



ABSTRACT

Industries, Investment Promotion and Commerce - Implementation of Tamil Nadu Footwear and Leather Products Policy 2022 - Orders - Issued.

INDUSTRIES, INVESTMENT PROMOTION & COMMERCE (MIB.1) DEPARTMENT

G.O.(Ms.) No.183

Dated: 23.08.2022

சுபகிருது வருடம் - ஆவணி 7

திருவள்ளூர் ஆண்டு-2053

Read:

From the MD&CEO, Guidance Letter No.PP/FOOTWEAR POLICY/1675/2022-1, dated 10.8.2022.

ORDER:

Tamil Nadu has emerged as the natural leader in the footwear sector, contributing 26% of the national output. Tamil Nadu's advantage in this sector is built on the State's diversified manufacturing base in footwear and leather products. The State's continued interest in promoting this sector is due to its large employment and export potential, especially as an engine of growth of rural economies driven by higher participation of women in the industrial workforce. Also, the State has been traditionally a front runner in leather products manufacturing. However, there has been a steady rise in synthetic leather and fibre finished goods manufacturing nationally and globally. While the State recognizes the importance of the leather industry, it is also important that the sizeable work force available with the leather sector should be upskilled and trained to become employable in the non-leather industries. With the rising trend towards non-leather footwear globally, the State needs to further boost the segment to leverage the international market opportunities.

2. During the Budget Speech for the year 2022-2023 in the Legislative Assembly on 18.3.2022, Hon'ble Minister (Finance & HRM), among other things, has made the following announcement:

"தோல் அல்லாத காலணிகள் உற்பத்தியும், தோல் சார்ந்த தொழில்களும் மிகப்பெரிய அளவில் வேலை வாய்ப்புகளை உருவாக்குகின்றன, வேலைவாய்ப்புகள் நிறைந்த இத்துறைகளை மேலும் வளர்க்கும் வண்ணம், புதிய காலணி மற்றும் தோல் தொழில் மேம்பாட்டுக் கொள்கை ஒன்று வெளியிடப்படும்."

3. A draft Tamil Nadu Footwear and Leather Products Policy 2022 has been prepared in consultation with Departments/ Agencies. The Policy envisioned to transform Tamil Nadu as the most favoured destination for manufacturing of Footwear and Leather Products in Asia. The draft policy is aimed to attract Rs.20,000 crores investment in Footwear and Leather Products manufacturing and to create 2,00,000 jobs in the footwear segment by 2025.

4. The Government after careful consideration is pleased to formulate and adopt the Tamil Nadu Footwear and Leather Products Policy 2022 for the State as appended to this Order. The policy strives to encourage ecosystem development of both non-leather footwear and leather footwear and products through targeted interventions for each segment and broad-based policy levers by creating non-leather footwear greenfield clusters with dedicated skilling support, developing and upgrading the existing leather clusters, supporting export of footwear, encouraging traceability for leather products through incentives, improving road connectivity of footwear clusters, ease of doing business through Single Window Portal, assistance in marketing and availing various funds. The policy offers special incentives for the Footwear and Leather Products (FLP) manufacturing, standalone non-leather footwear manufacturing, component cluster, allied footwear industries and FLP Design Centers.

5. The special packages will be sanctioned to eligible industries by the Industries, Investment Promotion and Commerce Department based on the recommendation of Guidance to the Government/Inter-Departmental Committee, and SIPCOT will be the nodal agency for incentive disbursal. The incentives for MSME sector will be sanctioned by the Commissioner of Industries and Commerce. The single window facilitation for sub-large, large & mega industries will be done by Guidance through its Single Window Portal. The single window facilitation for MSME sector will be done by the Commissioner of Industries and Commerce & District Industries Centre.

6. The investments made from April 1, 2022, will be considered eligible for availing incentives. This Policy will be valid until 31.3.2025.

