training Programme.



S. No.	Name of Organization	Approved project cost and number of beneficiaries	Maximum assistance to be released (75% or Rs10,000 whichever is less)	Amount Released (in Rs.)	Intervention areas
1.	Footwear Design & Development Institute (FDDI) Noida	Rs 1013.41 lakh 6480 Persons	Rs648 lakh	Rs1110.68 lakh (for both projects)	Agra and Kanpur (UP)
2.	Footwear Design & Development Institute (FDDI) Noida	Rs 1013.41 lakh 6480 Persons	Rs648 lakh		
3.	Footwear Design & Development Institute (FDDI) Noida	Rs943.26 lakh 6000 persons	Rs 600.00 lakh	Rs 150.00 lakh	Fursatganj-Rai Bareilly (UP)
4.	Central Footwear Training Institute (CFTI) Chennai	Rs904.25112 lakh 7365 persons	Rs678.24 lakh	Rs479.05 lakh	Chennai, Ambur, Vellore, Ranipet (Tamil Nadu)
5.	West Bengal Consultancy Organisation Ltd, Kolkata	Rs579.28 lakh, 5670 persons	Rs 434.46 lakh	Rs 108.61 lakh	Kolkata Region (West Bengal)
6.	Crew B.O.S Academy, Gurgaon (Haryana)	Rs 798.00 lakh 6480 persons	Rs 598.50 lakh	Rs 278.83lakh	Manesar (Haryana), Dehradun (Uttarakhand) and Neemrana (Rajasthan)
7.	CEDMAP, Bhopal (MP)	Rs615.00 lakh 6000 persons	Rs 461.25 lakh	Rs 115.31 lakh	Dewas, Indore, Gwalior, Dhar (State of Madhya Pradesh)
8.	ILFS	Rs 500.00 lakh 5000 persons	Rs 375 lakh	Rs 93.75 lakh	Mumbai (Maharashtra), Andhra Pradesh, Orissa, Karnataka and Himachal Pradesh

### Skill Upgradation Training Programmes:

Sl. No.	Name of Organization	Approved project cost and number of beneficiaries	Maximum assistance to be released (Rs.2500 maximum)	First part of 1 <sup>st</sup> installment to be released (@25%)	Intervention Areas
1.	CFTI, Chennai, Tamil Nadu	Rs.153 lakh 4800 persons	114.75 lakh	28.6875 lakh	Chennai, Ambur, Vellore, Ranipet, Gudiyattam, Vaniyambadi and Pernambut (Tamil Nadu)

The HRD sub-scheme is one of the successful initiatives of the ILDP programme and there is tremendous demand in the industry for this scheme. It needs to be continued in the 12th Plan period.

### 2.8 UP-GRADATION OF FACILITIES OF FDDI AND ESTABLISHMENT OF OTHER SUCH INSTITUTES AND CENTRES: (Outlay Rs. 300.07 crore):

In order to increase the uptake of students in each category and to train them in the latest technology, the sub-scheme was introduced to establish three new campus of FDDI at Chennai, Kolkata and Rohtak.

Footwear Design and Development Institute (FDDI), Noida, a premier Institute providing training, consultancy services in the footwear and leather industry was the implementing agency.

It was proposed that at least three new FDDI campuses, one each at Tamil Nadu, West Bengal and Haryana would be established at a cost of Rs 96.69 crore each during the 11th Plan period to meet the growing demand of the leather Industry. Besides, Rs 10 crore would be provided for up gradation of existing FDDI campus at Noida. Assistance would be in the form of one time grant for creation of capital assets and permanent infrastructure and no recurring cost would be provided.

These campuses are established to facilitate an all-inclusive growth of the leather & leather products sector in the country that includes the product development, market development and productivity improvement which are crucial to increase the trade volume.

All the campuses have commenced academic programmes within 12 months and have been made operational from the academic session 2010-11.

These campuses will relieve pressure of shortage of specialized manpower of the footwear industry such as production technologists, designers, managers, retailers and merchandisers.

The state-of-the art campuses having excellent infrastructure and modern facilities such as Wi-Fi connectivity, workshops in each operational area of manufacturing equipped with modern state-of-art machineries & equipment assists in conducting the various academic programmes.

All the campuses are having world-class infrastructure such as comprehensive library, computer lab, well-furnished and centrally air-conditioned building, class rooms and lecture halls, latest multi-media audio-video, educational support for teaching and a fully equipped auditorium.

These campuses are also having adequate facilities like staff quarter and hostels for the boys and girls for their overall grooming and continual involvement in the academic process of the students

#### **Establishment and Upgradation of Workshops, Labs & Classrooms at FDDI, Noida:**

The Upgradation of Workshops, Labs and classrooms at FDDI, Noida campus to accommodate the increased strength of students (as the training capacity enhanced to 1900 in the year 2008-09 from mere 184 in 2010-11) and to ensure international standards of delivery and services to the students and the industry has been carried out.

Keeping in view the enhanced capacity of the campus in various discipline and ensure standardized training & services in each area of specialization various activities have been carried out such as Construction/ renovation and augmentation of Class rooms & lecture halls with modern facilities and aids, construction & renovation of Manufacturing Workshops & Visual Merchandising lab, establishment of PDC and Productivity lab, establishment of Electrical Sub-Station etc.

The expansion/modernization plan has been successfully completed and the facilities created are being used by the Industry, faculty and the students for training, research and development.

All the three new campuses of FDDI have become operational during the 11th Plan. The sub-scheme provides infrastructure support and also provides establishment of an institute providing professional and technical education for Indian Leather Sector. It requires continuation during the 12th Plan for establishment of new FDDI branches in the left out states.

## 2.9 UPGRADATION/INSTALLATION OF INFRASTRUCTURE FOR ENVIRONMENT PROTECTION IN THE LEATHER SECTOR (Outlay Rs. 200 crore):

The leather industry and the tanning activity in particular, all over the world is linked to environmental concerns. In view of the fact that environmental issues are slowly gaining ground and measures are needed to be put in place for industries to cope with the stringent norms. An allocation of Rs. 200 crore was made in the 11th Five Year Plan to address these concerns. Projects for meeting environmental concerns were to be funded with 50% grants from Central Government, with the remaining fund coming from State Government (15%) and from the Industry (35%). The entire Operation and Maintenance costs would be borne by the industry.

Total six projects of establishment of Common Effluent Treatment Plants in Tamil Nadu with total GOI assistance of Rs.92.50 crore were approved under the sub-scheme. Five projects are on the verge of completion.

Chennai Environmental Management Company of Tanners (CEMCOT), Chennai is the implementing agency. The details of the projects are as under.

Name of CETP	Approved Project Cost	Central Assistance (50%)	State Govt of Tamil Nadu Contribution (15%)	Contribution Beneficiary (35%)	Central Assistance released till date
CETP – Ranitec, Ranipet	44,10,00,000	22,05,00,000	6,61,50,000	15,43,50,000	15,84,98,482
CETP – SIDCO-I, Ranipet	29,19,00,000	14,59,50,000	4,37,85,000	10,21,65,000	10,49,61,149
CETP-PTIETC, Pallavaram, Chennai	37,80,03,262	18,90,01,631	5,67,00,489	13,23,01,142	13,48,45,377
CETP – SIDCO-II, Ranipet	17,32,93,089	8,66,46,545	2,59,93,963	6,06,52,581	5,99,05,273
CETP- Pertec, Vellore	20,88,35,466	10,44,17,733	3,13,25,320	7,30,92,413	7,56,63,212
CETP – Dintec, Dindigul	35,70,00,000	17,85,00,000	5,35,50,000	12,49,50,000	0
<b>Total</b>	<b>1,85,00,31,817</b>	<b>92,50,15,909</b>	<b>27,75,04,773</b>	<b>64,75,11,136</b>	<b>53,38,73,492</b>

The sub-scheme is being implemented to address the environmental concerns of the Indian Leather Industry. This sub-scheme is very important to protect the pollution caused by the

development of Leather Industry in India. The Department related Parliamentary Standing Committee has observed that such CETPs should be established in all the major leather clusters in India.

The sub-scheme requires continuation during the 12th Plan for establishment of CETPs in the states other than Tamil Nadu to address the environmental concerns of the Indian Leather Industry.

#### **2.10 MISSION MODE (Outlay Rs. 10 crore):**

This programme envisages attracting investment into the sector and includes provision for research, programme support, survey, and concurrent evaluation etc. in the field of leather. Besides, provision has also been made for cost on account of advisory and consultancy services in respect of various projects under ILDP being implemented in the 11th Five Year Plan.

Five Road-shows were conducted respectively at Madrid (Spain), Birmingham (UK), Milan (Italy), Hongkong and Tokyo by Council for Leather Exports (CLE) during the current Plan Period with the GOI assistance of Rs.1.376 crore. A fresh guideline was notified during the year 2010-11 for implementation of the sub-scheme. The scheme could not be used further due to delay in finalisation of guidelines and lack of budget after the guidelines were finalised.

The sub-scheme will play a vital role to attract the investment and evaluation of the overall scheme. The scheme is required to be continuation during the 12th Plan.

#### **2.11 ESTABLISHMENT OF TRAINING CENTRE IN MADHYA PRADESH (Rs. 24.85 crore):**

This sub-scheme aimed at establishment of a training centre at Chhindwara in Madhya Pradesh to cater the needs of shortage of manpower for the leather industry situated in Central India. The institute would also help in generation of employment in the region and would act as a catalyst for triggering development activities in the region by setting up of leather units in the region.

Under the sub-scheme, a training centre in Madhya Pradesh was to be established to provide trained manpower for the Leather Industry. FDDI, Noida was the implementing agency. The training centre has become operational during the 11th Plan.

The FDDI Chhindwara Campus has been established with state of art infrastructure and facilities in line with other campuses of FDDI to conduct training and consultancy in the area of Footwear Technology and Retail Management.

The admission process has been successfully completed for UG & UG Programme in the academic session 2011-12 and the classes are being conducted under the guidance of qualified

Faculties and staffs. The response of the regional aspirant youth had been quite overwhelming for different academic programmes being conducted at FDDI, Chhindwara campus.

### **2.12 Additional Girls Hostel at FDDI Fursatganj (Outlay Rs. 13.77 crore):**

This is a new project for providing a safe accommodation and environment to the girls students of FDDI Fursatganj branch. The project was approved during the year 2010-11. The sub-scheme was approved for establishment of an additional girl's hostel at FDDI Fursatganj campus to provide a secure environment to the girls students of FDDI Fursatganj. The project is on the verge of completion. FDDI, Noida is the implementing agency.

## **SUB-GROUP ON INFRASTRUCTURE DEVELOPMENT**

The following is the composition of the members of Infrastructure Development constituted of the following members:

- 7) Shri M. Rafeeqe Ahmed, Chairman, CLE (Chairman of this sub-group)
- 8) Shri S.K. Basu , Director, Ministry of Micro, Small and Medium Enterprises
- 9) Shri D. Banerjee, Joint Adviser (Industry), Planning Commission
- 10) Shri Raajeev J Lakhara, Managing Director, Footwear Design & Development Institute (Convener of this sub-group)
- 11) Shri Darshan Singh Sabharwal, President, Indian Leather Products Association
- 12) Shri Shirish S. Patel, CEO, Mas Linea Leather Accessories Pvt. Ltd
- 13) Shri Puran Dawar, President, Agra Footwear Manufacturers & Exporters Chamber
- 14) Shri P.V. Gopalakrishna Bachi, President, Indian Shoe Federation
- 15) Shri Snehdeep Agarwal, Bhartiya International Limited

The sub-group suggested the following interventions with the focus of the infrastructure development activities in the leather sector:

- Common Infrastructure
- Infrastructure strengthening at the enterprise level

### 3. Infrastructure Development

#### 3.1 Introduction

The infrastructure facilities for the leather sector, which encompasses various spectrums of the facilities required by the industry, need strengthening. Common infrastructure facilities have to be created in the clusters. The infrastructure by way of upgrading the production technology by way of installing state-of-the-art machinery at the shop floor, and modernization of production facilities is the need of the hour.

##### 3.1.1 Historical Background

India has traditionally lagged behind in infrastructure creation for the industry. Much of growth in the leather sector in prominent traditional hubs of Agra, Kanpur, Jalandhar, Ambur-Ranipet-Vaniyambadi and Kolkata was unplanned and was almost entirely due to private sector initiative. The small and medium enterprise nature of much of Indian leather industry means that many firms cannot invest in large scale by themselves, without enabling infrastructure support initiatives at pan-industry / Government level. Much more needs to be done in existing infrastructure initiatives such as Tannery / Industrial Parks at Jalandhar, Kolkata, Unnao etc. Development of social infrastructure is unfortunately ignored in our cluster development efforts. The need for planned cluster development efforts i.e. creation of geographically integrated supply chain infrastructure (material markets, tanneries), production infrastructure (factories for products supported by component ancillaries) and growth enablers (design and product development studios, testing laboratory, training institutes, buyer-interaction showrooms etc, social infrastructure) is way behind what is required.

#### 3.2 Infrastructure Development Activities Implemented during Eleventh Plan Period

##### 3.2.1 Scheme for 'Development of Leather Parks'

As one of the sub-schemes of the Indian Leather Development Programme (ILDPP), vide Notification dated 5th Nov 2009, the Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, Govt. of India had notified a scheme for 'Development of Leather Parks' with an outlay of Rs.300 crore. The objective of the scheme was to create additional capacities in the leather sector and assist the industry in addressing the infrastructure needs of the entire leather sector in a holistic manner. As per scheme guidelines, a group of minimum 7 legally independent companies which is interested to set up production units in the Park, could form a Special Purpose Vehicle (SPV).



Total Project cost for a Park was to be funded through GOI assistance @ 50% of the cost, subject to a maximum of Rs.40 crore per park, equity from Industry and Loan from Banks / Financial Institutions. SPV would mobilize funds other than Govt. Grants to execute the project. The Project cost for each Park was to have the following components:

- A. Land & Land Development Cost
- B. Common Infrastructure – in the form of physical and environmental infrastructure, technology infrastructure and marketing infrastructure
- C. Capacity Building such as common marketing efforts, branding, technology sourcing, skill development, quality certifications, environmental certifications, standards and other common initiatives undertaken by the SPV.
- D. Engineering and construction supervision, Project development & execution consultancy
- E. Any other expenditure including Pre-operative Expenses, Expenses for Incorporation etc

Subsequent to notification of the scheme during Dec 2009, the Council for Leather Exports (CLE) highlighted the difficulties faced by industry in mooted proposals to set up the Leather Parks citing impracticality and non-viability of a few provisions of the scheme. Some of the clauses in the guidelines of the scheme were considered impractical and not found viable for the sector to promote the Parks. Accordingly, the CLE submitted representation to the DIPP pertaining to the following two requests:

- a. To exempt the condition of registering the SPV under Sec 25 of Companies Act, and instead allow SPV to register under any sections of the Companies Act. This was basically to tide over the difficulty in getting finance for the project as investors would be reluctant to invest in a SPV which is mandated to work on no-profit basis.
- b. To amend the overall scheme guidelines as per the Scheme for Integrated Textile Parks (SITP) since the scheme is already under operation and several ITP has already established in the textile sector all over the country, and as such the scheme has proven itself.

Further, the industry also informed that high land cost is a deterrent, and industry is finding it difficult to procure the land, and move forward particularly due to this reason. The high cost of land makes the project unviable, and hence some mechanism has to be found out on land issue.

DIPP is in the process of merging this scheme with that of a new scheme 'Mega Leather Cluster'. In conclusion, no new Leather Park could be established in the country under Scheme for 'Development of Leather Parks' during Eleventh Five Year Plan period 2007-2012.

### 3.2.2 Industrial Infrastructure Up gradation Scheme (IIUS)

IIUS was notified vide OM dated 10th Dec 2003 in 2003 as a Central Sector Scheme with a view to enhancing competitiveness of industry by providing quality infrastructure through public-private partnership in selected functional clusters. Central assistance upto 75% of the project cost subject to a ceiling of Rs. 50 crore is given for each project. Based on the outcome of the evaluation and experiences gained during the implementation, the scheme has been modified so as to make it more effective, focus on technological up gradation and avoid initial problems faced in the projects.

The scheme targets existing industrial clusters with high growth potential requiring assistance for up gradation of infrastructure to world class standards. An illustrative list of infrastructure eligible for assistance:

- Physical Infrastructure - Transport, Road, Water Supply, Common captive power generating units, Transmission and distribution infrastructure, Common fuel/gas supply system, Common Effluent Treatment Plant (CETP), Solid waste management facilities
- Information and Communications Technology (ICT) Infrastructure, ICT induction and Management Consultancy Service Centre
- R&D Infrastructure
- Quality Certification & Benchmarking Centre: Improvement of soft skills in quality control/Total Quality Management(TQM technologies and handholding of firms to achieve certificate, benchmarking them vis-à-vis international standards
- Common Facilities Centre
- Information dispersal/International Marketing Infrastructure
- Any other physical infrastructure identified by cluster and approved by the Apex Committee.

One time grant-in-aid is provided to the SPV, restricted to 75% of project cost subject to a ceiling of Rs. 60 crore, and remaining 25% will be financed by SPV with minimum industry contribution of 15% of project cost, which must be in the form of cash and not in kind like cost of land / existing building etc. No central grant is provided for the purchase of land, land development, preliminary and pre-operative expenses and working capital. Government funding is confined only to the creation of durable assets and activities relating to productivity enhancement and no recurring expenditure will be funded by Government. Cost of preparation of DPR can be met from the funds separately earmarked for administrative expenses.

The project proposals have to be formulated after conducting detailed survey and study of the industrial units existing in the clusters. Project will be implemented through SPV, a non-profit making company registered under section 25 of the Companies Act.

The following are the details of the two projects sanctioned during the year 2005 to the leather sector:

(Rs. in Lakhs)

<b>Ambur</b>	<b>Project Cost</b>	<b>Grant under IIUS</b>
Waste Water Recycling Plants at three locations	5190.00	3375.00
Sludge disposal facility at two locations	600.00	450.00
Road Improvement Plan	400.80	171.13
Common Facilities	542.95	352.86
<b>Total</b>	<b>6733.75</b>	<b>4348.99</b>

<b>Kanpur</b>	<b>Project Cost</b>	<b>Grant under IIUS</b>
Common Hazardous waste disposal facility	1792.10	696.23
Common Raw hide storage and management centre	941.90	278.48
<b>Total</b>	<b>2734.00</b>	<b>974.70</b>

### 3.2.3 Integrated Development of Leather Sector (IDLS) Scheme

The IDLS Scheme is an investment grant scheme approved for the Tenth Five Year Plan 2002-07 for technology up gradation, modernization, capacity creation in all segments of the Leather Industry. The scheme was implemented with effect from Nov 3, 2005. The scheme provided financial assistance @ 30% of the cost of plant and machinery for SSI units and 20% of the cost of the plant and machinery for Non-SSI units, subject to a ceiling of Rs.50 lakh in case of both SSI and Non-SSI units. IDLS scheme is continuing in the XI plan period with certain modifications. The new scheme was effective from 29th Aug 2008. The scope of the scheme was enhanced to include new units. The financial assistance has been increased from the earlier ceiling of Rs.50 Lakh (30% for SSI and 20% for Non-SSI units) to Rs.2 Crore @ 20% to all units above the assistance of Rs.50 Lakh.

This scheme was implemented through multiple agencies. The Central Leather Research Institute (CLRI) is the programme implementation unit for Tanneries, whereas Footwear Design & Development Institute (FDDI) is the implementation unit for Leather Products. The Small Industries Development Bank of India (SIDBI) is the nodal agency for release of assistance to the applicants. The Council for Leather Exports (CLE) is the Facilitating Agency for providing guidance, facilitate and coordinate with leather entrepreneurs and all the agencies that are part of the scheme namely CLRI, FDDI, SIDBI and Department of IPP at various stages of the processing besides receiving of applications across all the regions.

The outlay for the IDLS Scheme was Rs.290 Crore for the Tenth Five Year Plan 2002-07, and since the scheme was implemented only from Nov 2005 (scheme was notified on Nov 3, 2005), only Rs.36.57 Crore was utilized during the Tenth Plan due to very limited period of scheme implementation. Revised scheme guidelines were notified on Aug 28, 2009.

The details of cases approved under the IDLS Scheme by the Steering Committee constituted at the DIPP from Nov 3, 2005 to August 2010 i.e, the last meeting of the Steering Committee, are given below:

Segments	No of applications approved	Project Investments Eligible for assistance	Investment Grant approved
Tanning segment	716	Rs.378.26 Cr	Rs.93.69 Cr
Leather Products segment	712	Rs.544.19 Cr	Rs.126.96 Cr
Total	1428	Rs.922.45 Cr	Rs.220.65 Cr

Further to the above, the applications which are at various stages of processing and which are waiting to be submitted to the Steering Committee are given below:

Segments	No of applications approved	Project Investments Eligible for assistance	Investment Grant Calculated
Tanning segment	206	Rs.163.04 Cr	Rs.36.83 Cr
Leather Products segment	345	Rs.214.75 Cr	Rs.50.73 Cr
Total	555	Rs.377.79 Cr	Rs.87.56 Cr

The modernization of the production facilities, technology up gradation, and expansion of production capacities are one of the important measures that are required to be undertaken by the industry. The leather sector predominantly belongs to the MSME segments. These MSME units depend on the Grant for modernizing their units, as they are unable to undertake huge investments on their own. In this regard, the investment grant provided through the IDLS Scheme from November 2005 onwards provided significant relief to the industry and motivated the industry to go in for state-of-the-art machinery & equipment, which would help the production of quality products for international markets.

### 3.2.4 Micro & Small Enterprises – Cluster Development Programme (MSE-CDP)

The Ministry of Micro, Small and Medium Enterprises (MSME), Government of India has adopted the cluster development approach as a key strategy for enhancing the productivity and competitiveness as well as capacity building of Micro and Small Enterprises (MSEs) and their collectives in the country. The objectives of the MSE-CDP are given below:

- i. To support the sustainability and growth of MSEs by addressing common issues such as improvement of technology, skills and quality, market access, access to capital, etc.
- ii. To build capacity of MSEs for common supportive action through formation of self-help groups, consortia, up gradation of associations, etc.
- iii. To create/upgrade infrastructural facilities in the new/existing industrial areas/ clusters of MSEs.
- iv. To set up common facility centers (for testing, training centre, raw material depot, effluent treatment, complementing production processes, etc)

### Scope of the Scheme:

**Diagnostic Study** – This is to map the business processes in the cluster and propose remedial measures, with a validated action plan

**Soft Interventions** – Technical assistance, capacity building, exposure visits, market development, trust building etc for the cluster units.

**Hard Intervention/Common Facility Centers (CFCs):** Creation of tangible “assets” like Testing Facility, Design Centre, Production Centre, Effluent Treatment Plant, Training Centre, R&D Centre, Raw Material Bank/Sales Depot, Product Display Centre, etc.

**Infrastructure Development:** Development of land, provision of water supply, drainage, Power distribution, non- conventional sources of Energy for common captive use, construction of roads, common Facilities such as First Aid Centre, Canteen, other need-based Infrastructural facilities in new industrial (multi- product) areas/estates or existing industrial areas/estates/clusters

Activity	Implementing Agency
Diagnostic study	Offices of the Ministry of MSME Offices of State Governments
Soft Interventions	National and international institutions engaged in development of the MSE sector.
Setting up of CFC	Any other institution/agency approved by the Ministry of MSME
Infrastructure Development projects	State/UT Governments through an appropriate state government agency with a good track record in implementing such projects.

### Cost of Project and Government of India Assistance:

- Diagnostic Study - The Government provides grant of maximum Rs.2.50 Lakh for preparation of Diagnostic Study Report (DSR) for one cluster. For the field organizations

of the Ministry of MSME, this financial support will be Rs.1.00 Lakh. Maximum cost Rs.2.50 Lakhs.

- Soft interventions - Maximum cost of project Rs. 25.00 lakh per cluster, with GoI contribution of 75% of the sanctioned amount of the project cost. (90% for Special Category States and for clusters with more than 50% women/micro/village/SC/ST units).
- Hard interventions i.e., setting up of CFCs – maximum eligible project cost of Rs. 15.00 crore with GoI contribution of 70% (90% for Special Category States and for clusters with more than 50% women/micro/village/SC/ST units). There should be a minimum of 20 MSE cluster units serving as members of the SPV for the CFC.
- Infrastructure Development in the new/ existing industrial estates/areas – Maximum eligible project cost Rs.10.00 crore, with GOI contribution of 60% (80% for special category states and for clusters with more than 50% women / micro / SC / ST units).

A few interventions under this scheme were sanctioned recently in Bihar, Haryana, Tamil Nadu, Uttar Pradesh & West Bengal. However, the leather sector did not utilize the scheme in large scale, and the Council intends to create awareness about the CDP amongst the Industry Associations / SPVs functioning in the leather industry so that they can moot proposals.

### **3.2.5 Intervention Measures Proposed for the 12<sup>th</sup> Plan in Infrastructure Development**

The focus of the infrastructure development activities may be on the following areas during Twelfth Five Year Plan 2012-17:

#### **1. Common Infrastructure**

- a) Establishment of New Greenfield clusters via Mega Leather Clusters scheme
- b) Support towards establishment of infrastructure facilities at the existing leather clusters

#### **2. Infrastructure strengthening at the enterprise level**

- (a) Modernization, technology up gradation and expansion of production capacities of the enterprises functioning in the leather sector

The interventions required to be taken during the Twelfth Plan are explained below:

#### **3.2.5.1 Common Infrastructure**

##### **3.2.5.1.1 Establishment of New Greenfield Clusters via Mega Leather Clusters Scheme**

The major challenges are in creating larger capacities with world-class infrastructure. In the Strategy Paper for doubling Exports in the next 3 years 2011-12 to 2013-14, released by the Department of Commerce, the target is to achieve an export of US \$ 8.50 billion by 2013-14

from the current level of US \$ 3.40 billion. The strategy paper for the leather sector indicates the major intervention measures required to achieve the export target, and one of the action plan proposed is to establish Mega Leather Clusters in Tamil Nadu, Uttar Pradesh, West Bengal, Delhi, Maharashtra, Haryana and Rajasthan. It is also proposed to set up Mega Leather Clusters in other States also.

These mega leather clusters will house state-of-the-art manufacturing centers with all infrastructural facilities including road, power, water supply, effluent treatment plants, training centres, export infrastructure etc. at one place.

Clusters should include establishment of new tanneries/migration of existing tanneries along coast lines, with marine discharge of treated water.

Mega Leather Clusters will have the following facilities. The list is only illustrative and not exhaustive and additional facilities can be created as per requirement of the cluster.

- Core Infrastructure like Road connectivity, Power Supply including installation of Captive Power Plant, Water supply, Water Reservoir with water harvesting facility, Drainage & Sewage lines, Streetlights, Secured compound wall & wire fence, Effluent Collection/Solid waste disposal plant/Effluent Treatment Plant/Common Effluent Treatment Plant, Reverse Osmosis Plant, Transportation facility, Telecommunication and Parking bay. Cost of Civic Amenities shall also be included in the project cost.
- Common Facilities like Common Facility Centre, Warehouse, Trade/Display Centre, Exhibition Hall, Design Development Centre, Convention Centre, Trade Centre, Craft Based Resources Centres, Common Dormitory for workers, Raw Material Bank, and Information Centre. Additional Common Facilities like Communication Network (including broadband service), Administrative Building, Bank, Health Centre, Fire Fighting Station, Post Office and Primary School
- Ready-to-use Factory Sheds with plug-in facility for machinery/equipments.
- Training Centre like Recruitment Centre, Workflow Training Centre, Class room with LLD Project (For Classroom Training), Library, Faculty Room etc,
- Social infrastructure like Recreation Centre, Workers' Hostel, Creche & Canteen, Labour Restroom and Management Consultancy Centre etc.
- Export Services like Clearing Agents, Customs/Central Excise/Service Tax Offices & DGFT Liaison Office
- R &D Infrastructure like Product Design & Development Support Centre, Testing Laboratory, Quality Benchmark Centre, Material Research, Basic Product Technology Research, Pre-competitive Collaborative Research and Market Research.



The industry will form an SPV for each Leather Cluster to be created. The SPV will be a corporate body registered under the Companies Act and will include representations from the industry, State government department, Central Government, local bodies if any etc. The SPV shall be responsible for ownership, execution and management of the interventions/ facilities created under the project by collecting service and user charges to recover cost and future expansion.

A diagnostic study for each cluster is proposed to be undertaken through a professionally qualified agency having adequate experience in cluster development work in leather or similar other manufacturing sector.

The role of the State Government is envisaged in areas such as providing all the requisite clearances, wherever needed, and providing the necessary assistance for Power, Water and other utilities, allocate institutional land to the SPV free of cost for establishment of common and additional common facilities and also for core infrastructure.

The State Government agencies like Infrastructure/Industrial Development Corporations may also participate in the projects by way of subscribing to the equity of SPV or by providing grants, as per request of the SPV, providing flexible and conducive labour environment and consider special facilities like exemption of stamp duty etc, dovetailing of other related schemes for overall effectiveness and efficiency of the project.

The Government of India funding assistance may be provided @75% of the project cost. The remaining 25% of the project cost will be raised by the SPV, through industry contributions, loan from financial institutions and other such avenues. In view of the project scope and size of the project, the project implementation will take about 4-5 years.

The scheme guidelines and procedures are being worked out by the Department of Industrial Policy & Promotion, Government of India by holding stakeholder consultations with the industry

The industry has also observed that in foreign countries like China, Vietnam, Bangladesh etc, a single unit is located in a land area of 200+ acres, therefore minimum land area needs to be kept at a higher level to be called a cluster, otherwise the objectives of the Mega Leather Cluster scheme will be defeated, which is primarily meant to increase the production capacities in the leather sector.

In this context, this sub-group recommends that a high level delegation may make an assessment visit to at least 2 large Parks/Clusters in China so that it will be useful for us to devise the guidelines and implement the Mega Leather Clusters. The high level delegation may



comprise officials from Planning Commission, Department of Industrial Policy & Promotion, Department of Commerce, MSME and Council for Leather Exports. It is imperative that the high level delegation visits China at the earliest for 3-4 days duration to study the Parks / Clusters.

It is recommended that a professional agency well renowned in the field of cluster development, with proven track record in anyone of the industrial sectors in India, has to be engaged by a transparent process, to undertake Diagnostic Study on those clusters where the Mega Leather Clusters is proposed to be set up. The professional agency has to come out with Diagnostic study linking this with feasible and commercially viable plan to establish Mega Leather Clusters.

**Recommendation: The above mentioned proposal shall be considered for opening of 10 Mega clusters with average proposed outlay of 80 Crore each. The total plan outlay proposed is Rs. 800 Crore.**

### **3.2.5.2 Establishment & Upgradation of Physical Testing Laboratory of CLRI, FDDI & others**

It is also proposed to strengthen & upgrade the infrastructure in the physical testing facility of Central Leather Research Institute (CLRI) and the International Testing Centre of the Footwear Design & Development Institute (FDDI) since the existing equipment of these institutions have become obsolete due to technological advancements over the years.

In order to meet the stringent criteria imposed by the importing countries for safety and functional requirements, CLRI established specialized centre EXCEL at Chennai and at Kolkata, Kanpur and Jalandhar for providing analytical testing services for the sector and SATRA, UK accredited Physical testing laboratory.

Similarly the FDDI's ITC, Noida & Chennai is offering testing facilities in the area of raw-materials/components and of finished products as per the relevant standard specifications, and immensely helping the manufacturers and exporters in improving quality of their products needs upgradation to meet the prevailing International Standards so as to facilitate and foster trade within the country and with other countries of the world.

There has been an exponential increase in the criteria imposed by the importing countries. In order to continue the services and meet more demanding requirements such as REACH, it is felt that these laboratories need to be upgraded adequately and to establish the new one. There is an urgent need to strengthen the infrastructure.

**Recommendation: The above mentioned proposal shall be considered for opening of 4 new labs with 100% subsidy if set up by the institute like FDDI, CLRI. However in case of**

**establishment by the other agency the subsidy may be limited to 50%. The proposed allocation for this scheme is Rs. 35 Crore.**

### **3.2.6 Infrastructure Strengthening at the Enterprise Level**

#### **3.2.6.1 Modernization, technology up gradation and expansion of production capacities of the enterprises functioning in the leather sector**

It is essential for the Leather Industry to have access to timely and adequate capital in order to up-grade its technology level, modernize itself and increase the production capacities. The production units have to upgrade leading to right sizing of capacity, cost cutting etc, and a positive ambience for technology up gradation has to be created through productivity gains, minimization of wastages, right sizing of capacity, cost cutting, design & development etc. The industrial units in the sector have to take measure to invest and install modern machinery and equipment by way of replacement of existing machinery, replacement of obsolete machinery, expansion of existing facility. Though existing companies are attempting to expand their production base but the industry is not seeing an influx of many new entrants in this sector. Hence, there is need to promote investments from new companies both domestic as well as overseas companies.

The entrepreneurs have to be encouraged to set up new units and install modern machinery & equipment as a measure to add production capacities in the sector. The scope of the interventional measures to be implemented in the leather sector by the entrepreneurs both existing and new entrepreneurs, would include the following activities:

- Technology up-gradation, productivity enhancement, improved environmental safeguards, global competitiveness through cost control and minimization of waste.
- Modernization of machinery facilities including in-plant lay-out and civil and associated electrical work relating to installation of machinery & equipments
- Product diversification by way of design and development, hardware and technology support including IT solutions and net working and e-governance.
- Improvement in plant ecology, up gradation of leather finishing facilities and worker safety.
- Quality control and testing systems as well as any obligatory measures stipulated by government regulations for individual production enterprises at unit level.
- Creation of in-house R&D, testing laboratories, Design and Product Development Studios and establishment of sample-making facilities.

The leather sector being predominantly concentrated in the MSME sector, the entrepreneurs need financial assistance from the Government of India to support them in their efforts towards modernization, technology upgradation and building production capacities in the

leather sector. Though it is evident that small enterprises may not be able to compete effectively on their own in the global and perhaps even the domestic market place in the long run, it is necessary to help them modernize and become more competitive so that they could become feeder units to large exporters, large buyers from abroad and major retailers within and outside the country. The effort should be to reach out to at least 500 enterprises during the plan period so that the competitiveness of the enterprises in the industry is enhanced.

It is pertinent to mention here that the Integrated Development of Leather Sector (IDLS) Scheme was implemented by the Government of India as part of the Indian Leather Development Programme during the Tenth Five Year Plan and continued in the current Eleventh Five Year Plan period. The IDLS scheme has been immensely useful to the industry, and therefore, there is need for continuation of the IDLS Scheme in the Twelfth Five Year Plan 2012-17.

**This sub-group strongly recommends for continuation of the Integrated Development of Leather Sector (IDLS) Scheme during the Twelfth Five Year Plan 2012-17, which will help the industry to modernize itself and enhance the production capacities in all segments of the leather industry.**

**Recommendation: The above mentioned proposal shall be considered with the plan allocation of Rs. 750 Crore.**

**SUMMARY OF PROPOSED INTERVENTION AND ITS PLAN OUTLAY**

**INFRASTRUCTURE DEVELOPMENT**

S. NO.	SCHEME TITLE	NEED	NATURE	ACTIONS PROPOSED	MEASURE OF PERFORMANCE	IF OLD, MODIFICATION SUGGESTED	REMARKS	PLAN OUTLAY (RS. IN CRORES)
A	Infrastructure to be created by way of development of Mega Leather Clusters  (Continuation of 11th FYP)	1. Attracting Foreign Direct Investment. 2. Increasing production capacities of the manufacturing organization which has not increased much even after de reservation of the sector. 3. Development of Social infrastructure	Setting up of Mega Leather Clusters in identified locations through formation of SPV under company's Act.	☑The Cluster shall have ready built common infrastructures such as road, water, power etc. ☑The clusters to have dedicated corridors earmarked for Foreign investors/JVs in order to gain competitiveness. ☑Industrial plots in these clusters have to be offer d on lease / sale basis to the overseas entrepreneurs	10 mega leather complex establishment. Establishment of infrastructure for attracting investment, Quantum of investm nt, quality & range of infrastructure developed.	11th Plan - Leather Park	1- <b>Recommended with 10 Mega park with proposed plan out lay of 80 crore each</b>	<b>800.00</b>
B	Setting up of new/Upgradation of Testing Lab	1-Increase in eco testing requirement from 6 to more than 100. 2-Change in Testing methods at international level 3- matching of testing facilities with importing countries.	Enhancement of testing facilities	1- Establishment/Modernization of 4 Testing labs			1- <b>Recommended with 4 new labs with 100% subsidy if set up by institute like FDDI,CLRI</b> 2- <b>If established by others the same is recommended with subsidy of 50%</b>	<b>35.00</b>
C	Modernisation, Technology upgradation & expansion of Production capacities of the enterprises functioning in the leather sector	1- Technology up gradation, productivity enhancement, global competitiveness issues 2-Modernisation of machineries (Capital subsidy)	1- Modernization scheme 2- Plant ecology enhancement 3- Quality control & testing services 4- R& D testing, labs, design & product development 5- Technology upgradation 6- Product diversification	As per Previous scheme of IDLS implemented during 11th Plan	1-No of companies benefitted from the scheme 2- Utilization of the fund 3- Enhancement & product diversification of the production capacities	IDLS Scheme - 290 Crores during 11th Five Year Plan	1- <b>Recommended</b> 2- <b>Policy will be formulated to implement the scheme</b>	<b>750.00</b>
<b>PLAN OUTLAY (RS. IN CRORE)</b>								<b>1585.00</b>

## **SUB-GROUP ON SKILL DEVELOPMENT INITIATIVES**

The following are the composition of the members of Sub-Group on Skill Development Initiatives:

- 1) Shri Raajeev J. Lakhara, MD, FDDI (In Chair)
- 2) Shri Rajendra Kumar Jalan, Vice-Chairman, CLE
- 3) Shri Ali Ahmed Khan, ED, CLE
- 4) Shri Manu Tentiwal, ED, FDDI
- 5) Shri Sanjay Gupta, President, IFCOMA
- 6) Shri Y.V.R. Choudhary, Asst. Director (Technical), CFTI, Chennai.
- 7) Shri Sahu, CFTI, Agra
- 8) Shri B.N. Das, Scientist Incharge (SDDC), CLRI, Chennai.

The sub-group suggested the following interventions in the area of Human Resource Development, Technology & Skill Development Initiatives in the leather sector:

- Establishment of 3-4 new FDDIs under 12th Five Year Plan & by upgrading the existing infrastructure – To meet Human Resource requirement at middle & higher level.
- ‘Support to Artisans’ scheme – 360 degree intervention plan
- Placement linked Skill Development Program & Training of Trainers – For providing employment opportunity & to fill the demand of operators in the footwear sector & improving the quality of training.
- Development of National Design Studio – To design capability of the Indian Footwear industry.

## 4. Skill Development Initiatives

### 4.1 Introduction

The proposed guidelines are in tandem with the 'Report of The Sub-Committee on Skill Development, Affirmative Action And Corporate Social Responsibility' prepared by the Office of the Economic Adviser, DIPP. The proposed guidelines have been framed on the basis of the deliberations of the various meetings of "Working Group on Leather & Leather Products – Sub Group Meeting on 'Skill Development Initiatives'".

#### Overview

The Indian leather industry as a whole employs around 25 lakh persons. Skilled and semiskilled workers constitute nearly 50% of the total work force. Key production units are located in Tamil Nadu, West Bengal, Uttar Pradesh, Punjab, Karnataka, Andhra Pradesh, Haryana and Delhi. The industry uses primarily indigenous natural resources with little dependence on imported resources. Indian leather sector includes a complex grid of artisans, tiny, cottage, small and medium enterprises (MSME's).

The employment in the self-employed/unorganized sector comprising raw material collection, curing, trading, household footwear production units etc. is around 19 lakhs (76%). The remaining 6 lakhs (24%) are employed in the organized sector. Among the sub-segments, footwear and footwear components is the largest, providing employment opportunity to approximately 11 lakh people, mostly from the weaker sections of the society. Out of this, about 2 lakh are employed in the organised sector, comprising (30-40% women). Remaining 9 lakh people are engaged in the unorganised footwear sector such as rural artisans, cottage and household units etc. Leather garments and other goods (including gloves, saddles, harnesses, etc.) is another major sub segment employing approximately 3 lakh people and mostly in the organised sector. Tanning and finishing is the third major sub-segment employing approximately 1 lakh people currently.

The influx of trained manpower across all verticals is extremely important for the development of this sector. It is a fact that having a relatively well trained and educated work force is a critical element for the rapid export & domestic growth of this sector. In one of the recent studies carried out by the Office of the Economic Adviser to DIPP, it has been estimated that 4.6 million incremental human resource will be required till 2022 and the Leather & Leather Product sector has been identified as one of the ten most important sectors of the economy which need greater thrust and special emphasis in terms of skill development initiative.

The present global scenario and the target of doubling the export figures by 2013-14 needs more focused initiatives with widened scope and area of operations in the 12th Plan period. Focus should be on the creation of the training infrastructure for catering to the HR needs of the operators, supervisors and the managerial level and extension of high end support services across all functional areas to enhance the global competency of the sector. Special initiatives for operator level training needs to be launched to ensure adequate supply of trained manpower for carrying out shop floor level operations. Also, measures may be created for addressing the skill gaps in the upper level of the HR Verticals and other specialized services and bringing in more qualified professionals. Some of the proposed initiatives during the 12th plan are depicted below:



A multi-pronged strategy is proposed to be adopted by the Government of India in this regard by the following steps:

#### **4.1.1 To infuse skill sets into artisans' products and clusters through the 'Support to Artisans' scheme**

To support the ethnic clusters and footwear producers, the Support to Artisans programme was launched in the 11th Plan period with an aim of 360 degree intervention in the selected artisanal clusters. The interventions were planned in the areas of the SHG formation, establishment of common facility centers, process product & design development, Brand building, development of market linkages and micro finance activities. The various interventions initiated in the 11th plan period needs to be continued in the 12th plan also with emphasis on the infrastructure strengthening of the intervention for their long term sustainability, capacity building of the SHG's, micro finance activities and the skill development. The performance of project implementation will be measured by marketing linkages with big brands, no. of artisans trained, & no. of designs created & digitized.

#### **4.1.2 Development of employment opportunity for the unemployed youth to meet the growing demand of the sector through the Placement Linked Skill Development Program & Training of Trainers**

As per studies done by IMACs (ICRA Management Services) for the National Skill Development Corporation (NSDC) and growth projections of CLE long term forecast till 2022, it is expected that the leather industry would employ about 7.1 million persons by 2022 from the current level of about 2.5 million persons, i.e., an incremental human resource requirement of about 4.6 million persons (domestic and exports). During the 12th plan, this major initiative needs to be broadened and intensified at larger scale with a target of at least covering 1.50 Lakh unemployed youths with the minimum employment generation of 75% off the total trainees. The Operator training centres should be with a minimum capacity to train at least 1500 trainees per annum. Considering the increase in costs of training materials, tools etc., the current training cost is estimated to be Rs 21,000.00, including stipend @Rs. 3,500.00. Out of this, Rs16000.00 is proposed to be borne by the government and the industry can take care of the remaining.

**Training of Trainers scheme:** It is proposed that in the 12th plan, the cost component shall cover the training of the trainers in the national as well as the international institutes with financial support from the Government to the tune of 100% of the expenses (including tuition and other expenses like travelling, lodging, boarding of the trainees etc.). A maximum limit of Rs. 1.50 Lakh per person may be fixed for getting training in the national institutes like FDDI.

**Initiatives for the secondary training of workers** in the Eleventh Five year plan needs to continue in the 12th Plan with increased coverage and benefits to the participating industries.



The premier training institutions of the country should be encouraged to participate in the secondary level training of the existing workers in a major way.

The private industries should be encouraged to take part in these programmes in association with the training institutions, which will help in integrating the unorganized sector with the organized sector.

#### **4.1.3 To develop adequate training infrastructure to meet the growing demand in the organized sector**

The establishment will address the existing skill gaps in the upper level of the HR Verticals and other specialized services and bringing in more qualified professionals to make the industry competitive in the global arena. In view of the performance / contribution of the existing campuses of FDDI towards the growth and development of the sector and their self-sustainability, the establishment of three to four additional campuses of FDDI will be a measure initiative in this direction. In addition to this up gradation of infrastructure of existing FDDI.

#### **4.1.4 Development of National Design Studios**

To increase the competency and global performance of the Indian leather and leather product sector, there is critical need to enhance the capacity in the areas of design, forecasting, product innovations and development. Two national design studios, one in North India and the other in South India, are required to be established in national institutions having supporting infrastructure and facilities for the various R&D activities in the design and forecasting arena. These design studios will coordinate and guide design activities in the country and interact with private sector unit level design studios. The design studios would be basically supporting the manufacturing clusters through design consultancy, product development and range building services based on trend forecasting, design interpretations, etc.

### **SUGGESTED GUIDELINES FOR THE INDIVIDUAL SCHEMES**

#### **4.2 Placement Linked Skill Development Programme, Secondary Training & Training of Trainers (National / International)**

##### **Mission Objectives:**

- Imparting market based skills on shop floor operations to youth through a demand driven Skill-Development Program and make them employable in the leather industry and placing the successful trainees in leather units.
- Upgrading the skills of the existing workforce for improvement in productivity as well as quality.

- Up grading the skills of the workers in the unorganized sector, towards production of technically better products for their effective integration with the organized sector.
- Spreading and sustaining a technology culture in the Indian leather sector.
- Exposure to global best practices to select workers/ craftsmen for creating Ripple effect.

### Strategy

The scheme would leverage on the existing infrastructure, strengths of the various stakeholders such as technical institutions, NGOs, Private Sector and the Government, and stakes of potential employers. **However, main centres can have more sub-centres as per industry and cluster requirement.** In this effort, participation of all relevant stakeholders will be encouraged, under various forms of Public Private Partnerships.