(BY ORDER OF THE GOVERNOR)

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The Senior PA to Hon'ble Minister for Industries, Chennai – 600 009.
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SF/SC

//FORWARDED / BY ORDER//

K. Sunishbaba
23.8.22
SECTION OFFICER

[Signature]
23.8.22



GOVERNMENT OF TAMIL NADU

TAMIL NADU Footwear & Leather Products Policy

2022





GOVERNMENT OF TAMIL NADU

**TAMIL NADU
FOOTWEAR & LEATHER PRODUCTS
POLICY
2022**

**INDUSTRIES, INVESTMENT PROMOTION
AND COMMERCE DEPARTMENT**

GOVERNMENT OF TAMIL NADU

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Definitions

Clusters

Clusters are geographical concentrations of inter-connected enterprises and associated institutions that face common challenges and opportunities. Clusters consist of a critical mass of enterprises located in geographical proximity to each other and enterprises within them share many common features. Besides enterprises, clusters also include support institutions, such as Business associations, Business Development Service (BDS) providers, Financial service providers, including banks, Public authorities such as local, regional and national governments and regulatory agencies, Training agencies such as vocational schools, universities, etc¹.

The definitions of EFA and Employment from Tamil Nadu Industrial Policy 2021 (TNIP 2021) are applicable to this policy and are summarized below for reference:

Eligible Fixed Assets

Eligible Fixed Assets (EFA) shall mean and include land (including development costs such as fencing, construction of internal roads, and other basic infrastructure facilities); permanent buildings; plants, indigenous machinery & equipment, imported equipment, computer equipment, material handling equipment (like forklifts, cranes, etc); tools, dies, moulds, jigs, and fixtures and similar production tools owned and used within the plant or elsewhere within Tamil Nadu; appliances; electrical installations; pollution control, quality control and laboratory equipment; fixtures, tubes, pipes, fittings, and storage tanks, to the extent paid for by the project (For more details refer to Tamil Nadu Industrial Policy 2021, Annexure IV).

Employment

Employment shall mean all jobs that are performed by Direct Employees and Contract Labour (For more details refer to Tamil Nadu Industrial Policy 2021, Annexure IV).

¹ https://www.unido.org/sites/default/files/files/2020-09/Clusters_Brochure.pdf

1. Preamble

1.1. Introduction

The art and industry of leather-making is timeless. The oldest records of Tamil Nadu's tryst with leather-making date back to the Sangam Age in 500 BC, when tanned leather was used for armour, covers of music instruments, travel cases and footwear². The traditional knowledge, when combined with technology and labour intensive modern production methods, led to a burgeoning leather industry. Since the mid-19th century, leather products and footwear industry has been one of the cornerstones of Tamil Nadu's rise as a major industrial hub. It was, in fact, Tamil Nadu (Madras Presidency, at the time) that contributed to India's prominence in leather exports with the innovative use of vegetable dyeing in leather manufacturing. Today, while other legacy leather clusters struggle for survival, Tamil Nadu stands tall and continues to flourish owing to its resilient supply chains and diversification strategies.

Consequently, Tamil Nadu has emerged as a natural leader in the footwear segment, contributing 26% to the national output³. It can be attributed to the organic development of clusters in the State, encompassing a variety of organizational structures for the production of leather and leather products in hubs like Chennai, Ambur, Ranipet, Vaniyambadi, Trichy, and Dindigul and established parks for footwear manufacturing such as Cheyyar and Bargur.

It is said that most global fashion brands have a connection to Tamil Nadu. Footwear of well-known luxury brands such as Louis Vuitton, Giorgio Armani, Gucci, Clarks, Cole Haan, Daniel Hechter, Bugatti, Prada, Zara, Coach, Tommy Hilfiger, Hush Puppies, Ecco, Johnston & Murphy, Hugo Boss, Pierre Cardin, and Florsheim, are either manufactured in Tamil Nadu or the raw materials are sourced from the State.