### Scope

The Scheme would cover the full range of training programs to cover the kinds of training courses as described below:

- **PLSDP scheme-** It would cover the training of the persons not already employed in the sector at entry level in shop-floor operations. The emphasis would be on **placement linked training** where at least 75% of those trained would be placed in the industry.
- **Secondary Training** - It would cover skill upgradation training of those already involved in shop-floor operations in both organized and unorganized sector of the leather industry and would also include on-site training. It would target rural/urban operators/artisans depending upon their skill sets.
- **Foreign /Domestic training of Trainers** - In order to create and sustain a technology culture in Indian Leather sector and to enable industry to gain technology competence to enable them to compete in the global market, a component of foreign training for trainers is included. It would include upgrading the skills of trainers/experts of technical institutions and other professionals involved in the project. The idea is to expose those involved in training of workers to the best global practices and thereby disseminate the new technology to the industry in India.

#### 4.2.1 Training of Workers (PLSDP Programme) - Rs. 250.00 Crore

During the 12th plan, this major initiative needs to be broadened and intensified at larger scale with a target of at least covering **One Lakh Fifty Thousand unemployed youths** with the minimum employment generation of 75% off the total trainees. **To make the scheme more purposeful and intensified, the implementing agencies should establish operator training centres in the existing as well as the developing manufacturing clusters.**

Preference should be given to the reputed institutions/ organizations that have a track record of imparting training in the sector. The training centres, once established, should be in operation for at least for at least 3 to 5 years so that the benefit of such capital expenses can be fully derived towards skill upgradation of a large number of youth. The training centres should also work on a revenue generation model, so that by the end of the plan period they should be able to sustain themselves. During the 12th Plan period, the existing operator training centres should be upgraded for expansion of their training capacities. **The operator training centres should be with a minimum capacity to train at least 1500 trainees per annum.**

Capital expenditure may be allowed under the project to an extent of 30% of the total Government Grant for the project. Stipend to the extent of Rs3500 should be given to the trainees to cover their travelling and other expenses during the training period. Considering the increase in costs of training materials, tools & machines etc., the training cost would be around Rs 21,000.00, including the stipend to be given to the trainees. **As implemented in the 11th Plan period, the government share would cover 75% of the total project cost subject to a maximum of Rs. 16,000.00 per trainee including all expenses; which shall not be more than 75% of the total cost of the training per trainee.** The remaining expenses are to be borne by other stakeholders such as industry and industry association.

#### 4.2.1.1 Implementation Mechanism

##### 4.2.1.1.1 Identification of Implementing Agency

The scheme should be flexible enough to permit a variety of models that are best suited to the scope of the training program to be undertaken by different potential implementing agencies (IA). Agencies in the private or public sector, with the requisite capacity, performance track record, and adequate systems for accountability and transparency will be eligible to receive assistance from the government, for a well-structured project to train and place targeted youth in regular wage employment or train and assist youth in setting up sustainable self-employment. Illustratively, these agencies could be Govt. sponsored institutions, autonomous bodies, non-government organizations, voluntary organizations, state government agencies, ITI's, Polytechnic, trusts or other entities promoted by the corporate entities etc.

**The implementing agencies should preferably be the institutions of national repute having a track record of imparting training in the sector and a strong credentials in the Industry / Industry associations in terms of quality& standard delivery, assessment / review / placement mechanism so that the job providers will be keen to pay premium for trained & certified workers.**

#### **4.2.1.1.2 Identification of trades**

The scheme should address the human resource needs of the leather industry; the trades to be included would be those employed in the entire value chain from flaying to finished products, such as flaying, preservation, tanning, finishing, waste treatment, footwear (clicking, closing, lasting, etc.), footwear component, leather garments, leather goods and any other shop floor trade in the leather sector as seems suitable to the Steering Committee constituted in DIPP for the scheme.

#### **4.2.1.1.3 Identification/selection of trainees**

The task of identification/selection of trainees will be handled by the implementing agency with the help of the local administration. Selection process in the programme should be demand driven. Only those who seriously wish to acquire skill and get placement in the leather industry should be considered for selection. If required, aptitude test should be conducted for the selection process. While selecting the trainees, preference should be given to those trainees who belong to SC/ST, women categories, minorities and weaker section of the society.

#### **4.2.1.1.4 Minimum target of trainees**

The implementing agencies should create permanent infrastructure for training, where not already available. Scheme funds to the extent of 30% of the Government assistance may be used for this purpose. The implementing agency should conduct training for at least 3 years so that the benefit of such capital expenses can be fully derived towards skill up gradation of large number persons. For optimal capacity utilization, the training centers would have a minimum capacity for training about 1500 persons.

#### **4.2.1.1.5 Training Curriculum**

The curriculum of the training would be standardized and would be as per standard acceptable to the industry. Proficiency certificates should be given to successful trainees.

#### **4.2.1.1.6 Implementation**

Project proposal should be examined and appraised on the basis of the guidelines of the scheme. Thereafter, the proposal can be submitted for the approval of the Steering Committee. The Department would appoint an outside agency, i.e., National Monitoring Unit (NMU) for

#### **Key parameters of output linked financial assistance for skill development**

- Placement Linked- The program is placement linked and atleast 75% of the trainees have to become employed by industry. Pre-requisite of the program is the commitment of the industry to employ the trained persons. As total assistance per trainee shall be based on the proof of placement,the IA's should ensure the industry participation in selection, training and placement of trainees.
- Training Centres- In selecting and equipping the training centres, the Implementing Agencies must leverage and create infrastructure and facilities which will last for around three to five years.
- Machinery, Equipment,Furniture etc.- The IA should configure the appropriate equipment needs and provide them in the Training Centres, after assessing the needs of the Industry and the trends observed therein. Since the projects involve substantial capital expenditure, it should be operational for at least 3 - 5 years so that the benefit of such capital expenses can be fully derived towards skill up gradation of a large number of persons. Machines have to be purchased. Normally, no leasing of machine should be allowed.
- Content-The IA must develop content with inputs from the industry to meet the global best practices. Since the profile of the targeted persons is unlikely to have experience or orientation to the Industry environment, the content must include both core hard skills and soft skills components.
- Duration of Training- The Course duration could be determined depending upon the nature of the trade and should be of at least six week's duration depending upon the need of skill , it may also include 2 weeks training in the industry(on the job training).
- Proficiency Certificates- On completion of the training, the IA shall issue competency certificates to the trainees on the basis of a competency test administered as per standards developed by NMU acceptable to the industry or employer.
- Benefits to the Trainees- Relevant information in the form of booklet, use of machineries, facilities of training centre etc. shall be provided during the training program to the trainees. All training materials shall be provided free of cost. There shall be financial assistance made available to the trainees in the form of stipend @ Rs. 3500/. Besides this, as a part of motivational factor & encouraging participation, a tool kit specially designed for the trainees pertaining to their skill area should be given after the completion of the training program.

### **Stakeholder Responsibility**

- Industry – The objective of program is to provide skilled manpower to the leather sector, so that they can take advantage of growth opportunity in the economy. Hence the potential employers must demonstrate their stake in this project by sharing in the

project cost, offering commitment letters for employment, participating in content development, selection and evaluation of candidates and provision of continuous inputs to the IA.

- State Government – The State Government may provide support in the form of infrastructure such as building, matching financial support, etc. Industry may contribute for the same instead of the State Government
- Central Government – Central Government would provide financial support for facilitating the conduct of skill development programme, as per provisions of this scheme. Implementing Agency – The IA would be responsible for the entire process from planning, selection of candidates, content development, training and placement, resource mobilization and subsequent monitoring and evaluation and fulfilment of all criteria set by the guidelines of the scheme and the Department of Industrial Policy & Promotion.

### **Areas of application of Funds**

- Experts fees for group training
- Preparation/procurement of learning materials and tools
- Procurement & establishment of machines equipment, electrical appliances, IT, Furniture etc. and related expenses with maximum support from Govt. to the extent of 30% of the total approved government contribution.
- Learner Mobilization/ awareness/publicity
- Salary & Duty Travel expenses of trainers & staffs
- Mobile training cum production centres for application in rural areas
- On the job training for workers in factories
- Institutional fee for preparation of learning and outreach materials for self-instruction
- Carrying out Impact Assessment of the training conducted under the scheme.
- Selection placement evaluation and certification of trainees related expenses.
- Repair & Maintenance of office, machines, building and establishment related expenses.
- Rentals of building, some specific heavy cost machines, electricity, telephone & internet
- Implementation and monitoring charges limited to 3 %.

### **Procedure for Release of Funds**

Funds will be released by the Ministry to the Implementing Agency on the basis of approved cost. The responsibility for rendering of utilization of funds details and certificate etc as per General Financial Rules (as amended time to time) shall rest with the IA.

Central Government's share of the approved project cost would be released in instalments. The first instalment would be released as advance in order to start the project and to meet capital

expenditure to the extent of 30% of the total cost. 10 % of the total cost may be released to the IA as start-up expenses. The balance instalments of 60 % would be released on reimbursement basis of the progress of the project, i.e. the training conducted and placement secured for the trainees. The effort of the Government would be to shift slowly to funding on reimbursement basis based on the outcome of the project.

Implementing Agencies would submit quarterly progress report in the prescribed format and will also post on the website.

### Criteria for screening proposals

- Number and nature of trainees proposed to be benefited
- Level of counterpart support
- Revenue generation model proposed
- Credibility of Implementing Agency Based on past record and credentials in the Industry
- Linkages with training bodies/experts, if any
- Existing physical and intellectual infrastructure for HRD activities
- Management systems planned for project implementation
- Strength of the proposal in terms of cost effectiveness, capability of securingsponsorship support from user industries, Sponsorship from State Governments and local bodies, quality of trainers identified, types of technologies and skill sets planned to be imparted/upgraded, catchment region, sustainability after HRD mission period, etc.
- No. of persons guaranteed employment based on commitment letters from industrial houses in case of placement link training programme
- Expected productivity increases, if any
- Cost-benefit analysis

### PROPOSED PROJECT COST SHEET FOR THE PSLDP SCHEME

S.NO.	HEAD	COST / TRAINEE	PERCENTAGE OF COST (%)
1.	CAPITAL COST - PLANT, MACHINERY & TOOLS, FURNITURE & FIXTURE GENERAL UTILITY PLANT, SUBSTATION, TRAINING AIDS CONSTRUCTION OF TRAINING HALL, Any other construction for training programme, PROCUREMENT & INSTALLATION, SPARE PARTS COST	6456.00	31
2.	<b>TRAINING EXPENSES PLACEMENT INCLUDING OTHER RECURRING COSTS</b> - IDENTIFICATION OF TRAINING CENTER, TRAINING OF TRAINERS, SALARY EXP., CURRICULUM & TRAINING HANDOUT DEVELOPMENT, ASSESSMENT & CERTIFICATION, TRAINEES MOBILIZATION & PLACEMENT, MAINTENANCE & ELECTRICITY,FUEL, WATER & OTHER UTILITY CHARGES, REFRESHMENTS TO THE TRAINEES, STATIONARY & POSTAGE ETC, TRANSPORT, MISC. & CONTINGENCY	6457.00	31
3.	<b>TRAINING MATERIAL, TOOL KIT &amp; STIPEND TO THE TRAINEES</b>	7430.00	35



	<b>TOTAL COST</b>	<b>20343.00</b>	<b>97</b>
<b>4.</b>	<b>MONITORING &amp; IMPLEMENTATION (3% TO THE TOTAL COST)</b>	<b>619.00</b>	<b>3</b>
<b>5</b>	<b>TOTAL COST PER PERSON</b>	<b>20962.00</b>	<b>100</b>

**Recommendation: Plan outlay of Rs. 250Crores.**

#### **4.2.2 Secondary Training (Existing organized & unorganized workers) – Rs. 50.00 Crore**

The workers in the unorganized sectors should also be targeted in a major way in the 12th Plan. The delivery of the training should be aimed at enhancing the existing skill sets of the unorganized sector operators towards the production of the better consumer products for the end consumers. The industries should be encouraged to take part in these programmes in association with the training institutions, which will help in integrating the unorganized sector with the organized sector.

##### **Targeted Beneficiaries:**

- Existing employees (Operators & Supervisors) engaged in the organized sector.
- Workers/artisans of the unorganized sector including artisans

##### **Funding Pattern:**

The interventions of the secondary level training program will be executed in a PPP model, with the Government of India contributing Rs. 4,000.00 per trainee or 75% of the per trainee cost; whichever is less. The remaining expenses will be taken care by the concerned industry.

##### **Proposed coverage:**

It is proposed that the secondary level training would cover around 1.00 Lakh existing workers.

##### **Implementing agencies:**

- Reputed national level technical institutions
- Private industry players in association with the institutions
- NGO's with proven track record of delivery of training
- Industry bodies representing the leather sector.

**Recommendation: Plan outlay of Rs. 50 crore.**

#### **4.2.3 Training of Trainers (National/International) – Rs 10 Crore not exceeding Rs. 1.5 Lakh for National Training and Rs. 3.00 Lakh for International Training**

Support in the form of financial assistance to the tune of 100% of the expenses (including tuition and other expenses like traveling, lodging, boarding of the trainees etc.) to the



maximum limit of Rs. 1.5 Lakh per person or the actual cost, whichever is less, may be provided by the Government in providing for getting training in the national institutes like FDDI, CLRI, NID, NIFT etc. In case of training in the international institutions/organizations, the assistance should be in the form of 100% of the tuition fees and 50% of the other expenses (traveling, lodging, boarding of the trainees etc.), subject to maximum limit of Rs. 3.00 Lakh per person or the actual cost, whichever is less. The beneficiaries under the international training programme would have to contribute their expertise for at least one year in one of the training centres or institutions in India from where he was sent for the training. The training would be provided to the trainers by clubbing all the trainers in one or two umbrellas to keep the expenditure within budget and simultaneously to provide the good quality training to the trainers.

**Recommendation: Plan outlay of Rs. 10crore.**

### **4.3 Proposed Guidelines for sub-scheme ‘Support to Artisan’**

#### **4.3.1 Background**

The programme lays emphasis on the capacity building of the SHG’s, micro finance activities and the skill development for the better positioning of the ethnic products to ensure better return to the artisans and provide support to maintain and improve its competitive advantage and work on constrains to achieve quantum growth.

#### **4.3.2 Objective of the Scheme**

- a. Provide livelihood support to the artisan involved in traditional artisan activity;
- b. Transfer of technology to artisan / micro and small scale enterprises;
- c. Increase the income of such artisans by adopting improved work practices;
- d. Introducing design development and product diversification to make their products more competitive qualitatively & cost-wise in the domestic & international market;
- e. Capacity building and training of such artisans to help them keep pace with the changing fashion trend and latest technology;
- f. Providing Marketing support to these artisans;
- g. Encouraging formation of Self Help Groups (SHGs);
- h. Creating awareness in artisan about micro-finance system, savings schemes, credit facilities from banking institutions etc.

#### **4.3.3 Implementation Strategy**

The strategy for implementation of the scheme ‘Support to Artisan’ is to create a success story of joint action, provide appropriate technology and exposure and thereby diversify artisanal

products into high value products and clientele and encourage consortia formation for capturing the new marketing channels.

#### **Pattern of Assistance:**

Assistance would be provided in the form of grants-in-aid to registered NGOs/Societies/Associations or institutions already working for the upliftment of Artisans and willing to take up projects on the above lines in different leather clusters. The project would be for a period co-terminus with the 12<sup>th</sup> Five Year Plan Period. The projects undergoing in the 11<sup>th</sup> FYP needs to be assessed and be continued for long term sustainability of the clusters.

#### **4.3.4 Areas of Investments for Support to Artisan Funds**

- 1) Product, process and design development;
- 2) Capacity building and training;
- 3) Infrastructure strengthening in the target clusters and existing clusters;
- 4) Establishing Common Facility Centre;
- 5) Provide Raw Material and similar miscellaneous;
- 6) Marketing Support;
- 7) Opening Retail outlet to market products of Artisans;
- 8) Micro-finance;
- 9) Implementation/Administrative expenses limited to 3% of the project cost.

#### **4.3.5 Criteria for Selection**

- 1) Number of artisan beneficiary in a project;
- 2) Number of artisans beneficiary belonging to the weaker section of the society;
- 3) Credibility of implementing agency based on past record;
- 4) Design Development capabilities of the implementing agency;
- 5) Training capability of the implementing agency
- 6) Strength of the Marketing strategy of the implementing agency;
- 7) Types of technologies and skill sets planned to be upgraded;
- 8) Strength of the proposal
- 9) Amount of Local support enjoyed by the implementing agency
- 10) Quality of designers/trainers involved in the project
- 11) Expected productivity increase, if any
- 12) Expected income increase of the artisans
- 13) Cost-benefit analysis.

#### **4.3.6 Implementation of the Scheme**

The proposal for a particular cluster would be decided by the Steering Committee under the chairmanship of Joint Secretary (Leather). After the appraisal of the DPR and approval of the project, fund would be released to the Implementing Agency as per the funding pattern. Department would review the progress of the projects with all the implementing agencies. The Department would do the impact assessment study of the project from time to time.

#### **4.3.7 Assessment and Evaluation of the Projects**

The proposal would be examined and appraised on the basis of the guidelines of the scheme. Thereafter, the proposal would be submitted for the approval of the Steering Committee. The money would then be released to the concerned implementing agency by the Department.

An National Monitoring Unit (NMU) will be appointed to assess and monitor scheme implementation.

#### **4.3.8 Consolidated Results**

Results that are visualized through the successful implementation of the scheme ‘Support to Artisan’ at the firm level and also at the cluster level are as follows:

##### **Firm Level:**

1. Improvement in the work practice.
2. Improvement in the quality of design & pattern cutting.
3. Knowledge enhancement about newer methods.
4. Trouble shooting in the manufacturing processes of the artisan.
5. Improvement in the quality of the product.

##### **Cluster Level:**

1. Development of cooperative spirit among the members of the cluster;
2. Use of standard raw materials for making standardized product;
3. A stronger, more representative and proactive association;
4. Technological advancement in the cluster.

**Recommendation: Plan outlay of Rs 75 crores.**

## **4.4 Establishment of new Institutions&upgradation of FDDI, Chhindwara**

### **4.4.1 Background**

The 89th report on the Development of the Leather Industry by the Parliamentary Standing Committee mentions that the Government should take various measures to increase the number of the Training centres for the artisans, establishing workshops at the centres of footwear, etc.

Further, the committee has observed that the Government should seriously consider establishing leather trade/exhibition centres at suitable locations where leather product can be exhibited. Such trade centres should be equipped with latest equipment and technologies, with E-commerce facilities, to boost this trade in India, as well as abroad. The committee impressed upon the department to look at the possibility of opening more such centres at the other places in the country, in proximity to the other natural clusters, so that the artisans are able to avail the benefits of the latest know-how in this sector. Such a move would lead to inclusive and integrated growth of the leather industry as a whole. The committee has observed that the department should also take appropriate steps to upgrade training facilities to cater to the demand of the industry, which is facing an acute shortage of skilled and semi-skilled manpower.

National Manufacturing Competitive Council (NMCC), in its report on the Indian leather and footwear industry dated 10th September 2009, has also emphasised the need for increasing the capacity of training institute and enable training by organization.

ICRA Management and Consultancy Services has conducted a study for human resource development for footwear and leather products and has recommended setting up of specialized training institutes in the areas having high concentration of leather work.

### **Analysis of Human Resource**

As per studies done by ICRA Management and Consultancy Services Limited (IMaCS) and growth projections of CLE long term forecast till 2022, it is expected that the leather industry would employ about 7.1 million persons by 2022 from the current level of about 2.5 million persons, i.e., an incremental human resource requirement of about 4.6 million persons (domestic and exports). The employment in different segments of the leather industry is shown below:

### Human Resource requirement in the leather industry between 2008 and 2022 (in '000s)

	2008	2012	2018	2022	Incremental
<b>Flaying and curing</b>	1,000	1,302	2,122	2,856	1,856
<b>Tanning and furnishing</b>	100	142	212	286	186
<b>Footwear and footwear components</b>	1,100	1,698	2,334	3,141	2,041
<b>Leather garments and goods</b>	300	503	637	857	557
<b>Total</b>	2,500	3,645	5,305	7,139	4,639

Source: IMaCS analysis

As per the analysis, it is clear that the leather industry will require around 7.1 Million (with a requirement of around 3 Million workforce for the footwear sector alone) trained manpower across all the levels of production and management. This influx of trained manpower at the supervisor and lower management level will be highly beneficial for the development of the leather goods industry in India particularly in the leather goods industry. It is a fact that having a relatively well trained and educated work force is a critical element in the rapid export growth of this.

An analysis of the current scenario in respect of human resources reflects the inadequate capacity to deliver such a large volume. There are roughly 40 educational institutes offering courses meant for leather Industry but a majority of them offer courses only for Leather technology. **Only a handful of institutes have courses meant for Footwear and Leather Goods Industry. The leading institutes are FDDI, CLRI, etc. Many of these institutes have not upgraded their facilities over the last several years and continue to remain substandard. The leather sector's current targeted growth is for Rs 60,000 crore against current turnover of Rs 25000 crore.**

Established institutions are either involved in pure training activity or they are serving as natural extension service to the industry. Focused attention therefore is needed to support the industry.

Considering the status of the units in various states, it is proposed to establish full-fledged campuses of FDDI consisting of state-of-art workshops, product development, design centre and other facilities to make the institute of international standards in its core area. It is expected that the footwear industry will require minimum 1 lac to 2 lacs qualified professionals in production, management, designing, retailing and merchandising in next 2 to 3 years. But the potential of industry cannot be fully utilized unless requisite infrastructure is created for training of manpower at all level.

FDDI is the only institute which is catering to the need of highly specialized professional at the level of technologists, designers, merchandisers and management of footwear industry and leather products industry in India.

In order to establish institutes of international standard, it is proposed to establish world class training workshops and facilities like clicking, closing, lasting, components workshops, visual merchandising lab, testing lab and product development and design centre and CAD/CAM centre etc in the proposed institutes. Apart from the training workshops and labs, the establishment of information technology services centre including computer centre, library and resource centre with wireless connectivity is also necessary considering the nature and demand of the courses planned in the institute. It is also emphasized that to attract bright students and faculties, hostel and staff quarter facility is necessary to be provided within the campus. Accordingly, it has been proposed to setup fully integrated campuses in the left out states where large number of human resources are available. The approximate cost of the campus of FDDI is estimated to be in the range of Rs140.00 crore except in case of Himalayan States/North East where the estimated cost is Rs 150.00 Crore.

It can be noted that the technical institutions are normally situated in the area where cluster of manufacturing leather product are available. However, there has been less number of newer cluster developments particularly for leather and leather products. In order to increase the market penetration and long term competitive advantage of the nation it is important that we should focus on development of new institutions which may continuously provide more trained manpower and therefore can lead to the development of leather sector. This requires a study of the manpower availability in different parts of the country.

#### **4.4.2 Leather Products Industry in Andhra Pradesh**

The State is a major producer of hides and skins in India, contributing about 19 million pieces per annum, which constitutes about 10 per cent of the country's raw material. Most of this raw material goes to States like Tamil Nadu and West Bengal for processing. The major clusters are Hyderabad, Bhimavaram, Cuddapah, Eluru, Karim Nagar etc. The State is having about 450 slaughter houses. There are about 34 large and medium tanneries in the State producing about 40 million square feet of processed hides and skins per annum. Hyderabad and Nellore are the key leather production clusters in Andhra Pradesh.

#### **4.4.3 Leather Industry of Odisha**

Odisha's position in industrial growth is not very remarkable and leather and footwear units have not developed substantially. There are no large and medium industries available in this sector. The major clusters are, Bhubhneswar, Behrampur, Cuttuck, Jatni, etc.

Footwear industries are concentrated in cottage and small scale sector in this State. In the case of footwear component industry, there is no unit established in the State.

#### **4.4.4 Leather Industry of Punjab**

Leather craft, especially the 'Jootis' or soft leather shoes, is a unique product from Punjab. These light slip-ons used to be embroidered in gold and silver thread, but are now embellished with coloured threads. Punjabi Jootis are being produced all over Punjab by artisans. Punjabi Jootis are being produced all over the State by artisans. The major clusters are Patilala, Bhatinda, Muktsar, Malot, Abohar, Fazilka, Firozpur, Kotakpura, Gurdaspur & Amritsar. Products of each cluster have different characteristics in terms of shape, pattern, design and colour. There are about 4,000 artisan families engaged in manufacturing of ethnic footwear.

Jalandhar is the major leather cluster in Punjab, with tanning as well as leather garment and goods manufacturing as the major production activities.

#### **4.4.5 Leather Industry in Bihar**

Bihar State has good quality and large quantity of cattle hides and goat skins and sufficient human resource.. Bihar accounts for third rank in the country next only to West Bengal and Rajasthan. Hence, leather based industry is an important sector which has a great potential in the State.

As per the survey conducted by CLRI, Bihar State produces annually 2.64 million bovine hides and 5.09 million ovine skins. More than the number, Bihar State is known for the best quality goat skins, cow hides and buff calf skins. Patna, Muzaffarpur, Bettiah, Aurangabad, Munger, Purnia and Katihar are the main regions of leather related activities in Bihar.

The leather tanning industry in Bihar consists of three important segments (i) units established under Bihar Leather Development Corporation (BLDC) and its sister concern viz. Bihar Finished Leather Ltd. (ii) a few private tanneries working at Muzaffarpur and (iii) BATA tannery at Mokhamaghat.

Leather Technology department of Muzaffarpur Institute of Technology (MIT) was started in 1986 (recognized by Govt of Bihar) which is imparting 4 & ½ years degree course, with four year academic programme and 6 months practical training. 15 students are taken per batch. At present, a 6-member faculty is engaged for running this course. The students turned out of this College are getting ready employment outside the State since the Leather Industry is dwindling in the State due to lack of support.

There is a need to provide support to leather industry of Bihar by the form of formation and promotion of Self Help Groups of abundant traditional artisans, providing training and courses to the existing huge man power and providing infrastructure support.

#### 4.4.6 Leather Products Industry in Himachal Pradesh & Uttaranchal

The leather industry in Himachal is located in Baddi, an industrial area which is upcoming mainly because of tax sops and single window clearance given by the State government for investments. Roughly 33 footwear units have registered themselves with the State's Department of Industries to set up production units in this region. A few of these units have already set up production lines for the manufacture of footwear. Indian leather finishing chemical makers, C&E have constructed a new plant to produce PU binders for the leather industry within their leather chemical finishing factory at Baddi, Himachal Pradesh in March 2011. However a key issue facing the industry in this cluster is the lack of skilled manpower. An employment related rule in the State stipulates that 70% of the employment in any production unit (regular/contractual/sub-contractual/daily) is reserved for the local population. As a result of this, the industry has limited scope to hire trained migrant workers. Lack of skilled manpower to work as Operators in a production unit is a major issue in this cluster.

Recently, the State of Himachal Pradesh has started developing as key cluster for the growth of the footwear & leather products. ADIDAS is also developing its manufacturing facility at Solan district, known as the "Gateway of Himachal Pradesh".

#### 4.4.7 Leather Industry in Uttaranchal

Uttaranchal offers a wide range of benefits in terms of tax exemptions, interest incentives, financial assistance, subsidies and concessions as a result of which leading companies of footwear manufacturing have established their units in the State such as Zara Footwear, Metro Shoes, Liberty Shoes Ltd., Prachi Leathers Pvt. Ltd, Neeraj Shoe Industries etc. The State has transformed into a hub of industrial activity.

#### 4.4.8 Leather Industry in Gujarat

The State of Gujarat is having shoe artisans in the **Saurashtra** region (also known as **Kathiawad** region due to the presence of kathi people). No special product is being made in the whole Saurashtra except the traditional farmer's shoe called Bharwadi Deshi Joda, which is made only **in vegetable** leather.

The districts are producing nothing special except local shoes like simple Derby, Oxford, Mozadi and casual designs. Chappal & sandals are being made for ladies and gents. Out of the total



shoes made in the region, 75% are open shoes. Apart from that, a number of Leather Processing Units are functioning there in the region, as co-operative societies, supported by (DIC) District Industry Centre. These Tanneries are mostly producing Vegetable Tanned Leather.

#### **4.4.9 Leather Industry in Maharashtra**

The leather industry in Western India is primarily located in the State of Maharashtra. Leather clusters at Andheri (East) in Mumbai, Kolhapur and Bhiwandi are mainly engaged in the production of leather shoe, sandals and leather goods. Maharashtra accounts for 32% of the country's production capacity of leather sandals and 15% of leather goods.

Production in these clusters is highly seasonal with lean season in the period June to August, a result of the monsoons. Currently there are no formal courses that train people for jobs in the footwear industry. Design is another weak area in this cluster. Design in particular is a weak area in this cluster, whereas it is extremely critical given the kind of shoes that are manufactured here, especially for the exports market. A special focus on introducing a Design course is needed, with emphasis on CAD. A few units that have invested in CAD software in this cluster do not find people to use the same.

#### **4.4.10 Leather Industry in Karnataka**

Bangalore is an important cluster for leather garments (contributing 15% of India's capacity), with some small units engaged in production of shoe uppers. In 2008-09, the cluster exported Rs 269.1 crore worth of leather and leather products. Leather garments accounted for the largest share (51%), followed by leather footwear. Industry's major concerns here are shortage of skilled manpower (mainly in leather cutting) and raw material availability.

#### **4.4.11 Leather Industry in Goa**

Madagao, Mapusa, Panaji, Zuari and Ponda are the important places for slaughter of animals in Goa. Madagao, a commercial city, which is 15 kms away from the capital city of Panaji is the only place for raw hides and skins business. The Mandi is near Gandhi market. All the raw hides and skins move from Goa to Tamil Nadu by road.

### **4.5 Proposed Establishment Plan of FDDI Branch (per Center)**

The proposed institutes will have a capacity of training 800-1000 students (full operational capacity) in various disciplines of Footwear Design, Manufacturing technology and Retail Management & Merchandising.

The proposed branch of FDDI is required to be established with following objectives –

- HRD – to establish the training facility for fulfilling the current and future expansion human resource need of the industry at all levels i.e. managers, retail, merchandising including supervisory level
- To extend consultancy services to the Industry
- To build up the competence of the Indian Footwear & leather Product sector
- To promote footwear and retail manpower management
- To create more employment opportunities for the country.
- To provide assistance for the SME & SSI sector in the area of CFC.

The centres are planned to have full-fledged state of art training infrastructure along with support facilities for ensuring international standards of training & services for the promotion and growth of the industry. The establishment plan will broadly incorporate the following activities

- Construction of Administration block (includes administration, Accounts, Training Cell, placement and corporate Cell, store, electrical service center, security etc.)
- Construction of hostel, sports and recreation facilities.
- Construction of staff quarters and guest house.
- Construction of auditorium/convention hall.
- Establishment and augmentation of training center

#### **CENTRES OF EXCELLENCE**

- 1) Centre for Footwear Design and Technology.
- 2) Centre for Leather Goods and Accessories Design.
- 3) Centre for Retail Management and Merchandising.

#### **4.5.1 Proposed Academic Programmes**

In order to meet the requirement of trained professionals, various long term and short term courses are planned in the centres.

#### **4.5.2 Creation of Physical Infrastructure**

##### **4.5.2.1 Class Rooms, Workshops, Offices, etc.**

The institute will conduct a number of academic programmes and provide technical services to the industry for which it is required to construct building for classrooms, workshops, office, store, electrical service station, auditorium cum convention hall, computer centre, library etc.

#### **4.5.2.2 Hostels and Staff Quarters**

The institute needs to have necessary infrastructure to accommodate students, faculties and the visiting consultants, and faculty etc. in the campus with the minimum capacity of accommodating 500 students at a time (300 boys and 200 girls). It is also desirable to have full-fledged staff colony inside the campus to accommodate faculty and staff working in the institute. Further a small guest house shall also be constructed to accommodate visiting consultants/ faculties and Industrial experts in the campus.

#### **4.5.2.3 Establishment of Training Infrastructure**

Various long term and short term industry specific academic programmes, with an objective of filling the gap of trained manpower at various levels in the Industry, are planned in the following areas:

- A. Academic programmes in the area of Footwear Technology & Management
- B. Academic programmes in the area of Leather Goods & Accessories
- C. Academic Programmes in the area of Retail Management

The total strength of students is proposed to be 800-1000, once the institute is fully operational.

#### **4.5.2.4 Centre for Footwear Design & Technology**

Different operational areas involved in teaching footwear design & technology are broadly classified as under:

##### **4.5.2.4.1 Product Development & Design Centre**

State of art Design & Product development Centre is planned to be established having the following infrastructure,

- A. Design Workshop - Design workshop equipped with relevant Photographic & Digitizing Equipment, software and Documentation Machines including the separate built up space for Studio to accommodate the prevailing level of activities/consultants along with requisite Furniture and Fixtures.
- B. Class Rooms: To impart practical training there is a need of Design Class rooms equipped with adequate designing tools, projection system, design boards and suitable furniture.

#### **4.5.2.4.2 PILOT PLANT (Consisting Of Cutting, Closing, Components, Non-Leather & Sports Shoe Technology, Lasting & Finishing Workshops)**

##### **Facilities for Training Non-Leather and Sports Shoe Technology**

This centre would meet the manpower requirement of non-leather industry which is looking forward for professionally trained manpower.

##### **Testing Lab**

To ensure quality at the material selection stage and to train the students regarding the quality, checking raw material and final product, it is necessary to equip the institute with a small testing lab having important testing machines like Bally flexometer, tensile tester etc.

#### **4.5.2.5 Centre for Leather Goods & Accessory Design**

As per the proposed program, there will be approximately 100 to 150 strength of students in this area of specialization.

#### **4.5.2.6 Centre for Retail Management & Fashion Merchandising**

The objective of the Centre for Retail Management will be to equip the students with modern day state of the art retail practices. The centre needs to be equipped with infrastructure having modern training aids and multimedia equipment.

##### **VISUAL MERCHANDISING LAB**

It's an experimental approach of teaching visual merchandising, which is the art of merchandise presentation in a particular retail store. The experimental approach allows students to adopt principles and concepts taught in lecture to a real world setting while providing an excellent environment for outcomes assessment of learning.

##### **TRAINING AIDS**

To keep pace with the fast changing technology and the effective delivery of the same to the students there is a need of creating the classrooms equipped with modern amenities like LCD, Interactive board etc.

#### **4.5.2.7 Establishment of Information Technology and Service Centre**

It is proposed to establish IT infrastructure & facilities to make its Human Resources Management programmes of international standard by providing its students an environment and facilities of international standard.

#### 4.5.2.7.1 Establishment of Computer Centre

Over and above the centre will also cater the needs of the CAD and Design Centre that is ready for conducting specialized 2D and 3D software system based design and development programs that require high-end computer systems.

To keep pace with the international standards and for the smooth functioning of IT services throughout the institute, it is suggested to establish following infrastructure:

- To build a Computer Centre.
- A file server for data management and storage units
- The Computer Lab will be equipped with the most modern digital equipment like different scanners, colour laser printers, various media writers and other digital equipment

#### 4.5.2.7.2 Establishment of Internet Enabled Wireless Network

Technologies such as the Internet, campus intranets, e-mail, and databases link individuals to their studies, research, work, must be accessible on-or off-campus.

#### 4.5.2.7.3 Library

It is proposed that the library shall have seating capacity of minimum 100 students and also advanced library system. Library will require:

- Library Hall with a seating capacity of minimum 100 students
- Subscription of reports and journals
- Books on managements
- Design books & fashion forecast magazines
- Online subscription of reports and journals
- Security Management System

### 4.6 Cost of Project (per Centre)

The estimated cost for the establishment of the above said institute of FDDI per centre is estimated as Rs. 140.00 crore except in case of Himalayan States/North East where the estimated cost would be around 150.00 Crore.

Cost of Project			
S. No	Particulars	Approx Built up Area (in Sq mtr)	Cost (Rs. In Lacs)
A	<b>Land Development and Landscaping</b>		
	The plot is to be developed and landscaped along with the roads,		500.00
			<b>500.00</b>

	street lighting, tree plantation, horticulture etc for approx. 15 acre			
<b>B</b>	<b>Building</b>			
I	<b>Administrative Block</b> Administrative staff, accounts and finance, training & examination cell, corporate placement, business development & customer relations including stores, maintenance, Water treatment plant, electrical sub- station room etc.	1500	600.00	<b>600.00</b>
II	<b>Workshop and other training facilities</b>			
1	<b>Center for Footwear Design and Technology</b>			<b>1229.00</b>
a	Pilot Plant (Cutting, Closing, Component, Lasting, Non-leather & sport shoe technology center, LAB, store including Furniture and fixtures etc.)	2000	674.00	
b	Class rooms, lecture Theatre, Faculty rooms , Lecture Hall faculty rooms, furniture & fixtures, workstations etc]	1500	405.00	
c	Design and Development center (CAD-CAM studio, sample room etc)	500	150.00	
2	<b>Center for Leather Goods and Accessories Design</b>			
1	Class rooms, Faculty rooms, workshop, design studio, faculty rooms, furniture & fixtures, workstations etc]	1500	450.00	<b>450.00</b>
2	<b>Center for Retail and Merchandising</b>			
	Class rooms, Faculty rooms, Visual merchandising lab, conference room, furniture & fixtures, workstations etc]	1200	360.00	<b>360.00</b>
III	<b>Auditorium/Convention Hall</b> with 300 seating capacity [Auditorium with multipurpose facilities, furnishing, acoustics, air-conditioning , audio systems, stage, lighting etc]	1500	531.00	<b>531.00</b>
IV	<b>Sports cum recreation facilities</b>		100.00	<b>100.00</b>
V	<b>Hostel Capacity 500 students</b>			<b>2258.00</b>
1	<b>Boys Hostel</b> {capacity 300 students including mess, air cooling of mess, kitchen equipments, water coolers, furniture & fixtures, table , chair, bed and room furniture]	5000	1308.00	
2	<b>Girls Hostel</b> {capacity 200 students including mess, air cooling of mess, kitchen equipments, water coolers, furniture & fixtures, table , chair, bed and room furniture]	3000	950.00	
VI	<b>Staff Quarters</b>			<b>2300.00</b>
1	2 bed room flats, 1 bed room flats, Director's house, Guest house with basic fixtures including electrical fans, lights, almirahs etc	8400	2300.00	
VII	<b>Information Technology Service Center</b>			<b>700.00</b>
1	<b>Computer Center &amp; Internet services</b> ( Construction of computer center, installation of hi-tech computer center including installation of computer systems, servers, workstations, storage, scanners, color and mono laser printers, OS, software, setting up of localized WI-FI network etc)	500	500.00	
2	<b>Library Center</b> (construction of library center- books, periodicals, journals, catalogues for library, Employees resource management system, including furniture and fixtures, racks, almirahs and storage system for the library)	250	200.00	
C	<b>Machineries and Equipments</b>			
1	Cutting Deptt, closing Deptt, component Deptt, lasting Deptt, finishing		2500.00	<b>2500.00</b>

	deppt, testing lab. , Design deptt, leather goods and accessories Design deptt. and display center , Polymer & rubber rooms machineries etc			
<b>D</b>	<b>Utility plants ((Diesel generator, transformer, electrical substation, HT &amp;LT panels, electrical poles, cables &amp; wires &amp; other expenses relating to electric connections) , Air conditioning and air cooling of the labs, class rooms, Computer center, Library and lecture theatres etc.</b>		680.00	<b>680.00</b>
<b>E</b>	<b>Consultancy and implementation cost</b>		300.00	<b>300.00</b>
<b>F</b>	<b>Training materials(Leather, shoe last and other materials) &amp;Training aids and tools</b>		300.00	<b>300.00</b>
<b>G</b>	<b>Publicity &amp; Advertisement</b>		450.00	<b>450.00</b>
<b>H</b>	<b>Miscellaneous Expenses &amp; preliminary, pre commencement &amp; establishment charge</b>		350.00	<b>350.00</b>
<b>I</b>	<b>Collaboration with Institutions &amp; various accreditation</b>		100.00	<b>100.00</b>
	<b>Total Project Cost</b>			<b>13708.00</b>

**Note: The cost of project (component wise) given above are preliminary estimates based on the current schedule rates, market rates and consultants inputs. The estimates may however vary at the time of actual execution of various components.**

#### **4.7 Sustainability of the Project**

Apart from providing Technical and managerial support, the infrastructure support can also be provided to local Industries by the Institute which will be a great help especially for the small and medium enterprises in terms of achieving quality standardization and enhancement of productivity. Keeping the above facts in mind, the following major activities are proposed at the Institute, which besides meeting the major objectives of the Institute will also ensure its self-sustainability:

- 1) Training**
- 2) Testing & Design Services**
- 3) Consultancy & export Inspection**
- 4) On-site Training Programmes**

Exploratory survey suggest that it may not be feasible to establish technical institutes such as FDDIs through the PPP model. The Indian leather and the footwear industry is presently at a nascent stage, so at least for the coming five years the industry may not be a position to contribute in the establishment of FDDI.

After discussions with various organizations, ministry, industry it is felt that government should establish these institutes for the 12th Five Year Plan. Six FDDI centres have been established during the last 5-6 years.

Hence it seems appropriate looking at the acute shortage that the establishment of FDDI should be done by the Institute itself from the one time capital expenditure grant from the government. However, the recurring expenditure will be borne by FDDI.

FDDIs may be established in States like Bihar, Andhra Pradesh, Himachal Pradesh, Punjab, etc.

**Recommendation: Plan outlay of Rs. 500 Crores.**

#### **4.8 Establishment of two National Design Studios, in North India and in South India**

##### **4.8.1 Need & Justification**

The footwear industry is fashion oriented and is dictated by seasonal changes in fashion and design. Therefore, design and product development has to be anticipatory, quick and supported by inputs from the export markets. Accurate design development has been one of the major limitations of the Indian footwear industry for long. This is a costly affair involving the visits of foreign designers, development of new designs on latest lasts, re-sourcing of appropriate raw materials and components based on proper market intelligence.

As the cost of developing the new products rise, an institutional approach appears more appealing.

Suitability of Location: The Design Studio in North India can be set up in a centrally located place in this case at FDDI Rohtak/Noida while the Design Studio in South India can be set up in Tamil Nadu, perhaps in CLRI campus. The studios will guide and coordinate the activities of private sector unit based design studios in the country.

##### **4.8.2 Outputs of National Design Studios**

The above stated objectives have been structured under the following categories. Specific interventions against each category have been chalked out along with relevant detailing:

- Fashion & Trend Forecasting
- Last Modeling
- Design & Sample Development
- Design Consultancy
- Dissemination of Design to the industry
- Resource Center & Material Bank

##### **a. Fashion & Trend Forecasting**



- Forecasting fashion trends to assist industry in Footwear Product Range building and heightened awareness of international trends and lifestyles among Indian consumers.
- Creating information base in the area of international trend forecasting.
- This publication will provide directions on color, shade, textures and shapes related to ladies footwear & leather accessories.
- Publication of periodic dossiers/magazines to update the industry members on current and anticipated future trends of the fashion.
- Inviting international experts and tie ups with International forecasting agencies/fashion institutes for integration of design intelligence.
- Participation in international/national trade fairs to collect these information.

**b. Last Modelling:**

Indian footwear industry is facing an acute shortage of good lasts for export purposes. As a result, the Indian footwear industry has to depend on the European or other overseas last stylist for the fashion trends on the shape and styling of the last. Following are some of the major problems being faced by industries on this front.

- Non-availability of fashion last
- Non-availability of last Stylist
- Lead time is too long for production last
- Redressal of any complaint is non-existent
- Rejection of shipment due to the improper fittings of the last
- Lack of foot anatomical knowledge for various other markets.

**c. Design & Sample Development:**

It is seen that despite the good design inputs and last styling, the sample making is not possible in the factory. The design studios will have sample making facilities with its own material bank, which will be used for making samples/counter samples or prototypes of the newly developed design. On site design consultancy shall be one of the main objectives of the design studio.

**d. Dissemination of Design to the industry:**

The Studios will create new designs for the use of industry. These designs will be the latest in fashion trends, material wise and completely viable for the export market. The other important aspect will be that the designers deputed by the industry as the counterparts for foreign experts will also be trained on the rostering basis.

**e. Resource Centre and Information Centre:**

The Design studio will build up a resource centre and information centre for the benefit of industry. The resource centre will also keep materials and inputs of latest trends and design for the training of student and industry.

**Recommendation: Total plan outlay of Rs. 80 crore for opening two national design studios, one in North India and a second one in South by CLRI.**

#### **4.8.3 Upgradation of Footwear Design & Development Institute (FDDI) (NOIDA, RAEBARELI, CHENNAI, KOLKATA & CHINDWARA)**

In its endeavour to strengthen the Leather Product sector, FDDI has recently started training activities in the area of Leather Goods Technology, Design and Retail Management.

The demand for the passed out students is quite good. Keeping in view the need of the entire Leather Product sector (inclusive of Footwear, Leather Goods, Leather Apparels, Accessories & Upholstery) and the global scenario, FDDI intends to build up its capacity at par with global standards in all the specified areas/domain. This will create strong institutional capacity in the country for the development and growth of the entire Leather Products sector and will create more qualitative employment opportunities in the sector.

It will support Indian Leather sector to emerge as the initiator in Design, product innovations, technology updation, fashion & trend forecasting and establishment of strong institutional mechanism. It will also extend international level of infrastructure support to the small, medium enterprises to facilitate competitive manufacturing and encourage investment in the sector besides creating Designers, Technocrats and Management Professional who can understand the modern international requirements and business dynamics and support the Industry in enhancing the performance in global trade.