With growing opportunities in the ever-expanding global footwear market, India is striving to position itself as a manufacturing hub and cater to the rapidly evolving customer needs, domestically and globally. Tamil Nadu has the highest rate of urbanisation nationally, with more than 50% of the population residing in urban areas. In FY 2020-21, the State's per capita income was 94% higher than the national average. The growing health consciousness among the urban population is driving the growth in sports and sustainable footwear market. Rapid urbanization, rising disposable incomes, and increasing media penetration are altering fashion preferences of consumers.

Tamil Nadu's diversified manufacturing base in footwear and leather products gives it an edge over others. Given the sectors' large employment and export potential, it is an engine of growth for rural economies, driven by higher participation of women in the industrial workforce. This dovetails with the Government's continued interest in promoting the sector. The State's economic and demographic profile provides a compelling opportunity and a level playing field for global original design manufacturers and domestic leather manufacturers catering to the domestic and export markets.

The State envisages the development of footwear clusters within the State, catering to the needs of both leather and non-leather footwear manufacturing companies. This Policy also aims to encourage establishment of footwear design studios in the footwear clusters to enable higher value addition.

2. Ramalingam, D. "A Study on the Effects of Leather Industry in Tiruchirappalli, Tamil Nadu." Proceedings of the Indian History Congress 77 (2016)

3. ASI 2017-18

1.2. Advantage Tamil Nadu

Tamil Nadu is the second largest economy in India, a leader in the traditional leather sector and is championing the growth in footwear. The State has a well established industrial ecosystem of high-performing sectors such as Electronics, Textiles, Information Technology, Auto-Mobiles and Auto-Components. It offers a host of advantages in terms of human capital, knowledge and research infrastructure, diversified economy, and favourable investment climate. These are enlisted below:

- *Education Ecosystem*- Tamil Nadu has 59 universities, 2639 colleges, 860 standalone institutes, 200 central and State research institutes, 2 central universities, and 7 institutes of national importance. Tamil Nadu also supports quality manpower supply to Leather Footwear and Products manufacturing. Central Leather Research Institute (CLRI) in Chennai is a Council of Scientific & Industrial Research (CSIR) institute that has an exclusive Show and Product Design Centre with well-equipped Gait Laboratory, CAD/CAM centre, Design and Development facilities, Product fabrication pilot plant and Training facilities. The State also houses institutes such as Footwear Design & Development Institute (FDDI), Central Footwear Training Institute (CFTI) and National Institute of Fashion Technology (NIFT) that offers quality training programs and courses, and generates industry ready employees and professionals for Leather products and footwear companies.
- *Human Capital Hub*- 9 lakh students graduating on average every year from various levels such as PhD, M Phil, Post-Graduate, Graduate, and Diploma. Tamil Nadu is one of the few states to have more female researchers than male researchers (PhD, M.Phil., and Post-Graduates).
- *Good Governance*- With the commitment to achieve Sustainable Development Goals (SDGs), the State is widely acknowledged for according importance to safety, liberty, justice, environment and human life. Tamil Nadu is among the top ranking States in Ease of Doing Business. The Government of Tamil Nadu is undertaking an active role in building strong and consistent Environmental, Social, and Governance (ESG) compliance systems across sectors, industries and government departments, as well as across multiple governance and administrative levels.
- *Leader in Leather Production* - Manufacturing of leather and leather products such as tanning and dressing of leather, luggage, handbags, saddlery, and harness in Tamil Nadu contributes 32% of the national output⁴.
- *Leader in Footwear Production*- Highest number of footwear manufacturing factories in India housing nearly 27% (674) of the factories in this segment.
- *Strong Industrial Linkages*- Well established industries such as automobiles, furniture and garmenting that have forward linkages with leather products; tanneries, chemicals manufacturing and heavy engineering serve as backward linkages for this segment.
- *Leader in Footwear Exports*-Tamil Nadu's share in the national footwear exports has been the highest among all the states with an average of 45% for last 5 years. Leading players in leather footwear manufacturing in the State are also investing in non-leather products manufacturing. The share of the non-leather footwear to the total Footwear Exports in the State has increased consistently i.e. 19 % in 2017-18 to 28% in 2020-21.

- *Women Participation in Workforce-* Periodic Labour Force Survey (PLFS) 2018-19 reported that rural Female Labour Force Participation Rate (FLFPR) within the State was 35.1 %, i.e. 15.4 % points higher than the national figure. Urban FLFPR in Tamil Nadu was 23.6 %, i.e. 7.5 % points higher than urban FLFPR recorded nationally. While at the national level, 30% of labour engaged in footwear manufacturing are women⁵, 70% of Tamil Nadu's workforce in footwear manufacturing are women⁶.
- *Employment Generation-* As per a report released by the Department for the Promotion of Industry and Internal Trade (DPIIT), the footwear sector has the capacity to generate 250 jobs for every investment of Rs.1 crore. Additionally, for every 1,000 pairs of footwear produced and sold in India per day, the sector can create 425 jobs spanning manufacturing, allied industries, and retail. Given the availability of the skilled workforce in the State, Tamil Nadu is an ideal location for employment intensive sectors such as Footwear Manufacturing.
- *Testing Centres-* The State has a number of testing centres such as FDDI, CLRI, Intertek etc with international collaborations. These Centres are well equipped with state of art testing equipment and offer complete range of testing for standards in footwear and footwear components manufacturing and leather products.



1.3 Need for the Policy

Tamil Nadu has traditionally been a frontrunner in manufacturing of leather products. However, there has been a steady rise in synthetic leather and fibre finished goods manufacturing nationally and globally. While the State recognizes the importance of the leather industry, it is also important that the sizeable workforce available with the leather sector is upskilled to take advantage of the employment opportunities in non-leather industries.

The global footwear industry is expected to grow by 5.5%⁷. India, being the second-largest producer of footwear in the world, has huge opportunities to capture the global sustainable footwear and sports footwear market which is growing at almost 5% annually. India has the potential to grow up to eight times its current size by 2030⁸.

India is also the second-largest consumer of footwear but ranks 5th as an exporter with a share of 1.9% in global exports. The countries with higher exports are China, Vietnam, Indonesia, and Germany with a collective share of 77.6 % in global exports⁹. This implies that domestic producers have a huge opportunity to cater to global demand. With recent developments in geopolitics, the State is well placed to attract international players in the footwear manufacturing sector.

Tamil Nadu is a dominant player in the footwear industry at both the national and global levels, accounting for 26% of the national manufacturing output and 48% of the national exports. The existing footwear manufacturing clusters in Tamil Nadu can be leveraged to address the growing domestic demand and export requirements for footwear.

With the global trend shifting towards non-leather footwear, the State needs to further boost the segment to leverage international market opportunities. There is a felt need for clusters in the footwear sector within the State that creates benefits through agglomeration effects and economic spillovers. Currently the footwear sector relies on imports of various inputs such as ornaments, zippers, soles, buckles, and embellishments. Hence, the State needs to support a robust omni channel for leather products and footwear manufacturing that can quickly adapt to the changes in the market. A strong disruption resilient supply chain will help the sector rely less on imports.

Further, there is a component of information asymmetry among the local manufacturers who do not have much exposure to the international market. A cluster based approach can reduce the cost of information for sub-large and large local players. The leather footwear manufacturers and exporters must be encouraged and supported to take sustainable ways of production to thrive the international competition.

A dedicated policy focussing on footwear manufacturing will increase the productivity of existing players and make Tamil Nadu the most favoured destination for footwear exporters. By increasing investment in advanced technology, manufacturers can achieve global competitiveness and meet international quality standards.