The activities proposed by FDDI are as under:

- 1) Establishment of Centre of Excellence for Leather Goods, Apparels and Retail Management – (Plan Outlay – Rs. 80.20)
- 2) Upgradation of Pilot Plant ( campus-wise) – (Plan Outlay – Rs. 55.00)
- 3) Establishment of FDDI Campus Networking Centre (FDDI-CNC) – (Plan Outlay – Rs. 53.8)
- 4) Consultancy & Implementation Charges for 1, 2 & 3 (@3%) – (Plan Outlay Rs.5.67)

The total cost of the proposed plan of upgradation and modernization/expansion is approximately Rs.194.67crore.

**Recommendation: The above mentioned proposal shall be referred to the Department of Commerce, which is the nodal department for FDDI.**

## SUMMARY OF PROPOSED INTERVENTION AND ITS PLAN OUTLAY

### SKILL DEVELOPEMENT INITIATIVE

S. NO.	SCHEME TITLE	NEED	NATURE	ACTIONS PROPOSED	MEASURE OF PERFORMANCE	IF OLD, MODIFICATION SUGGESTED	REMARKS	PLAN OUTLAY (RS. IN CRORE)
1	<b>HRD Programme</b>							
A	Placement Linked Skill Initiative Programme  (Continuation of 11th FYP)	Projected manpower requirement by 2022 4.6 Million Human Resources for leather & leather products	Employment Generation	<ul style="list-style-type: none"> <li>☑Creation of Training Center</li> <li>☑Self sustainability model</li> <li>☑Tie-up with ITI and similar institution</li> <li>☑Training linked to placement</li> </ul>	<ul style="list-style-type: none"> <li>☑75% employment</li> <li>☑1500 per yr. / center target</li> <li>☑Creation of employment opportunity for 1 lakh unemployed youth</li> </ul>	<ul style="list-style-type: none"> <li>☑Creation of New Training Facility</li> <li>☑Increase in plan outlay from Rs. 50 crore to Rs. 250crore</li> <li>☑Increase in the target from 50000 youths to 1 lakh youth</li> </ul>	Recommended	<b>250.00</b>
B	Secondary Training  (Continuation of 11th FYP)	India's productivity is low in comparison to China, Vietnam	Skill Enhancement	<ul style="list-style-type: none"> <li>☑Training at the Shop Floor</li> <li>☑Training will be imparted in coordination with state government/ reputed national institute &amp; ITI &amp;ITC</li> </ul>	<ul style="list-style-type: none"> <li>☑No. of trainee trained</li> <li>☑No. of companies covered under the programme</li> </ul>	☑Proposed plan outlay increased from Rs. 6 Cr to Rs. 50.00 Cr.	Recommended	<b>50.00</b>
C	Training of Trainers  (Continuation of 11th FYP)	The institution's capacity are low, needs upgradation in terms of best practices	Enhancement of Training Competency	☑Training at national and international level institution	<ul style="list-style-type: none"> <li>☑No. of Faculties trained</li> <li>☑Increase in Knowledge base</li> </ul>	<ul style="list-style-type: none"> <li>☑Binding clause for a period of 1 yr. in case of international training</li> <li>☑Proposed outlay increased from Rs. 4 Cr. to Rs. 10 Cr.</li> </ul>	Recommended	<b>10.00</b>
2	<b>SUPPORT TO ARTSANS</b>  (Continuation of 11th FYP)	The current artisans clusters are unorganized, lack of design, social capital & marketing linkages are weakest point.	360 degree intervention with the objective to make cluster more competitive	<ul style="list-style-type: none"> <li>☑Design development</li> <li>☑Marketing Linkage</li> <li>☑Creation SHGs - creation of micro-finance, credit facility etc.</li> <li>☑CRC creation</li> </ul>	<ul style="list-style-type: none"> <li>☑Increase of sale by min. ☑Infrastructure strengthening ▶</li> <li>☑Coverage of 630 artisan per crore</li> <li>☑Design creation and digitization</li> <li>☑Min. 25 per year / cluster</li> </ul>	<ul style="list-style-type: none"> <li>☑CRC Creation</li> <li>☑Marketing linkage instead of support</li> <li>☑Coverage 63000 artisan</li> <li>☑Planned outlay increased from Rs. 40 Cr. to Rs. 75 Cr.</li> </ul>	Recommended	<b>75.00</b>
3	<b>CREATION OF NEW INSTITUTION AND UPGRADATION OF NEW INSTITUTION</b>  (Continuation of 11th FYP)	To meet the demand of trained human resource at middle level management	Institutional building	☑Establishment of 3-4 institutions and commencement of training programme	<ul style="list-style-type: none"> <li>☑Self sustainability</li> <li>☑Placement of students</li> </ul>	☑☑Outlay is proposed to increase from Rs. 300.07 Cr. In 11th Plan to Rs. 500 Cr.	Recommended	<b>500.00</b>

## SUMMARY OF PROPOSED INTERVENTION AND ITS PLAN OUTLAY

### SKILL DEVELOPEMENT INITIATIVE

The Twelfth Five Year Plan (2012-2017)

S. NO.	SCHEME TITLE	NEED	NATURE	ACTIONS PROPOSED	MEASURE OF PERFORMANCE	IF OLD, MODIFICATION SUGGESTED	REMARKS	PLAN OUTLAY (RS. IN CRORE)
4	<b>NATIONAL DESIGN STUDIO</b>	Accurate design development to meet the international trend is the major limitation.	Capacity building for design development	☑Creation of National Design Studios	☑No. of designs developed ☑Support to SME sector ☑Range presentation at International Fairs	NIL	1- Two centers are proposed one in North by FDDI covering footwear & leather products. The other in South by CLRI for leather	<b>80.00</b>
5	<b>Upgradation Of Footwear Design &amp; Development Institute (FDDI) (NOIDA, Raebareli, Chennai, Kolkata &amp; Chindwara)</b>	To create strong institutional capacity in the country for the development and growth of the entire Leather Product sector	Capacity building	1. Establishment of Centre of Excellence for Leather Goods, Apparels and Retail Management 2. Upgradation of Pilot Plant ( campus-wise) 3. Establishment of FDDI Campus Networking Centre (FDDI-CNC)	☑No. of Designers, Technocrats and Management Professional nurtured ☑Support to SME sector	NIL	The proposal shall be referred to the Department of Commerce.	<b>192.00</b>
<b>PLAN OUTLAY (EXCLUDING PSLDP) (RS. IN CRORES)</b>								<b>965.00</b>

## **SUB-GROUP ON LEATHER TECHNOLOGY, INNOVATION & ENVIRONMENTAL ISSUES**

The following are the composition of the members of the Sub-Group on Leather Technology, Innovation & Environmental Issues:

- 1) Dr. A B Mandal, Director, CLRI (Chairman of the Sub-Group)
- 2) Shri M Rafeeqe Ahmed, Chairman, CLE (Convener of the Sub-Group)
- 3) Shri. A. Sahasranaman, Vice Chairman, CEMCOT
- 4) Dr Manju Raina, Director (CP), Ministry of Environment & Forests
- 5) Shri S K Datta, Assistant Commissioner, Department of Animal Husbandry
- 6) Prof. S.P. Gautam, Chairman, Central Pollution Control Board
- 7) Shri. O.K. Kaul, ED, Tata International
- 8) Dr Vinod Tare, Professor, Environment Engineering & Management, IIT, Kanpur.

The sub-group suggested the following interventions as the important issues / avenues of concerns in the leather sector:

- Animal Husbandry Measures, Slaughter & Skill Collection Improvement Measures & Rural Tanning Improvement Measures
- Technology Up gradation and Modernization of Tanneries
- Technology Benchmarking of Tanneries
- Environmental Management measures in Tanning Sector
- Centre of Excellence for developing Leather - like Materials

## 5. Leather Technology, Innovation & Environmental Issues

### Perspectives for the Leather Sector and Issues Identified

Environment is identified as one of the major challenges of the 12<sup>th</sup> Five Year Plan. Whereas it is essential to aim at higher growth, specifically the growth of industrial sectors, it is not less important to ensure environmental protection. According to the National Policy on Environment, properly focused research by competent institutions is necessary in order to resolve environmental issues for sustainable growth of the industrial sector.

About 20% of the raw hides and skins are left uncollected in India, which is a national loss. Apart from inadequate collection of raw materials, poor animal rearing practices and unorganized system of rawhide collection leads to deterioration of quality of rawhides and skins. In so far as environmental issues are concerned, tanneries have taken considerable steps to address the issue of wastewater treatment. Tanneries are connected to wastewater treatment mechanisms, which could render the wastewater amenable to discharge. Zero wastewater discharge is also made mandatory in the state of Tamil Nadu and the tanneries have installed adequate amenities in place to attain zero wastewater discharge. However, the environmental issues continue to exert significant force of down pulling. This is one issue that is directly connected to the sustainability of the industry. The issue of solid waste and emission of malodorous gases needs to be addressed effectively. Availability of labour at a cost relatively lower compared to west has been one of the strengths of the Indian leather industry. Whereas the product industry could attract substantial manpower, the tanning industry started facing the problem of availability of labour. This may be attributed to the social stigma associated with the industry and the working conditions. Moreover, due to the availability of jobs in sectors like IT, leather industry is not able to attract the new generation manpower.

### 5.1 Intervention Measures suggested for the Twelfth Plan

The sub-group discussed and structured (at macro scale) the following schemes based on the issues and avenues identified:

#### 5.1.1 Animal Husbandry Measures

The primary aim of this proposed scheme is to improve the health and life of the animals such as buffalo, cow, goat and sheep. The benefits envisaged are multiple. On the one hand, the scheme is likely to bring about the enhanced return on investment to the farmers and on the other hand, improvement in quality of the raw material (for tanning industry i.e. hides and skins).

A national-level program needs to be planned and carried out having the following guidepost.

- One of the activities connected to the scheme would be to organize workshops and road shows to propagate the methods, techniques and means for better animal health care. This can be executed through Non-Governmental Organizations (NGOs) or conglomerates of public and private organizations or any other suitable entities.
- Organizing health camps is another activity through which animal health camps may be organized in towns and villages. This may be executed through NGOs and private organizations which are engaged in manufacture and marketing of animal feed and animal health care products.
- A national body of adequate capability may execute the overall program. The overall program will have several projects national wide. The scheme may be monitored and efficiency and impact assessed by a national organization of appropriate capability.

### **5.1.2 Animal Slaughter and Skin Collection Improvement Measures**

About 20% of the raw hides and skins are left uncollected. Also, the quality of the hides and skins from fallen animals is very poor owing to inappropriate handling of fallen animals, delayed flaying and inadequate and delayed preservation. Decentralized and inefficient slaughter practices not only lead to degradation of the quality of meat and other products including hides and skins which eventually results in substantive national loss but also poses greater problems to the environment, particularly to the society.

Therefore a national level program or scheme for addressing these issues would provide solutions to

- a) Inadequate collection of raw material
- b) Inadequate and delayed preservation
- c) Environmental issues associated with slaughter and
- d) Loss of value of meat, skins and other materials.

The following are the activities and broad guidelines of the proposed scheme:

- Based on the base-line information of slaughterhouses and slaughter practices, a blue print for modernizing the existing slaughter houses and/or establishing modern slaughterhouses may be prepared.
- Then according to the blue-print, the slaughterhouses across the country may be modernized / established through Department of Animal Husbandry
- The slaughterhouses may be operated by conglomerates of public organizations (preferably involving the local bodies) and private organizations.

- In the slaughterhouses to be modernized / established, modern storage facilities for the hides and skins and waste treatment systems may also be established. These modern storage facilities shall involve state-of-the-art technologies for green preservation systems.
- Similarly, based on the information obtained in the above study, major raw hides & skins markets (Mandis) across the country need to be modernized with adequate waste treatment and disposal mechanisms. Similarly, new markets / mandis with state of the art facilities and waste management systems need to be established across the country.

### **5.1.3 Rural Tanning Improvement Measures**

Rural tanning practice has been one of the most appropriate systems for self-employment. The rural tanning units can serve as important feeder units for the finished leather manufacturers if the quality of the leathers produced are improved.

Following are the guidelines of this scheme:

- Training programs for the rural artisans on improved productivity and quality assurance may be organized at various rural tanning clusters.
- Common Facility Centres to be established in the select rural tanning clusters to facilitate availability of leather chemicals, quality assurance and marketing.

### **5.1.4 Environmental Management Measures in Tanneries / CETP's**

Environmental management in the tanning sector is increasingly becoming a vital issue, threatening the very existence of the industry in many locations. Apart from the pressure exerted by the buyers from abroad who demand that their suppliers should conform to the laws of the land in this regard, there is considerable pressure from agriculturists, NGOs, and courts of law in the country on tanneries to conform to law.

### **5.1.5 Technology Up gradation and Modernization of Tanneries**

The Integrated Development of Leather Sector (IDLS) Scheme which was implemented during the Tenth Five Year Plan 2002-07 and continued with modifications in the Eleventh Five Year Plan 2007-12 is very useful to the tanning industry since the investment grant provided under the IDLS Scheme motivated the tanners to modernize their tanneries by installing state-of-the-art machinery & equipment, upgrade technology and expand tanning capacities.

This modernization and capacity expansion drive has to be continued in the Twelfth Five Year Plan also, as the tanning capacities have to be enhanced since the industry is in need of



conservatively an additional 2 billion square feet of leather per annum to meet the export targets.

### **5.1.6 Socially Inclusive Solid Waste Utilization Scheme**

In order to encourage reuse possibility of various solid waste generated by tanning industry applying new technologies, it is proposed that a scheme to support such ventures be introduced.

In the long term, solid waste utilization arrangement would ensure sustained growth of the industry along with a desirable development of the society.

- Database on proven technologies of solid waste utilization may be prepared.
- Detailed project reports on those technologies may also be prepared.
- Many units of manufacturing value-added products from the tannery solid wastes may be set up.
- These units may be handed over for operation to Self Help Groups or Cooperative organizations.

## **5.2 Details of Measures**

### **5.2.1 Animal Husbandry Measures**

The primary aim of this scheme is to improve the health of the farm animals. It is also the aim of this scheme to encourage modern farming. These would ensure the availability of more raw hides and skins and better quality.

### **5.2.2 Structure**

This scheme will have the following activities and programs.

- Establishment of vet clinics
- Animal husbandry camps
- Promotion of animal farms

### **5.2.3 Detailed Plan**

Under the first program of the scheme 'Establishment of Veterinary clinics', about 100 veterinary clinics are proposed to be established.

The second activity of the scheme is 'Animal Health Camps'. Under this activity, suitable governmental organizations, Non-governmental organizations (NGOs) and private organizations

shall be identified. Conglomerations of these organizations shall be established. These conglomerations shall conduct as many as 200 health camps per year across the country.

The benefits and impacts envisaged are as follows:

- Improvement in animal health, which would eventually expected to bring about reduction in mortality at least by 10%.
- Enhancement in the yield and quality of animal products including milk and milk products and post-mortem products including hides and skins. This is expected to bring about additional revenue by 20%.

### **5.3 Slaughter and Skin Collections Improvement Measures**

#### **5.3.1 Aim**

Introducing organized slaughter practices, effective collection of animal skins and introducing environmentally friendly preservation systems are the major aims of this scheme.

#### **5.3.2 Structure**

This scheme will have the following programs:

- Establishment of modern slaughter houses and introducing organized mode of modern slaughter practices
- Modernization of raw hides & skins markets (Mandis)
- Establishment of modern raw hides & skins markets (Mandis)

#### **5.3.3 Detailed Plan**

For the first program of this scheme, 'Establishment of modern slaughter houses and introducing organized mode of modern slaughter practices', the following activities need to be carried out.

- Modernizing 30 existing slaughterhouses
- Establishing around 30 modern slaughterhouses across the country based on the animal density and slaughter rate
- Modernization of 30 existing raw hides & skins markets (mandis)
- Establishment of 30 modern raw hides & skins markets (mandis) with scope for environmentally friendly preservation systems, across the country based on the slaughter rate and hides and skins collection
- Introduction of environmentally friendly preservation systems

Proposals may be invited from raw hides & skins markets (mandis) across the country for modernization of the existing markets. A subsidy of 50% subject to a maximum of Rs. 50 lakhs for each market may be provided as financial support. It is proposed to modernize at least 30 raw hides & skins markets during the Twelfth Plan.

Proposals may also be invited for establishing new modern raw hides and skins markets (Mandis). A subsidy of 50% subject to a maximum of Rs. 2.5 crore shall be provided. Provision may be kept for establishing about 30 markets during Twelfth Plan.

The benefits and impacts envisaged from this scheme include the following.

- Effective collection of raw hides and skins of value of about Rs. 1500 crore per annum
- Enhancement in value of rawhides and skins to a minimum of Rs. 42 crore per annum.
- This scheme would provide additional jobs.

## **5.4 Rural Tanning Improvement Measures**

### **5.4.1 Aim**

The primary aim of this scheme is to enhance the value of the leathers produced by rural artisans by building their capacity and by providing support for infrastructure.

### **5.4.2 Structure**

This scheme will have two activities as given below.

- Conducting workshops and training programs for the rural artisans
- Establishing common resource centres

### **5.4.3 Detailed Plan**

Rural tanning clusters of Rajasthan, Madhya Pradesh and Gujarat will primarily be benefitted from this scheme directly.

Under the first activity, it is proposed to conduct workshops and training programs for the rural artisans in 50 clusters. Through these programs, it is aimed to train the rural artisans in improving the production and quality assurance systems. Implementing organization shall be identified. The implementing organization needs to prepare detailed project plan.

Through the second activity, about 50 resource centres may be established. These centres would have minimum facilities for quality control, process control and arrangement for

technical consultation either through telephone or through internet. The budget expected for establishing each centre is about Rs. 50 lakhs.

The benefits of this scheme include quality and value enhancement of rural tanned leathers by a minimum of 10% and a new source of intermediate leathers for finished leather manufacturers.

**Recommendation: All the proposals should be submitted to the Department of Animal Husbandry, Ministry of Agriculture and the Ministry of Food Processing. Individual units should also be allowed to set up cold chains under the IDLS Scheme.**

## **5.5 Environmental Management Measures in Tanning Sector**

### **At the Tanneries**

#### **5.5.1 Aim**

The objective of the scheme is to enhance the sustainability of Indian tanneries by providing financial and technical support.

#### **5.5.2 Structure**

According to this scheme, an information base on technologies that are proved at pilot scale or commercial scale and are practicable and economically viable will be prepared. Tanneries implementing one or more technologies of the information base would be provided with 50% subsidy subject to a maximum of Rs. 50 lakh per tannery.

#### **5.5.3 Detailed Plan**

A National Implementing Organization (NIO) shall be entrusted with the responsibility of planning, implementing and monitoring the program. The implementing organization shall prepare a comprehensive information database on technologies pertaining to cleaner technologies, wastewater treatment, odour abatement, solid waste management and utilization. Technological and financial support may be provided to tanneries for establishing and operating the systems connected to pollution reduction and environmental protection. Support may be provided specifically to promote technologies for pollution reduction at the source. These technologies include the following those have been validated at commercial scale.

- Salt free preservation by chilling
- Low salt preservation using MgO
- Enzyme based bio-processing system

- Ammonia free deliming
- Salt free pickling
- Pickle less tanning
- Direct Chrome Liquor Recycling
- Zero wastewater discharge process through in-process measures of recycling and reuse

These technologies would ultimately bring about immense environmental benefits. A brief profile including the financial aspects of the technologies those are listed in the information base will be prepared. This shall be made available to the tanners through websites and other means of communications. Workshops may also be conducted in different tanning clusters to publicize. Also, demonstration at pilot scale or commercial scale on select technologies that are path breaking shall be organized at different tanning clusters. Tanners those who opt for such technologies shall prepare detailed project report indicating the financial requirements. A subsidy of 50% of the project cost including the licensing fee shall be provided to the tanners once the technology is installed and become operational.

Apart from the above, financial support may be provided for establishing commercial scale demonstration units for the technologies aiming at environmental protection. Such technologies should have been validated at pilot scale.

The benefits expected include the following:

- Enhancement of sustainability of tanneries
- Reduction in environmental cost by 20%
- Improvement of environmental security

**Recommendation: The proposal shall be sanctioned for demonstration, PilotPlant including workshops for technology demonstration with an outlay of Rs. 50 Crore. The subsidy of Rs. 300 Crore for Technology adoption can be addressed under the IDLS Scheme.**

#### At the CETPs

#### **5.5.4 Continuation of the sub-scheme of ILDP 'Up gradation / installation of infrastructure for environmental protection in the Leather Sector'**

As part of the Indian Leather Development Programme (ILDP) being implemented by the Department of Industrial Policy & Promotion, Government of India for the Eleventh Five Year Plan 2007-12, a sub-scheme for "Upgradation / installation of infrastructure for environmental protection in the Leather Sector" is being implemented with a Plan outlay of Rs.200 Crore. The Scheme provides financial support to the tanners / CETPs to meet the prescribed pollution control discharge norms. It is proposed to continue this scheme in the 12<sup>th</sup> Plan. Broadly, the

scheme would cover establishment / expansion / up gradation of CETPs, developing Secure Land Fills, conversion of waste into some by-products and any other techniques for hazardous waste management. The projects would be funded @ 50% from the scheme subject of a limit of Rs.50 Crore, 15% from the State Government and remaining 35% from the industry/beneficiary. The entire operation and maintenance costs would be borne by the industry.

The sub-group strongly recommends for continuation of the above scheme during the Twelfth Five Year Plan 2012-17. All the clusters of tanneries have to be covered by appropriate environment protection measures under this scheme during the Twelfth Plan.

In addition to general provision for up gradation of existing CETPs, additional project requirements also need to be considered in handling the salinity aspects including alternative option of disposal into saline stream to sea after required treatment, sludge utilization / management in all the CETPs taking into account the current regulations on hazardous waste management.

**Recommendation: Plan outlay of Rs 250 crore.**

## **5.6 Technology Upgradation and Modernization of Tanneries**

### **5.6.1 Aim**

The aim of this scheme is for technology upgradation and modernization of the tanneries, improve the production environment of the tanneries including housekeeping and safety so that the health of the tannery workers is ensured. This would eventually attract the new generation manpower to tanneries.

### **5.6.2 Structure**

The programs will be organized to educate the tanners and tannery workers on housekeeping, chemical storage and handling, safety and health. Tanneries would also be provided financial support to modernize the tannery ultimately aiming at better working conditions, safety and improved productivity.

### **5.6.3 Detailed Plan**

As many as 50 workshops and training programs will be conducted under this scheme to train the tanners and tannery work force on chemical storage and handling, safety, housekeeping and enhancing productivity and quality. Personal Protective Equipment and safety devices would also be distributed through these programs.

**Recommendation: The proposal shall be sanctioned with allocation of Rs. 5 Crores for workshops & related expenses.**

#### **5.6.4 Continuation of the sub-scheme of ILDP: Integrated Development of Leather Sector (IDLS) Scheme**

The Sub-Group strongly recommends that the 'Integrated Development of Leather Sector' (IDLS) scheme implemented during Tenth and Eleventh Five Year Plan period needs to be continued in the Twelfth Plan for the capacity expansion, technology upgradation and modernization of the tanning sector in the country. The scheme has widely enabled the tanning sector to modernize and upgrade the technologies. In view of the fact that processing capacities have to be added in the sector for another 2 billion square feet of leather to meet the demand for leather products segments, it is suggested that the continuation of the IDLS Scheme will assist the sector to achieve the targets.

The financial outlay for the IDLS Scheme for the Twelfth Five Year Plan 2012-17 has been sought by the Sub-Group on Infrastructure Development. Hence, no separate fund for IDLS Scheme has been sought by this Sub-Group.

**Recommendation: The above mentioned proposal is addressed under the IDLS Scheme.**

### **5.7 Socially Inclusive Solid Waste Utilization Program**

#### **5.7.1 Aim**

The aim of this scheme is to involve the society in the utilization of solid waste from tanneries for the production of valuable products that could be utilized locally.

#### **5.7.2 Structure**

Under this scheme, units for producing valuable products from solid wastes will be established. Self-help groups and local bodies will manage these units. The units will be self-sustaining with operational support from the local bodies or State government.

#### **5.7.3 Detailed Plan**

National Implementing Organization (NIO) shall be identified. The NIO will prepare a database on proven technologies of converting solid wastes into valuable products and of generating energy. Self-help groups in the tanning clusters shall be identified and an arrangement shall be made between the scheme, self-help groups and local bodies / state government. NIO shall prepare DPR for putting up a pilot plant, one each in 2 tannery clusters. The pilot plant will be

established by the NIO and the operational responsibility shall be of the self-help groups and local body / state government. The state government shall provide financial support for operation as soft loans for a period of 1 year. Later the pilot unit shall become self-reliant. NIO shall monitor the operation and functioning of the pilot unit for five years.

The technologies include the following:

- Manufacture of dog chew / pet food from raw trimmings
- Manufacture of chicken feed from raw trimmings or fleshings
- Manufacture of compost from fleshings
- Manufacture of compost from hair
- Generation of energy from wastes such as raw trimmings and fleshings

For establishing about 05 such pilot plants in the country, Rs. 5.00 Crore is required.

The benefits at national level include the following:

- Solution will be in place for the solid wastes of a tune of 120 tons of solid waste per day (about 37000 tons per annum which is about 10% of the total mass of solid waste generated at national level).
- This will lead to multiplier effect and many such units can be expected.

**Recommendation: Plan outlay of Rs. 5crore.**

## **5.8 Technology Benchmarking of Tanneries, Footwear& Components and Leather Goods**

### **5.8.1 Preamble**

The fact that only 20-25% of the total chemicals employed in processing is retained by the finished leather raises a serious economic and environmental concern. The non-optimal methods of processing lead to substantial quality degradation of the finished leather footwear components and leather goods also. The industry has gained a negative image in the society with respect to pollution potential. The inability to comply with environmental regulations has posed a serious threat to the existence of the leather sector in India in recent times. There is now an urgent need to assess the process technology adopted at present and re-engineer them in order to add economic and environmental benefits.



## **5.8.2 Needed technology interventions for sustainable development**

### **5.8.2.1 Process innovations for eco-friendly leather**

It is perceived that the next decade would provide a high premium for leather sector to gain eco-friendly status. Eco-labelling schemes for leather and leather products are emerging. In the next two decades, there is vast opportunity for leather to gain eco-friendly status among other products.

### **5.8.2.2 Water and energy saving**

Currently the leather processing is not energy intensive. The only operation consuming energy is drying. In current industrial practices, nearly 40% of the energy consumed in tannery is in drying. For this, other solar energy applications can form a viable alternative.

### **5.8.2.3 Higher customer orientations**

Increase in unit value realization from leather would demand higher orientation to the customer needs. Leather is likely to segment itself into a product in the fashion chain. The production chains may well have to evolve methods to react to customer demands within weeks if not days. This demand is likely to force changes on supply houses and the nature of formulations developed.

### **5.8.2.4 High throughput technology systems**

The present manufacturing systems in some developing countries have promoted tiny and small enterprises with low through put. Consolidation of manufacturing system to gain high throughput is likely to be a major response of leather sector to changes in the market place as well as macro-economic environment.

### **5.8.2.5 Leather as a product of quality circle**

Although there exists a perception that leather as a product of natural fabric would be associated with quality variations, it would become essential that appropriate quality assurance system is developed and leather is presented as a product for the global quality circle.

### **5.8.2.6 Better utilization of raw material resources**

Currently used methods do not utilize renewable resources and material inputs adequately. This results in significant material loss on the one hand, and leads to loss of ecology. Better utilization of the raw materials resources by elimination of wastes and development of alternative applications may form the focus of new process innovations.

### 5.8.3 Methodology proposed

Following activities are planned for the programme.

- Technology status assessment of all functional tanneries across the country will be undertaken
- Analysis and technology gap – A diagnostic study view
- Setting up of demonstration modules at pilot scale in tannery clusters
- Technology validation and dissemination

### 5.8.4 Implementation Mechanism

The Technology Benchmarking of Tanneries, Footwear & Components & Leather Goods shall include Survey, identification, study, benchmarking and purchase of technology would also be included in the proposed intervention to enhance the growth of respective sectors. FDDI and CLRI would be responsible to purchase the latest technology and to make available for Leather Industry in India.

### 5.8.5 Major outcomes envisaged

The programme is focused on technology empowerment of the tanning sector. The benefits of this programme implementation are:

- Gaining environmental security for leather processing through in process changes
- Gaining manifold, at least two fold increase in productivity
- Cost reduction and enhanced unit value realization through process changes
- Reducing dependence on end of pipe treatments which has been found to be inadequate on meeting environmental regulations
- Achieving quality consistency

It is suggested that the above mentioned proposal shall be sanctioned covering leather, Leather products, footwear & components & leather goods. The Scheme shall be referred as Global Benchmarking scheme for which policy & implementing agencies need to be formalized to execute the same.

**Recommendation: Plan outlay of Rs. 50 crore.**

## 5.8.6 Centre of Excellence for developing Leather-like Materials

### 5.8.6.1 Aim

Leather-like materials would be developed into large uniform sheets and then rolled using Compression moulding machine, Sheet moulding machine, Twin screw extruder, etc in pilot plant for product engineering.

### 5.8.6.2 Structure

The envisioned material science laboratory would employ an active approach to fulfil the material demand of footwear industries. The thrust of the centre would be on developing new leather-like materials to establish an edge for the Indian leather industry globally.

### 5.8.6.3 Detailed Plan

Following may be enumerated as the core objectives of the centre for the benefit of the leather industry:

- Innovate to evolve leather-like materials for application in non-leather footwear
- Identification of suitable raw material source for end application
- Detailed investigations using spectral tools-interactions between fillers and raw materials
- Optimization of suitable processing methods for preparing leather-like materials
- Investigation of mechanical properties and simulated end use characteristics
- Making prototype leather-like materials for footwear applications
- Protect products and processes and IPR led initiatives

As CLRI has already studied the material properties requirements of footwear and different processing technologies for polymers and other materials, this centre will contribute in this area of Research in CLRI.

In the Twelfth Five Year Plan period 2012-17, it is proposed to establish a “Centre of Excellence for developing Leather-like materials’ at the Central Leather Research Institute. This proposed Centre of Excellence would be an inspiration for many more domestic footwear industries engaged in non-leather footwear production.

**Recommendation: Plan outlay of Rs. 20 crore.**

**SUMMARY OF PROPOSED INTERVENTION AND ITS PLAN OUTLAY**

**LEATHER TECHNOLOGY, INNOVATION & ENVIRONMENTAL ISSUES**

S. NO.	SCHEME TITLE	NEED	NATURE	ACTIONS PROPOSED	MEASURE OF PERFORMANCE	IF OLD, MODIFICATION SUGGESTED	REMARK	PLAN OUTLAY (RS. IN CRORE)
A	Animal Husbandry measures, Slaughter & Skin Collection Improvement Measures & Rural Tanning Improvement Measures	To improve the health of farm animals & to encourage modern farming, To introduce organized slaughter house practices, effective of animal skins & environmental friendly preservation systems & Enhancement of value of the leathers produced by rural artisans	Improvement in animal husbandry, Modernization & establishment & Training & sensitizing targeted primarily in Rajasthan, Madhya Pradesh & Gujarat	1- Establishment of vet clinics 2- Organization of animal husbandry camps 3- Promotion of farms 4- Modernization of existing slaughter houses-30 nos. 5- Establishment of modern slaughter house-30nos 6- Modernization of mandies-30 nos 7-Establishment of new raw hides & skins markets-30nos. 8-Developing organized SLAUGHTER HOUSE 9- Conducting workshops & training programs for the rural artisans 10- Establishment of common resource centers	1-100 vet clinics 2- 200 health camps/year 3-Effective collection of raw hides & skins-1500 crore/annum 4- Enhancement in the value of raw hides & skins-min. 42 crore 5- Additional jobs creation 6- Coverage-50 clusters 7- Establishment of resource center-50		1- <b>Should be submitted to the Department of Animal Husbandry/ Ministry of Agriculture</b>  2- <b>May be considered under IDLS Scheme for cold chain</b>	NIL

**SUMMARY OF PROPOSED INTERVENTION AND ITS PLAN OUTLAY**

**LEATHER TECHNOLOGY, INNOVATION & ENVIRONMENTAL ISSUES**

S. NO.	SCHEME TITLE	NEED	NATURE	ACTIONS PROPOSED	MEASURE OF PERFORMANCE	IF OLD, MODIFICATION SUGGESTED	REMARK	PLAN OUTLAY (RS. IN CRORE)
B	Environmental Management Measures in Tanning Sector	To address environmental challenges in tannery sector	Subsidy based upon clean technology adoption	1- Establishment of demonstration plant 2- Workshop organisation 3- Technology transfer & adoption based -50% subsidy or 50 lakhs whichever is less	1-Enhancement of sustainability of Tannery 2- Reduction in environmental cost-20% 3- Value enhancement-10%		1-Sanction of demonstration pilot plant including workshops for technology demonstration 2- Subsidy for technology adoption can be addressed under IDLS Scheme	50.00
C	Establishment of CETP	CETP's	Subsidy based upon capital investment for improvement in environmental concern	Establishment /expansion/upgradation of CETP		Continuation of scheme under 11th Plan previous allocation 200 Crore	Recommended	250.00
D	Technology Upgradation & Modernization of the Tanneries	Focus on occupational health & safety in tanning industries	Subsidy based scheme	1- Workshop organization 2- Subsidy scheme for adoption of the safety ,personal protective equipments	1- Reduction in fatal accidents-20% 2- Improvement in productivity-20% 3-Attracting newer generation	Separate allocation apart from IDLS proposed under current plan	Recommended	5.00

The Twelfth Five Year Plan (2012-2017)

E	Socially Inclusive Solid Waste Utilization Program	Utilization of solid waste of tanneries	Establishment of units for utilization of the solid wastes-Self sustaining	Establishment of 05 pilot plants.	Effective utilization of 37000 tons wastage/annum		Recommended	5.00
S. NO.	SCHEME TITLE	NEED	NATURE	ACTIONS PROPOSED	MEASURE OF PERFORMANCE	IF OLD, MODIFICATION SUGGESTED	REMARK	PLAN OUTLAY (RS. IN CRORE)
F	Technology Bench Marking of Tanneries, Footwear & Component and Leather Goods	Compliance with environmental compliance with international standard level technology & best practice support	Fund-Technology & best practice support	Program based implementation mechanism: 1- Technology status assessment of all functional tanneries 2- Diagnostic study 3- Technology validation & dissemination	1. Environmental security level 2- 2 fold increase in productivity 3-Reduction in end of pipe treatment 4-Cost reduction		1-Recommended as Global Bench Marking project covering leather ,Leather products , footwear & components & leather goods 2-Policy & implementing agency needs to be formalized to execute the same.	50.00
G	Centre of Excellence for Development of leather like material	To decrease dependence on leather material	Research & Development	Establishment of Center of Excellence with objective to develop newer material	Patent & IPR Prototype leather		Recommended	20.00
<b>PLAN OUTLAY (RS. IN CRORE)</b>								<b>380.00</b>

## **SUB-GROUP ON BRAND BUILDING**

The Sub-Groups constituted for Brand Building held its first meeting on 23.06.2011 in New Delhi under the Chairmanship of Mr. Adesh Gupta (CEO, Liberty Shoes) along with 6 other members to discuss the intervention areas, methodology, guidelines and outlay fixation mechanisms for different interventions proposed (please refer Annexure – D).

The sub-group suggested the following interventions with the focus of the infrastructure development activities in the leather sector:

- Constitution of Domestic Council - Footwear & Leather Products Development & Promotion Council (FLPDPC)
- Indian Leather Mark
- Research & Development and Design & Development
- Outsourced Consultancy Program

## 6. Brand Building

### 6.1 Introduction

Since India manufactures about 18% of world leather and is the second largest footwear manufacturer after China and is a large supplier to several International Brands gaining a wealth of knowledge and hands-on experience over the years in catering to these brands; it was concluded that Indian companies have the wherewithal to create their own Brands to be a major player in the market.

Consequent to India emerging as a manufacturing destination in view of competitive advantages, and also considering that India has huge domestic market in footwear and leather products due to growth of affluence levels of consumers, there is a need to focus increased attention on the concept of branding in the leather sector.

#### 6.1.1 Importance of a Brand

A Brand is understood as the key to 'Wealth Creation' and is used as a vehicle to create demand. It is integral to the business building process; it is a wholesome experience which embodies quality assurance, product service, customer familiarity, repeat purchase and fulfilment of one's expectations.

#### 6.1.2 Current Scenario

Footwear Industry is a laggard compared to other sectors e.g. Automotive, Pharmaceutical, Apparel, & Information Technology and more. The SSI reservation until 2001, poor margin model (difference in factory price to MRP) and the high dosage of taxation (Excise Duty, VAT, CST, etc.) have had crippling effects on the industry limiting its growth. The VAT is at 13.5%; excise at 10% which is damaging to the industry margins making it harder for the survival of the Footwear & Leather Products Industry as compared to zero rate of ED & VAT on Apparels.

Indian Footwear & Leather Products Market Size is valued at INR 15 - 20,000 Cr. approx. which is dominated by unorganised trade (80-85%). Branded/ Taxpaying businesses contribute towards 15 - 20% approx. of the market size. Footwear Industry/ Segment has no forum or governing body to represent its Vision, Growth plans, Challenges, Issues & Concerns to the Government. Putting in to perspective, the long-term potential of the industry and the macro benefits that will be realised, it is important to boost the Indian Market for Footwear and Leather products by looking at the following:

- Increase Industry Size from 15000 Cr. to 50,000 Cr. approx. in the next 5 years
- Attract FDI in to Retail/ JV & Tie -ups
- Increase Domestic Manufacturing & Capacity Building in the Organised Sector
- Create Skilled Manpower for Organised retail



- Job Creation & Greater Employment
- Create Brands as Assets & Higher Valuations.
- To bring Unorganised sector in to Mainstream for Greater Tax Revenue Generation
- Minimise Chinese Low Quality Products invasion in to Indian Markets
- To shore up Bottom lines & Top lines of the Sector
- Create Quality Consciousness amongst Consumers
- Improve Shoppers' Experience & Delight
- To bring about Lifestyle Change for the Youth

It was agreed that marketing initiatives are poor and negligible at the industry and company level. This Industry has a poor image in Capital & Stock Markets & with Banks, & FII's.

India has the right mix of factors which can act as catalysts in the growth of this industry such as an assured market of 1.2 billion people (as an asset), world's largest livestock, current operational model of low cost & high quality products and the cost effective manpower for this labour intensive industry.

All the above listed issues are crucial for the growth of the 'Leather & Leather Products' Industry, and corrective action is a necessary condition to take the Domestic Industry to the next level of growth. However, there is no National Level Governing Body to address such issues leading to loss in Domestic direction, Vision & focus.

## **6.2 ILDPC : A Governing Body**

Proposition 1: To set up a National Level Independent Governing Body (mutually exclusive from the role of CLE) namely Indian Leather Development and Promotion Council (ILDPC) clearly focusing on Vision, Growth plans, Challenges, Issues & Concerns of the Domestic MSME's & Large Enterprises of the Domestic Industry. The Electoral Members will be Industry Leaders (from Domestic MSME's & Large Enterprises) that have been instrumental in the progress of the Leather Sector.

### **6.2.1 Scope the IDLPC should be committed to**

- 1) Serving as an important bridge between domestic players and the State & Central Governments for policy advocacy, infrastructure development & fiscal support to Indian companies selling nationally.
- 2) Helping MSME's (some of which may not be exporters) in utilizing and availing the current schemes published by the Government of India every 5 year plan.
- 3) Collection, Collation & Dissemination of data on domestic trends of the Leather & Leather Products.
- 4) Assisting all its members in extending their domestic reach and sale thereby increasing their size.
- 5) Brand Promotion of Indian Footwear and Leather Products in the country.
- 6) Creating world class brands in the Footwear & Leather Products Sector.

### 6.2.2 Quantum & Nature of Assistance

The financial assistance under the scheme will be for the setting up of the council including hiring members, office set up, and the initial working of the council.

At present, this sector is represented by the Council for Leather Exports (CLE). The organization largely focuses on 'Indian Leather Exporters'. Functioning under the tutelage of the Ministry of Commerce & Industry (GOI), **its core principles concentrate on assisting its members in extending their global reach thereby increasing their exports.**

**CLE is committed to** promoting, facilitating & attracting foreign direct investments into the Indian Leather Industry including joint ventures, technical collaborations & strategic alliances Disseminating market information, trends & policy implications and publishing information on commercial, technical and technological developments in the Indian leather industry.

Participating in major International fairs & specialized trade shows across the globe, organizing buyer-seller meets in India and abroad besides B2B meets in focus countries

- Offering technical, marketing & design assistance to Indian exporters in terms of design inputs, product development, branding and marketing inviting key resource personnel for fairs, seminars and lectures for exchange of information, knowledge, ideas and strategies.
- Serving as a vital connecting link between the government and the industry members, while focusing on the overall health and growth of the Indian leather industry

The task assigned to CLE is largely motivated towards promotion of country's Leather exporters and is not focussed towards domestic Indian Players that are not exporters.

**Therefore, a Domestic Council is necessary to concentrate on the domestic sector of the Industry where the Scope & Growth is much larger looking at the population base of 1.3 billion captive customers & the demographic dividend. More & More international players are looking at the Domestic potential as a lucrative market. Domestic Industry should capitalize on the same.**

**Recommendation: Plan outlay of Rs. 5.0 Crore as a one time grant.**

### 6.3 Indian Leather Mark

**Proposition 2:** To create an 'Indian Leather Mark' that will standardize Indian Products making them competitive in the Domestic as well as Global Markets.

With liberalization in trade policies, expected FDI in retail in the near future, and more MNC's & International companies turning towards India as a lucrative market, Indian Companies are finding it harder to survive in the domestic market.

### 6.3.1 Reference of Other Quality Marks

#### Example 1

European Standard of Safety shoes and boots (EN 344, EN 345, EN 347): This is a relevant example of quality accreditation. This standard defines the general requirements and test methods on safety shoes, protective shoes and working shoes for professional use. Due to international recognition, many Safety shoes manufacturers across the world produce shoes according to the required specifications of European Norms for certifications and eligibility to sell in global markets.

#### Example 2

Turkish Government undertook a project called 'Turquality', an accreditation system for the product groups with brand potential to upgrade the perception of products made in Turkey. The Turquality program mainly consists of two complementing activities. On one side, there is the development of a "quality manual and accreditation scheme" which defines the quality standards which applicants will be required to meet in order to be accepted in the program and for use of the Turquality logo and brand. On the other side, an articulated auditing program is currently being implemented with the aim to "benchmark" Turkish companies with international best practices. The aim was ' a national branding strategy', to bring world class standards and best practices to Turkish industries , to brand Turkey itself, so the perception can be created on a global scale, that it is a place where fashion and brand creativity is a reality, to communicate the above to the global market. . The purpose is to provide each participating company with a dynamic tool to identify its weakness areas in the path towards excellence.

The Turquality Program seeks to improve the image and respectability of Turkish products generally through subjecting applicants to quality assurance evaluations. In the event applicants receive the coveted Turquality logo, the Turkish government may provide subsidies of up to US\$ 5,00,000 for marketing and distribution; and US\$ 3,00,000 for design and development.

**"Turquality program, aims to create 10 world brands in Turkey within 10 years, and is much more than a branding program".**

To support selected Turkish brands in a systematic way covering all the operational processes, to furnish training, consultancy and coaching to the best companies of Turkey for global competition, this program takes on a mission to subject the companies to a group of training, consultancy and coaching processes in order to support the achievement of such companies in international markets. By means of a study which

will be carried out simultaneously with the services in the first level the companies shall be evaluated in comparison of their weaknesses and strengths on the basis of their commitment for becoming a brand besides their operational and managerial activities.

The operational activities observed in evaluation phase shall be examined under following primary headlines:

- Supply Chain Management
- Customer Relations Management (CRM)
- Organizational Structure and Human Resources
- Institutionalism
- Finance
- Information Technologies
- Brand Management

By means of this study the candidate companies promising the most powerful potential for being champions in terms of developing world's brand shall be selected; and an opportunity to take the advantage of a serial of support initiatives in advanced level shall be granted to such companies.

The above branding strategy has been successful and today more and more Turkish companies are coming on to the global map. A similar national branding strategy should be adopted by an authorized body aiming to create Indian brands with world class practices and quality products. The perfect mix of government support and adoption of best business practices will help Indian brands to deliver the best to the market.

### **6.3.2 Scope**

An 'Indian Leather Mark' awarded to Domestic companies based on their performance and standing across pre-set criteria such as capacity, technology, manufacturing excellence, packaging, sales and customer satisfaction will help them aim for improvement across all work areas ultimately resulting in better end product for the consumer making Indian products more competitive in the Domestic as well as International markets.

International Markets will soon recognize the standardization so advised and start procuring from these Domestic companies who will produce products of international standards thereby boosting exports in the long run.

The 'Indian Leather Mark' program should also consist of two complementing activities (in reference to the Turququality Program'.

- Development of a "quality manual and accreditation scheme" which defines the quality standards which applicants will be required to meet in order to be accepted in the program and for use of the 'Indian Leather Mark'.
- The Second step to be an articulated auditing program to be implemented with the aim to "benchmark" Domestic companies with international best practices.

The 'Indian Leather Mark' should seek to improve the image and respectability of Indian Leather & Leather Products generally through subjecting applicants to quality assurance evaluations. In the event applicants receive the accreditation, the government may provide subsidies of up to Rs. 5 Crore for marketing and distribution; and other subsidies and schemes for technology up gradation, R&D and D&D.

**The Indian Leather Mark would aim - "To create World Class Brands in the Indian Footwear & Leather Products Sector with unmatched Brand image in India and Overseas"**

This will support selected Domestic brands in a systematic way covering all the operational processes, to furnish training, consultancy and coaching to the best companies of Indian Leather & Leather Products Sector for global competition, this program takes on a mission to subject the companies to a group of training, consultancy and coaching processes in order to support the achievement of such companies in international markets. By means of a study which will be carried out simultaneously with the services in the first level the companies shall be evaluated in comparison of their weaknesses and strengths on the basis of their commitment for becoming a brand besides their operational and managerial activities.

The operational activities observed in evaluation phase shall be examined under following primary headlines:

- Supply Chain Management
- Customer Relations Management (CRM)
- Organizational Structure and Human Resources
- Institutionalism
- Finance
- Information Technologies
- Brand Management

When a company satisfies the set benchmarks on the above criteria, they are able to use the 'Indian Leather Mark'. With assistance of the government for marketing and distribution, the domestic companies will be able to cater to a larger public audience. This will lead to strengthening of Domestic companies along all business processes and improve the image of all in the international markets.

### 6.3.3 Quantum of Assistance

The financial assistance under the scheme will be investment grant to set up the infrastructure for the Indian Leather Mark Program and all the activities defined under the scope of the program.

The financial assistance under the scheme will also include the grant to selected companies under the program for improving marketing and distribution activities to be a world class brand subject to a ceiling of Rs. 5 crores.

**Recommendation: Plan outlay of Rs.50 Crore.**

### 6.4 Scheme for Research & Development and Design & Development

**Proposition 3:** To increase the scope of 'Integrated Development of Leather Sector' (IDLS) scheme (implemented during the 11th Five Year Plan, 2007-12) to incorporate financial assistance for Research & Development undertaken by companies including In-house Laboratory set-up, R&D and Laboratory equipment purchase, hire of technology & research experts.

As Design & Development (D&D) is becoming an integral part of the innovation process, Companies need to be able to undertake costs of in-house D&D. Therefore, IDLS scheme to also incorporate financial assistance for set up of In-house D&D Laboratory equipped with CAD-CAM, Design tools and equipment (hardware & software) purchase, design experts, Mould making & designing, Embellishments & decorative fillings, and rapid prototyping.

**Scope of the scheme:** The scheme should aim at promoting design & development, innovation, and research & development at the company level.

**Eligible Organisations:** same as that of IDLS

**Quantum & Nature of Assistance:** The financial assistance under the scheme will be investment grant to the extent of 40% of the cost of set up of In-house R&D and D&D lab including all the other components mentioned above subject to a ceiling of Rs 5 crore.

**Recommendation: Plan outlay of Rs100 crore.**

### 6.5 Scheme for Outsourced Consultancy Program

**Proposition 4:** To encourage by financial assistance, Indian businesses in recruiting and using 'Research, Programme Support and Consultancy Services' from outsourced resources & firms to facilitate their growth and innovation plans.

Business Process re-engineering is crucial for the survival of a company in today's competitive global environment. A business constantly has to reinvent to be able to keep pace with the rapidly changing industry. Since growth of Indian businesses are stifled by high taxes and duties, large fast growing international brands, low margins, poor industry image in financial sector, unorganised business and dumping of Chinese products, an Indian company requires help from industry professionals who have specialized knowledge to help overcome the inhibiting factors.

**Scope of the Scheme:** Consultancy Firms have specialized knowledge and data banks which can facilitate any company in unlocking value. Business Processes including manufacturing, supply chain management, and retailing can be re-engineered.

The scheme will include outsourced consultancy hired for the following solutions:

- Lean Manufacturing
- Kaizen
- Six Sigma
- Theory of Constraints
- Management of IT Infrastructure: Information Systems & IT Tools such as SAP, ERP & Retail Pro, and IT User Licenses
- Human resource Planning & Restructuring
- Brand Management & Development

**Eligible Organisations:** All existing units in Leather & Leather Products including leather goods, leather footwear & footwear components, saddlery and tanneries having existing cash profits for at least 2 years.

**Quantum & Nature of Assistance:** Financial assistance under the scheme will be investment grant to the extent of 40% of the consultancy fee subject to a ceiling of Rs 5 crore.

**Recommendation: Plan outlay of Rs. 100 Crore.**

**SUMMARY OF PROPOSED INTERVENTION AND ITS PLAN OUTLAY**

**BRAND BUILDING**

S. NO.	SCHEME TITLE	NEED	NATURE	ACTIONS PROPOSED	MEASURE OF PERFORMANCE	REMARKS	PLAN OUTLAY (RS. IN CRORES)
A	Constitution of Domestic Council - Footwear & Leather Products Development & Promotion Council (FLPDPC)  <b>(New Scheme)</b>	To focus on Vision, Growth plans, Challenges, Issues & Concerns of the Domestic MSMEs & Large Enterprises of the Domestic Industry	Creation of an organization mandated for promotion of brands, dissemination of information and assistance to MSME	<ul style="list-style-type: none"> <li>☑Interface domestic players and the State &amp; Central Governments.</li> <li>☑Assist MSME in utilizing and availing the current schemes published by the Government of India every 5 year plan.</li> <li>☑Repository on domestic trends of the Leather &amp; Leather Products.</li> <li>☑Assisting all its members in extending their domestic reach and sale thereby increasing their size.</li> <li>☑Brand Promotion of Indian Footwear and Leather Products in the country.</li> <li>☑Creating 5 World class brands in the Footwear &amp; Leather Products Sector.</li> </ul>	☑The FLPDPC shall facilitate all support to the sector considering the domestic and demographic potential as a lucrative market.	Recommended	<b>5.00</b>



B	Indian Leather Mark  <b>(New Scheme)</b>	Standardized Indian product making them competitive.	Standard(s) Development	<input type="checkbox"/> Development of Quality Manual and accreditation scheme <input type="checkbox"/> Articulate auditing programme	<input type="checkbox"/> Create world class brands	<b>Recommended</b>	<b>50.00</b>
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**SUMMARY OF PROPOSED INTERVENTION AND ITS PLAN OUTLAY**

**BRAND BUILDING**

S. NO.	SCHEME TITLE	NEED	NATURE	ACTIONS PROPOSED	MEASURE OF PERFORMANCE	REMARKS	PLAN OUTLAY (RS. IN CRORES)
C	Research & Development and Design & Development  <b>(New Scheme)</b>	To promote Design & Development, Innovation, Research & Development at company level	<input type="checkbox"/> Enhancement of Training Competency <input type="checkbox"/> Extent of 50% of the cost of set up of in-house R&D and D&D lab subject to a ceiling of Rs. 5.00 Crs.	Setting up of, <input type="checkbox"/> Design & Development Lab-CAD/CAM, Design tools & equipments(Hard ware & software), Design experts, Mould making & designing, rapid prototype etc. by individual unit <input type="checkbox"/> R&D Lab-	<input type="checkbox"/> Increase in Design & Development, Innovation, Research & Development at company level	<b>Recommended with 40% support by the government</b>	<b>100.00</b>
D	Outsourced Consultancy	To adopt research,	<input type="checkbox"/> Creation of knowledge base for	Hiring outsourced consultancy for: <input type="checkbox"/> Lean manufacturing		<b>Recommended. CAP on 40%</b>	<b>100.00</b>

The Twelfth Five Year Plan (2012-2017)

	Programme <b>(New Scheme)</b>	programme support and consultancy services	business processes re-engineering including manufacturing, supply chain management and retailing ☑It aims to assist the units with brand existence of more than 10 yrs. and cash profits for at least 2 yrs. in the sector	☑Kaizen ☑Six Sigma ☑Theory of Constraints ☑IT Infrastructure management ☑Human Resource planning & restructuring ☑Brand management & development		<b>subsidy</b>		
<b>PLAN OUTLAY RS. IN CRORE)</b>								<b>255.00</b>

## **SUB-GROUP ON ATTRACTING FDI IN LEATHER SECTOR IN INDIA**

The following are the composition of the members of the Sub-Group on attracting FDI in Leather Sector in India:

2. Shri M. Rafeeque Ahmed, Chairman, CLE (Chairman of this Sub-Group)
3. Shri Harsh Mariwala, President, FICCI
4. Shri P R Aqeel Ahmed, MD, Florence Shoe Company P Ltd
5. Shri Mukhtarul Amin, CMD, Superhouse Limited
6. Shri Snehdeep Agarwal, Bhartiya international Limited
7. Shri O.K. Kaul, ED, Tata International (Convener of this Sub-Group)

The sub-group suggested the following interventions to attract FDI and Joint Venture collaborations in the leather sector:

- Promotional activities in foreign countries to be carried out in various formats
  - Organization of Road Shows
  - Visit of Investment Promotion Delegations abroad
  - Sourcing Missions for collaborations on raw materials
- Print campaign in International magazines to reach out to the prospective investors
- Investment Meet to be organized in various parts of the country
- Informative publications on leather sector to be brought out

## 7. FDI in Leather Sector in India

### 7.1 Need of the Leather Sector to Attract Investments

The leather industry has been set with a target to enhance export from the current level of US \$ 3.40 billion (2009-10) to US \$ 8.50 billion by the year 2016-17. The domestic market for leather products is also poised for manifold growth consequent emergence of affluence class of population and demand for consumer products such as footwear, leather goods and accessories will be higher in the future. In order to meet these burgeoning demand both from the export opportunities available as well as domestic market expansion in future, India has to build production capacities and make investments into the sector. The production capacity in the leather & leather product industry has not increased even after the de-reservation of the entire leather sector from small scale sector. Absence of huge capacities to cater to volume markets like USA, which account for nearly 1/4<sup>th</sup> of total world imports of leather & leather products, is one of the factors hampering the growth of this sector.

The industry has to increase its capacities if it had to prepare itself in a position to meet the growing challenges. A rough estimate indicates that segment-capacities have to be added as projected below:

PRODUCT	PRESENT CAPACITY	ADDITIONAL CAPACITY ENVISAGED
Finished Leather (Tanning)	2 billion sq ft	2 billion Sq. Ft.
Footwear	2065 million pairs	225 million pairs
Leather Garments	16 million pieces	2.4 million pieces
Leather Goods	63 million pieces	72 million pieces
Leather Gloves	52 million pairs	15 million pairs
Harness & Saddlery Goods	12.50 million pieces	3 million pieces

About 70-80% of the industry comprises small and medium enterprises, and they are mostly family owned companies. Therefore, the industry has not moved to the next stage of attracting investments. However, the situation is now changing and leather entrepreneurs are more forthcoming to act in today's dynamic business environment. This process of change will take some time, and many Joint ventures and technical collaborations is expected to accrue to the industry in future. The promotional activities have to be conducted at periodical intervals to change the mindset of not only the foreign entrepreneurs but also Indian companies.

The sector has to attract both foreign investments and domestic investments to be a dominant player in the International leather market. It is important that India should capitalize on the

opportunities available in foreign markets and attract foreign investments and collaborations in the leather sector. Consequent to the shift in the manufacturing from Western countries to low cost producing countries, India, with its inherent strengths, is increasingly looked upon by the foreign companies as an attractive destination.

The domestic market for leather products (footwear, leather goods and accessories) is also an important factor which needs to be projected properly abroad to attract the leading global players to invest in India. 1.20 million people of the country and rising affluence class of population presents a huge retail opportunity which no one would like to ignore. This factor has to be capitalized.

Indian Leather Industry has significant factor advantages to support it to command a prominent position in the global leather trade, however, the country has had only a small share of 2.9% (2009) in world leather sector exports as against China which has emerged as the largest exporter of leather and leather products with a share of 28% (2009), up from mere 3.4% in 1980. Vietnam, which had a similar share as that of India in the world leather exports in 2000, has also surpassed India, with its leather exports accounting for 4% of the world leather sector exports, in 2009.

This calls for an assessment of the FDI led growth of China, Vietnam and select countries.

## **7.2 Role of Foreign Investment**

The role of FDI in growth in countries such as China and Vietnam merits examination for developing a strategy to attract FDI in India.

Growth of the Chinese Leather Industry was driven by Korean investors and Taiwanese Investors and starting with the opening of the Chinese Economy in early 1980s. These investors created large facilities, across South and South East China (and subsequently Southern Vietnam), and helped create an export driven industry. Over time, these industry clusters also saw the emergence of home-grown entrepreneurs, many of whom had benefitted from the infusion of technical know-how from Taiwan and Korea, as well as development of ancillary component industries. Subsequently, industry from Europe also invested in China-based manufacturing.

Foreign Capital has likewise played a key role in Vietnamese Industry (which comprises largely of footwear, alongside some leather products such as bags). The country's Footwear manufacturing sector, started to modernize in 1990s with foreign investment from Taiwanese and Korean sports footwear vendors who set up units in Vietnam, spotting the opportunity offered by the Generalized System of Preferences (GSP) regime. Sports footwear (non-leather

and leather), remains the largest product segment even today in Vietnam. These Korean and Taiwanese sportswear vendors have over time, also set up factories in Indonesia, Thailand and Cambodia. The average headcount at such foreign-owned enterprises (e.g. Pou Chen, Poyuen (Taiwan), Shang Hung Cheng, Tea Kuang VN and Hwa Soung (South Korea)) runs into tens of thousands. These firms contribute about 40% of Vietnam's footwear exports.

The Bangladesh government declared the Leather and Footwear Sector as a thrust sector in 2005-2006. In parallel, as Vietnam came under an anti-dumping duty investigation, Bangladesh came to be seen as an attractive destination for setting up footwear manufacturing units, given its LDC status which ensured preferential market access in many developed economy markets. This was especially true for two categories of products – OEM sports shoes and mass-merchandise's casual shoes, both of which are high volume, low margin businesses from a manufacturing perspective. These have had a multiplier effect on Bangladesh's Industry, which is still continuing.

### **7.3 Current Global Scenario for the Leather & Leather Products Industry Opportunity to Attract FDI**

Leather Products Industry in China is seeing structural changes – local governments in Southern China mandating increase in minimum wages, as well as encouraging moves to develop hi-tech manufacturing sectors (electronics, telecommunications etc) which can pay higher wages to workers. This has led to cost pressure for labour intensive industries such as Leather products. Much of the Taiwanese owned industry has used up the tax benefits over the past 15-20 years, and are being encouraged to shift inland. Simultaneously, massive Government investments in inland provinces have created job opportunities in these regions. This has led to a fall in the number of labour willing to travel to and work in Southern China, thus a shortage of cheap labour in the export belt.

Labour costs in China are rising by 20%-25% annually in the export belt - wages currently US\$ 300-400 across Export belt of Southern and South Eastern China. In comparison, Wages in India range from US\$ 120 to US \$150 across different product segments. Thus labour arbitrage provides a significant opportunity for migration of capacity to India, provided FDI is actively facilitated.

Driven by cost pressures and the need to de-risk their China sourcing and production, buyers across the developed world (North America, European Union, Japan) are seeking to develop alternate sourcing locations as part of their risk management strategies. India Inc can create large capacities to match this demand.

Brazil's industry is gearing up for the massive spurt in domestic consumption in the run up to the Olympics of 2016. The same phenomena was observed in China (brands such as Li-Ning are today outselling Nike and Adidas in China's booming domestic market). Vulcabras-Azalea's recent interest in India needs to be seen in this perspective.

While India has inherent advantages, competition for FDI is also significant. As per news reports and interaction with industry representatives from Bangladesh at the recently concluded India Leather Summit 2011 organized by the CLE at New Delhi during April 20-21, 2011, several large factories have been set up with Taiwanese and Korean investments in the country. The investors include the Pou Chen Group – the world's largest manufacturers of Footwear. Thus clearly, India has to make efforts to attract investors into the Leather Sector in India – Infrastructure development is also imperative in differentiation from other low cost locations in SE Asia.

#### **7.4 Inferences**

The Chinese model shows the critical role played by Foreign Capital. Foreign capital will not only create job opportunities in the Indian Leather sector, it will over time also bring in skills and technical know-how which can benefit the entire domestic industry. Further, higher capacity creation will, over time, boost the development of the Indian component industry, with consequent multiplier effects for finished products also in coming years.

Since the bulk of India Leather Inc. comprises small and medium enterprises, industry's retained earnings will not be sufficient for meeting the investment requirements if India Leather Inc. has to see exponential growth. Foreign capital can step in as the engine of growth.

Inflow of foreign investment in Indian Leather Industry, while aided by liberal FDI policies of the Government of India, also sees competition from small low cost countries in South East Asia. Thus quality of infrastructure available in the country, as well as innovative investment policies will help differentiate India as a manufacturing location for East Asian investors.

#### **7.5 Current FDI Regulations and India's Positioning**

The entire leather sector is de-licensed paving the way for expansion of capacities on modern lines with state-of-the-art machinery. To further assist this process, the Government has permitted 100% Foreign Direct Investment through the automatic route for the Leather Sector. Automatic route means that no prior permission is required either from the Government of India or from Reserve Bank of India for the investment. The investors are only required to notify the regional office concerned of RBI within 30 days of receipt of inward remittances and file the required documents with that office within 30 days of issue of shares to foreign investors.

**Entry Options for foreign investors** - A foreign company planning to set up business operations in India has the following options:

**As an Incorporated Entity** - By incorporating a company under the Companies Act, 1956 through Joint Ventures or Wholly Owned Subsidiaries. Foreign equity in such Indian companies can be up to 100% depending on the requirements of the investor, subject to any equity caps prescribed in respect of the area of activities under the FDI Policy.

**As an Unincorporated Entity** - As a foreign Company through (i) Liaison Office / Representative Office, (ii) Project Office (iii) Branch Office. Such offices can undertake activities permitted under the Foreign Exchange Management (Establishment in India of Branch Office of other place of business) Regulations, 2000.

## 7.6 Interventions carried out During Tenth and Eleventh Five Year Plan Periods

During the Tenth Five Year Plan 2002-07 period, Intechmart Scheme was implemented with the objective to create awareness about the India's manufacturing capabilities and growth potential and help attract foreign direct investments, joint venture and technical collaborations into the Indian leather industry. The outlay of the scheme was Rs.5 Crore. The Council for Leather Exports (CLE) being the Export Promotion Council for leather sector was the implementation agency for the Intechmart Scheme. The Council organized series of Road Shows in overseas countries for creating awareness of the opportunity potential available in Indian leather industry. The countries targeted were Spain, Italy, Portugal, China, Brazil, Portugal, France, UK, Austria, Ukraine, Romania etc. Besides, for adequate media coverage, the journalists / opinion makers from international trade magazines were invited to visit India during the International Leather Fairs organized in India namely Delhi International Leather Fair (DILF), India International Leather Fair (IILF), and International Leather Goods Fair (ILGF) for adequate media coverage. The Resource Persons & Experts were invited to India during International Leather Fairs held in India as market initiatives to make presentations on subject of their specializations, mainly productivity improvements; design development, marketing, export production etc, and also to impart training on production techniques.

The activities covered under investment promotion include the following:

- Organization of road shows for showcasing domestic market potential to prospective investors and highlighting the size and potential of the Indian domestic market.
- Deputation of business delegations from leather industry to other countries for exploring new areas of technology infusion/up-gradation, facilitating joint ventures, improving market of leather products, foreign collaborations etc.



- Participation by Indian companies and enterprises engaged in the leather sector in international exhibitions, trade fairs and buyer-seller meets in foreign countries as well as in India, in which there is international participation.
- Holding international conferences and seminars in India on topics and themes of interest to the leather industry.

Five Road-shows were conducted respectively at Madrid (Spain), Birmingham (UK), Milan (Italy), Hongkong and Tokyo by Council for Leather Exports (CLE) during the current Plan Period with the GOI assistance of Rs.1.376 crore. A fresh guideline was notified during the year 2010-11 for implementation of the sub-scheme. The scheme could not be used further due to delay in finalisation of guidelines and lack of budget after the guidelines were finalised.

### **7.7 Interventions suggested for the Twelfth Plan**

The sector has to attract both foreign investments and domestic investments to be dominant player in the International leather market. It is highly important that India capitalizes on the opportunities available in foreign markets and attracts foreign investments and collaborations in the leather sector. Consequent to the shift in the manufacturing from Western countries to low cost producing countries, India with its inherent strengths are increasingly looked upon by the foreign companies as an attractive destination. The growth of Chinese leather industry was driven by Korean investors and Taiwanese investors. FDI and joint venture collaborations are very much essential for any industry to grow, and it is time the leather sector attracts large number of FDIs.

Therefore, there is need to continue the investment promotion activities during the ensuing Twelfth Five Year Plan period 2012-17. It is equally important to put in place very simple and practically feasible scheme guidelines so that it is easier to implement. The adequate provisions for flexibility and discretion may have to be provided to the implementation agency so that decision making is faster and projects are implemented smoothly.

The basic objective of the intervention measures proposed is outlined below:

- To create awareness in the International markets about India's manufacturing capabilities, economic growth, and opportunity potential in the Indian leather industry and to present India as an attractive investment destination.
- To motivate the foreign enterprises to invest in Indian leather industry, enter into joint venture, business collaborations etc
- To project the domestic market so that foreign companies can not only produce goods in India via FDI and Joint venture collaborations, but also can operate in the domestic retail market.

In order to present India as an attractive destination for leather & leather products manufacturing and to highlight the domestic market for consumer products (footwear, leather goods & accessories) to the overseas entrepreneurs, series of promotional campaign have to be undertaken during the Twelfth Plan. Some of the interventions measures are highlighted below:

- 1) Promotional activities in foreign countries to be carried out in various formats
  - a) Organization of Road Shows in foreign countries
  - b) Investment promotion Delegations to foreign countries
- c) Sourcing Missions for collaborations on raw materials
- 2) Print campaign in International magazines to reach out to the prospective investors
- 3) Investment Meet to be organized in various parts of the country
- 4) Informative publications on leather sector to be brought out

The above interventions may be carried out in the following manner:

### **7.8 Promotional activities in foreign countries to be carried out in various formats**

There is need to undertake promotional activities in foreign countries to present the opportunity potential of the Indian leather industry and to motivate the foreign companies to invest in India and form joint venture collaborations with Indian enterprises. The basic objective of all formats of the promotional activities would be to promote the Indian leather industry, create awareness about India's manufacturing capabilities and growth potential, highlight the huge retail market in India for footwear and leather goods and accessories etc which will weigh on the entrepreneurs mind and would encourage him to invest in India or join hands with Indian entrepreneurs by way of joint venture collaborations, technical collaborations etc. India has to impress upon the fact that relocations of production facilities abroad – which cause layoffs at home in the short run – may help to save and increase employment in some types of FDI. In these cases, outward FDI could enhance labour skills by engaging redundant labour force in higher value-added activities at home in the longer run, if firms improve their overall competitiveness via a reduction in input costs. Studies indicate that companies that internationalize their operations are more productive and successful than competitors that concentrate their investments and activities in the domestic economy.

According to industry feedback, countries like USA, Brazil, Spain, Portugal, Italy, China, Vietnam, Taiwan and Korea present higher scope for attracting FDIs into India. The manufacturers in these countries are reportedly looking towards India.

To achieve the above objective, the following measures are required and the promotional campaigns will be implemented in different formats and marketing outreach tools:

### **7.8.1 Organization of Road Shows in foreign countries:**

It is proposed to organize Road Shows in overseas countries for creating awareness of the opportunity potential in the Indian leather industry. Road Shows will create awareness about the India's manufacturing capabilities and growth potential and motivate the foreign entrepreneurs to invest in Indian leather industry either through foreign direct investments, joint ventures, technical collaborations and other such tie-ups. In the Road Shows, the Council would interact with the Industry Associations and foreign entrepreneurs and would highlight the growth potential of the leather sector in India, Investment opportunities available to foreign companies either to set up their own factories in India (FDI) or enter into joint venture collaborations with existing Indian companies, conducive policies of the Government of India for overseas investments, SEZ policy and Mega Leather Clusters proposed to be set up, India's domestic market for footwear and leather goods which is growing fast. Foreign companies have the opportunity to produce footwear in India, not only for export to third countries but also to cater to the huge domestic market of India. Another justification for moving to India would be for competitive labour cost advantage compared to Western countries and USA. As part of the Road Show, it is proposed to have country stands in the International trade fairs/vents concerning leather sector in various parts of the globe, and undertake the promotional campaigns.

Adequate publicity informative materials (brochure, magazine, leaflet, posters, banners etc) will be showcased in the country stands. A few product samples would be displayed in the country stands as a tool to highlight the manufacturing capabilities of Indian leather industry. This will be regular exercise and country stands may be set up in as many leather events as practically feasible and strategically relevant. Event Management agencies would be engaged in these countries to undertake event promotion activities and to make logistic arrangements as well as event publicity measures. Adequate flexibility should vest with the implementation agency to choose any particular format of Road Show, based on the feasibility, practicality and other ground level factors. At least four events should be targeted in each year to have a desired impact.

### **7.8.2 Investment promotion Delegations to foreign countries:**

The India's leather sector will have to be represented in the premium events of the global industry through a delegation comprising of Government of India officials, industry bodies and leading entrepreneurs. Some of the global important industry events which could be targeted are given below:

- International Footwear Conference – once in a year
- World Footwear Congress – once in a year
- Summit during APLF, Hong Kong – twice in a year
- Footwear News Summit – once in a year
- EMPREINTES, International Brand Forum, France – once in two years

The Delegations will visit overseas countries on other occasions also depending upon the need and industry feedback of the country potential. Each year, the delegation may attend at least two events.

### 7.8.3 Visit of Sourcing Missions to overseas countries

To tide over the impending crisis of raw materials, overseas raw material markets needs to be identified and memorandum of cooperation have to be entered into with some of the major semi-finished and finished leather trade associations in foreign countries. This is how China is reported to have secured the supply chain of raw materials from some of the African countries. Hence, there is an urgent need to lookout for new avenues as to wherefrom the raw materials such as raw hides & skins, wet blue / crust, semi-finished & finished leathers can be sourced. The objective of the Sourcing Missions will be to:

- Make a first-hand survey of the existing local market situation and assess the potential for importing raw, semi-processed hides, skins into India.
- Meet local suppliers of hides, skins & leathers so as to explore business collaborations for sourcing raw materials and to explore possibilities of having joint ventures, technical collaborations between the tanneries in India and the identified countries.

The countries in the African continent and CIS holds tremendous potential for India to meet its requirement of raw materials in view of its strong livestock population and production of hides & skins, and sourcing missions will be mooted to these countries.

Based on the World Statistical Compendium for Raw hides and skins published by Food and Agriculture Organization of the United Nations, some of the prominent countries to be targeted are: Algeria, Angola, Cameroon, Chad, Ethiopia, Guinea, Kenya, Madagascar, Mali, Australia, New Zealand, Egypt, Morocco, Niger, Nigeria, Senegal, Somalia, Tanzania, Tunisia, Uganda, Zambia, Zimbabwe, Sudan, Mongolia, Brazil, CIS countries etc.

It is desirable that each year, at least 3 countries should be identified through analysis of the raw material situation, views of Indian Missions & Industry bodies etc and Sourcing Missions may undertake visit to these countries. The delegation's duration will be minimum 3 days in

each country for purposeful survey and useful discussions with Industry Bodies, local entrepreneurs and other stakeholders.

The delegation to all the above proposed promotional events may consist of one official each from the implementation agency and Government of India and interested members of the industry who express their desire to be part of the Delegation. The participation of the official from Department of Industrial Policy & Promotion, Govt. of India is conceptualized so as to highlight the policies and procedures of the Government towards foreign direct investments and joint venture collaborations.

The travel expenditure of industry representatives may be reimbursed out of the scheme subject to a lump-sum specified ceiling amount to meet a part of their travel cost. Whereas the travelling expenses of officials in full will be met from the scheme funds but as per standard guidelines and norms applicable to Government.

**Recommendation: A plan outlay of Rs 20.00 crore is proposed for promotional activities to be carried out by organizing road shows (pls. see 1.9.1), by sending delegation to foreign countries (pls. see 1.9.2) and sourcing missions overseas (pls. see 1.9.3). The modus operandi of the above scheme, Implementing Agencies shall be decided by the Steering Committee constituted by DIPP.**

#### **7.9 Print campaign in International magazines to reach out to the prospective investors**

It is proposed to unleash publicity campaign in International magazines concerning leather sector, for a 3-4 years on sustained basis to promote Brand India and Indian leather industry.

**It is proposed to invite leading journalists from leather sector related media to visit India during the International Trade Fairs held in India so that comprehensive coverage could be made in the foreign magazines about India and its leather industry.**

As content value addition for the print campaign, **it is proposed to invite the Resource Persons / Experts in the global leather sector to India and involve them in the present exercise.**

Wherever necessary, the print campaign may also be explored in the foreign countries by way of hosting bill boards at vantage points, departmental stores, malls etc where it could attract maximum visibility and publicity.

#### **7.10 Investment Meets in India**

It is proposed to organize Investment Meets in India alongside the major leather industry events such as India International Leather Fair (IILF), Delhi International Leather Fair (DILF), and

International Leather Goods Fair (ILGF) etc. The overseas importers, resource persons, experts, media personnel etc who visit the trade fairs held in India (IILF, DILF, ILGF etc) will be the target audience for the Investment Meet. The Investment Meet will be addressed by the senior officials of the Government of India, State Government officials and industry bodies.

The Investment Meet may be organized once in a year.

**Informative publications on leather sector to be brought out**

It is necessary to bring out attractive publicity materials on the Indian leather industry with updated information covering various aspects such as current status of the industry, cluster information, opportunity potential, FDI policy, entry options etc.

The professional services of the renowned agencies will be availed for building up a slogan and marketing approach in a professional manner. Audio–visual film on the Indian leather industry will be prepared to project Indian leather industry in an attractive manner.

**Recommendation: For above three interventions the plan outlay of Rs 15.00 crore is being recommended. The modus operandi of the above scheme, Implementing Agencies shall be decided by the Steering Committee constituted by DIPP.**



### SUMMARY OF PROPOSED INTERVENTION AND ITS PLAN OUTLAY

ATTRACTING FDI IN LEATHER SECTOR IN INDIA								
S. NO.	SCHEME TITLE	NEED	NATURE	ACTIONS PROPOSED	MEASURE OF PERFORMANCE	IF OLD, MODIFICATION SUGGESTED	REMARKS	PLAN OUTLAY (RS. IN CRORE)
A	Promotional activities in foreign countries to be carried out in various formats  <b>(Continuation of 11th FYP)</b>	To present the opportunity potential of the Indian leather industry and to motivate the foreign companies to invest in India and form joint venture collaborations	To create awareness about India's manufacturing capabilities and growth potential, highlight the huge retail market in India	<ul style="list-style-type: none"> <li>☑To organize Road Shows in foreign countries</li> <li>☑Investment promotion Delegations to foreign countries</li> <li>☑Visit of Sourcing Missions to overseas countries</li> </ul>	<ul style="list-style-type: none"> <li>☑At least 3 countries per year should be identified through analysis</li> <li>☑Participation of DIPP in conceptualization</li> <li>☑Events to be organized with the support and cooperation of Indian Missions as well as local Associations in the respective countries.</li> </ul>		1- Recommended with merging of Proposed 'Investment Meet to be organized in various parts of the country' scheme	<b>20</b>
A.1	Investment Meet to be organized in various parts of the country	To target audience for Investments	To be organized with the International participation of foreign entrepreneurs and media personnel	<ul style="list-style-type: none"> <li>☑To organize Investment Meets IILF, DILF, ILGF etc.</li> <li>☑Event management agency would be engaged</li> </ul>	☑Investment Meet may be organized annually	NIL	Addressed above under A	
B	Print campaign in International magazines to reach out to the prospective	To unleash publicity campaign in International magazines concerning leather sector	To promote Brand India and Indian leather industry	<ul style="list-style-type: none"> <li>☑Publicity campaign for 3-4 years on sustained basis.☑To invite the Resource Persons / Experts in the global leather sector to India☑Print campaign may also be explored in the foreign countries by way of hosting bill boards at vantage</li> </ul>	<ul style="list-style-type: none"> <li>☑No. of publicity campaign.☑No. of participation in Int'l trade fair.☑No. of Resource Persons / Experts interaction</li> </ul>		Recommended with merging of Proposed 'Informative publications on leather sector to be brought	<b>15</b>



	investors(Continuation of 11th FYP)			points, departmental stores, malls etc.			out'	
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**SUMMARY OF PROPOSED INTERVENTION AND ITS PLAN OUTLAY**

**ATTRACTING FDI IN LEATHER SECTOR IN INDIA**

S. N O.	SCHEME TITLE	NEED	NATURE	ACTIONS PROPOSED	MEASURE OF PERFORMANCE	IF OLD, MODIFICATION SUGGESTED	REMARKS	PLAN OUTLAY (RS. IN CRORE)
B.1	Informative publications on leather sector to be brought out	To bring out attractive publicity materials	Portray India as an attractive destination for investments and trade promotions	<input checked="" type="checkbox"/> To come out with informative books, CDs, brochures, pamphlets, hand-outs, posters, and all such communication tools <input checked="" type="checkbox"/> Audio-visual film on the Indian Leather Industry	<input checked="" type="checkbox"/> It will create awareness about the proposed stature of the industry so that the stakeholders can benefit from the scheme.	NIL	Addressed above under B	
<b>PLAN OUTLAY (RS. IN CRORE)</b>								<b>35.00</b>

## CONSOLIDATED SUMMARY OF PROPOSED INTERVENTIONS AND ITS PLAN OUTLAY

12TH FIVE YEAR PLAN (2012-2017)					
LEATHER SECTOR: PROPOSED PLAN OUTLAY					
S.No.	SUB GOUP	11 <sup>th</sup> FYP Allocation (Rs. in Crores)	Head-wise 11 <sup>th</sup> FYP Plan Outlay (Rs. in Crores)	12 <sup>th</sup> FYP Scheme wise breakup (Rs. in Crores)	Plan Outlay (Rs. In Crores)
<b>1.</b>	<b>Attracting FDI in Leather Sector in India</b>		<b>0.00</b>		<b>35.00</b>
a.	Promotional activities in foreign countries to be carried out in various formats <b>(Continuation of 11<sup>th</sup> FYP)</b>			20.00	
b.	Print campaign in International magazines to reach out to the prospective investors <b>(Continuation of 11<sup>th</sup> FYP)</b>			15.00	
<b>2.</b>	<b>Skill Development Initiative</b>		<b>455.86</b>		<b>965.00</b>
a.	PLSDP Scheme – HRDMission	60.00		250.00	
b.	Secondary Training			50.00	
c.	Training of Trainers			10.00	
d.	Support to Artisans	40.00		75.00	
e.	Establishment of FDDIs and other such institutes	300.07		500.00	
f.	National Design Studio			80.00	
g.	Creation of NIFDT	7.17			
h.	Establishment of Addl. Girls Hostel	13.77			
i.	Support to Saddlery Institute - IISTM	10.00			
j.	Establishment of Training Center in MP	24.85			
k.	Establishment of Center of Excellence for Leather Goods, Apparels and Retail Management			80.20	The proposal shall be

## The Twelfth Five Year Plan (2012-2017)

i.	Upgradation of Pilot Plant (campus-wise)			55.00	referred to the Dept. of Commerce.
m.	Establishment of FDDI Campus Networking Center (FDDI-CNC)			53.80	
n.	Consultancy & Implementation Charges for k, l & m @ 3 %			5.67	
<b>12TH FIVE YEAR PLAN (2012-2017)</b>					
<b>LEATHER SECTOR: PROPOSED PLAN OUTLAY</b>					
S. No.	SUB GOUP	11 <sup>th</sup> FYP Allocation (Rs. in Crores)	Head-wise 11 <sup>th</sup> FYP Plan Outlay (Rs. in Crores)	12 <sup>th</sup> FYP Scheme wise breakup (Rs. in Crores)	Plan Outlay (Rs. In Crores)
<b>3.</b>	<b>Leather Technology, Innovation &amp; Environmental Issue incl. ILDP</b>		<b>239.00</b>		<b>380.00</b>
a.	Animal Husbandry Measures and Slaughter & Skin Collection and Improvement Measures & Rural Training Improvement Measures			1-Should be submitted to the Dept. of Animal Husbandry/ Ministry of Agriculture 2- May be considered under IDLS Scheme for cold chain	
b.	Environmental Management Measures in Tanning Sector			50.00	
c.	Establishment of CEPT			250.00	
d.	Technology upgradation & Modernization of the Tanneries			5.00	
e.	Socially inclusive Solid Waste utilization Program			5.00	
f.	Technology Bench Marking of Tanneries, Footwear, Components & Leather Goods			50.00	
g.	Centre of Excellence for Development of leather like material			20.00	
h.	Leather tanning complex at Nellore	29.00			
i.	Upgradation / Installation of infrastructure for environment protection in leather sector	200.00			
j.	Mission Mode	10.00			
<b>4.</b>	<b>Infrastructure Development</b>		<b>556.43</b>		<b>1585.00</b>
a.	Development of Mega Leather Cluster / Park	300.00		800.00	

The Twelfth Five Year Plan (2012-2017)

b.	Setting up of New / Upgradation of Testing Lab			35.00	
c.	Modernisation, Technology upgradation & expansion of Production capacities of the enterprises functioning in the leather sector ( IDLS)	253.43		750.00	
d.	Footwear Complex	3.00			
<b>5.</b>	<b>Brand Building</b>		<b>0.00</b>		<b>255.00</b>
a.	Constitution of Domestic Council - Footwear & Leather Products Development & Promotion Council (FLPDPC)			5.00	
b.	Indian Leather Mark			50.00	
<b>12TH FIVE YEAR PLAN (2012-2017)</b>					
<b>LEATHER SECTOR: PROPOSED PLAN OUTLAY</b>					
S. No.	SUB GOUP	11 <sup>th</sup> FYP Allocation (Rs. in Crores)	Head-wise 11 <sup>th</sup> FYP Plan Outlay (Rs. in Crores)	12 <sup>th</sup> FYP Scheme wise breakup (Rs. in Crores)	Plan Outlay (Rs. In Crores)
c.	Research & Development and Design & Development			100.00	
d.	Outsourced Consultancy Programme			100.00	
	<b>TOTAL</b>	<b>1251.29</b>	<b>1251.29</b>	<b>3220.00</b>	<b>3220.00</b>

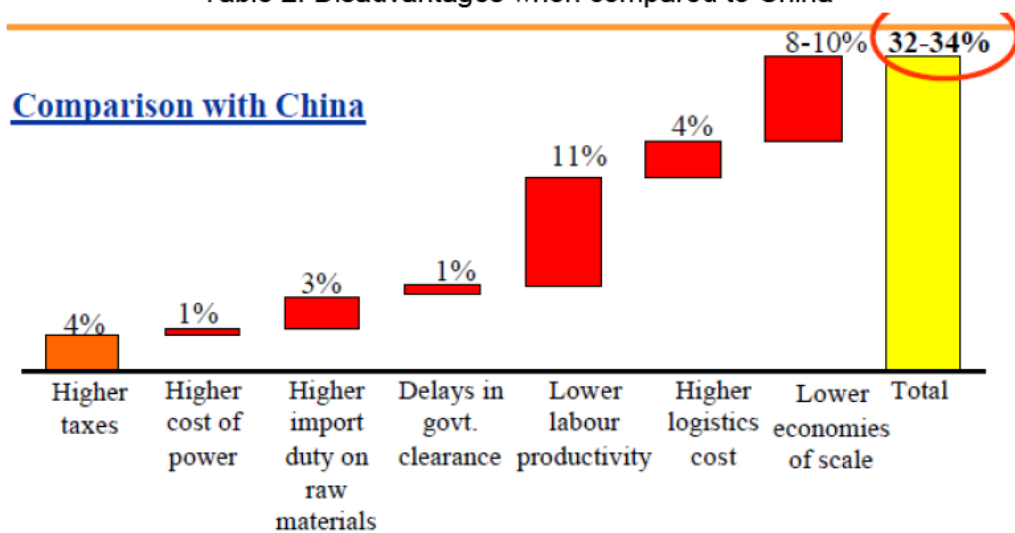
## ANNEXURES

Annexure – A

Table 1: Export of Indian Leather &amp; Leather Products from 1994-95 to 2004-2005

CATEGORY	APRIL- MARCH										
	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05
FINISHED LEATHER	382.96	371.33	301.06	295.83	264.67	239.82	381.49	459.25	508.83	555.71	577.00
LEATHER FOOTWEAR	302.49	340.44	337.45	281.90	320.25	377.39	381.37	395.39	423.30	553.04	601.73
FOOTWEAR COMPONENTS	247.49	242.99	222.74	240.48	237.72	215.09	238.09	233.94	175.07	181.27	163.67
LEATHER GARMENTS	387.12	413.62	424.37	425.21	376.66	347.28	460.45	378.75	272.08	301.08	318.73
LEATHER GOODS	208.83	283.85	229.28	301.71	311.15	278.72	343.76	321.46	335.36	403.20	449.69
SADDLERY AND HARNESS	18.53	21.35	25.96	25.96	32.69	34.11	42.66	35.64	43.66	52.71	59.64
LEATHER GLOVES	64.68	78.80	64.96	85.61	94.23	97.80	96.61	85.69	90.04	136.01	118.77
NON-LEATHER FOOTWEAR	14.06	10.63	12.45	15.21	17.52	14.12	19.11	26.02	26.88	53.42	90.21
<b>TOTAL</b>	<b>1626.16</b>	<b>1762.99</b>	<b>1618.27</b>	<b>1671.90</b>	<b>1654.89</b>	<b>1604.35</b>	<b>1963.55</b>	<b>1936.14</b>	<b>1875.21</b>	<b>2216.45</b>	<b>2379.44</b>
<b>Source: DGCI&amp;S</b>											

Table 2: Disadvantages when compared to China



Source: "Competitiveness of Indian Footwear Industry", by ICRA

## Annexure 2

Table 1.1: Footwear Sector

Description	Liberty	Relaxo	Mirza	Superhouse	Sarup Tanneries
Net Sales	297.24	686.01	472.85	358.41	36.14
EBIDTA	24.80	72.08	84.60	35.36	30.4
EBIDTA as % of Net Sales	8.34%	10.51%	17.89%	9.87%	8.41%
PAT	10.64	26.71	39.18	13.65	0.85
PAT as % of Net Sales	3.58%	3.89%	8.29%	3.81%	2.36%
Market Cap	154.81	294.09	199.78	55.27	11.95

Table 1.2: Automobile Sector

Description	Hero Honda	TVS Motor	Maruti	Amtek Auto	RICO Auto
Net Sales	19245.03	4363.11	36811.72	1277.70	1307.97
EBIDTA	2,885.13	288.59	4,270.29	491.83	139.06
EBIDTA as % of Net Sales	14.99%	6.61%	11.60%	38.49%	10.63%
PAT	1927.90	88.02	2382.37	143.06	13.30
PAT as % of Net Sales	10.02%	2.02%	6.47%	11.20%	1.02%
Market Cap	34787.74	1211.25	32445.72	3199.97	196.86

- All data has been extracted from NSE site and the updated results (Audited/ Provisional has been considered
- All data projected is either for year ending 2010, or 2011
- All figures are in INR Crores

Table 1.3: Pharmaceutical Sector

Description	Ranbaxy	Cipla	Dishman	Biocon	Dr. Reddy
Net Sales	5251.49	5359.52	419.57	1531.56	5218.04
EBIDTA	1593.207	1441.49	102.2332	609.67	1305.13
EBIDTA as % of Net Sales	30.34%	26.90%	24.37%	39.81%	25.01%
PAT	1148.73	1081.49	40.12	459.25	893.31
PAT as % of Net Sales	21.87%	20.18%	9.56%	29.99%	17.12%
Market Cap	21696.19	25909.58	704.08	6749.00	25634.43

Table 1.4: IT Sector



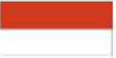



Description	Infosys	TCS	HCL	Aptech	Satyam Computer
Net Sales	25385.00	29275.41	5078.76	9422	5145.00
EBIDTA	9561.00	9258.26	1528.21	1946	7493.0
EBIDTA as % of Net Sales	37.66%	31.62%	30.09%	20.65%	14.56%
PAT	6443.00	7569.99	1056.58	789	-147.30
PAT as % of Net Sales	25.38%	25.86%	20.80%	8.37%	-2.86%
Market Cap	158139.87	212434.19	31455.59	422.33	9835.54

- All data has been extracted from NSE site and the updated results (Audited/ Provisional has been considered
- All data projected is either for year ending 2010, or 2011
- All figures are in INR Crores



### Annexure 3

Import Duties on critical raw materials and machinery are high in India in comparison to competing nations

2004						
	India	China	Indonesia	Malaysia	Vietnam	Korea
Tanned or crust hides & skin	15.3%	5-14%	0%	0%	5%	5%
Leather further prepared after tanning/ crusting	15.3%	5-8%	0%	5%	5%	5%
Tanning extracts of vegetable origin	15.3-34.4%	5-6.5%	0-5%	0%	0%	8%
Synthetic organic tanning substances	40.38%	6.5%	5%	0%	0%	8%
Machinery for preparing/ tanning/ working hides/ skin/ leather or making/ repairing footwear	22.58%	8-8.4%	0%	0%	0%	8%

Source: "Competitiveness of Indian Footwear Industry", by ICRA

Table 1.5: Apparel Sector

Description	Koutons	Shopper's Stop	Trent	Pantaloon	Provogue
Net Sales	1203.76	1687.87	673.95	5934.37	550.35
EBIDTA	231.6119	159.3113	84.6486	676.69	89.558
EBIDTA as % of Net Sales	19.24%	9.44%	12.56%	11.40%	16.27%
PAT	80.24	75.18	43.04	179.56	33.41
PAT as % of Net Sales	6.67%	4.45%	6.39%	3.03%	6.07%
Market Cap	78.36	3460.04	2102.67	5644.39	384.81

- All data has been extracted from NSE site and the updated results (Audited/ Provisional has been considered
- All data projected is either for year ending 2010, or 2011
- All figures are in INR Crores

From <http://www.leatherindia.org/about-us.asp> (As on 18th July 2011)