7, 8. Invest India Report: Non-Leather Footwear Industry in India (Published on 9th sep 2020)

9. World Footwear Year Book 2020

1.4 Scope of the Policy

Tamil Nadu Footwear and Leather Products Policy 2022 shall cover manufacturing units under the following three broad segments:

1) Footwear

- i. Non-Leather Footwear
- ii. Leather Footwear
- iii. Ancillary units exclusively supplying their finished products to the footwear companies such as buttons and snap fasteners, inlay cards, buckles, eyelets, hooks, rivets, sequin, embroidery thread, stones, toggles, stud elastic cloth, ornaments, embellishments, zips, etc. Processing units of non-leather, such as polyurethane leather, and component manufacturing units such as upper stitching units, stock fitting facility, fly knit factory, mould factory, ornament factory, lace factory, sole factory, footbed factory, etc. supplying to footwear manufacturers shall also be considered as ancillary units.

2) Leather Products

- i. Leather Accessories and Finished Goods (such as handbags, wallets, purses, travel goods, gloves, upholstery etc.)
- ii. Leather Garments
- iii. Saddlery and Harness

3) Footwear and Leather Products Design Studios

Tanneries and leather pre-processing units shall be considered under this Policy only if they are a part of an integrated unit of Leather Footwear and Leather Products manufacturing.

This Policy shall be valid until 31.03.2025. The Policy may be periodically revised from time to time.



2. Objectives

2.1 Vision

Transform Tamil Nadu into the most favoured destination for manufacturing of Footwear and Leather Products in Asia.

2.2 Goals

The Government of Tamil Nadu has set the following targets for the policy term:

- Attract Rs. 20,000 crores investment in Footwear and Leather Products manufacturing.
- Attract 2,00,000 jobs in the footwear segment.

2.2 Mission

- Create a conducive ecosystem and resilient supply chain for footwear manufacturing by supporting infrastructure in terms of clusters, parks and common facilities.
- Enhance the Non-Leather Footwear and Component ecosystem by supporting the ancillary units.
- Boost and upskill the labour supply in Footwear and Leather Products manufacturing through dedicated skilling programs.
- Encourage exports of Footwear and Leather Products, especially the export of Non-Leather Footwear.
- Encourage and support technology upgradation in the leather sector to diversify to Non-Leather Footwear and high value added Leather Products.
- Improve ease of doing business for the Footwear and Leather Products manufacturing units.



3. Ecosystem Development

The export share of non-leather footwear in the footwear segment has shown a steady rise in India over the years. However, the national demand for footwear and its accessories is predominantly serviced through imports. Given the global realignment of supply chains in the post-Covid era, it is an opportune time for the State to capitalise on the global diversification of Non-Leather Footwear and augment indigenous manufacturing capabilities in value-added products of leather. The Government of Tamil Nadu strives to encourage ecosystem development of both Non-Leather Footwear, Leather Footwear and Leather Products through targeted interventions for each segment and broad-based policy levers.

3.1 Policy Levers for Non-Leather Footwear

The Cluster based development approach has been recognized as a success where the production process is fragmented. This approach leads to growth that creates opportunities and enables small manufacturers to take advantage of opportunities through agglomeration. The cluster development model has been successful in Tamil Nadu with over 89 projects establishing common facility centres and infrastructure. The State will identify land parcels in strategic locations to create new clusters for Non-Leather Footwear with dedicated skilling support.

3.1.1 Green Field Clusters

The Government of Tamil Nadu will create new Non-Leather Footwear clusters in the form of Footwear Parks of 30-50 acres, with plug-and-play facilities, through its agencies such as SIPCOT/SIDCO and public-private partnerships.

The Footwear Parks will house the footwear manufacturing units along with supporting/processing industries for various segments in the supply chain. This will ensure higher value addition in footwear manufacturing with quality that can meet international export standards. A detailed list of proposed facilities and factories within the cluster is provided in Annexure 1. The Government will enable enhanced connectivity for industries that are located outside the clusters due to different resource or compliance requirements but are an essential part of the supply chain. The Government shall ensure adequate and uninterrupted water supply to the manufacturing units.

Further, given the high women participation in the sector, it is necessary to provide safe and affordable accommodation to women industrial workers. Therefore, working women hostels will be developed in or around the clusters by SIPCOT with funding from the Tamil Nadu Shelter Fund.

3.1.2 Skilling

Tamil Nadu is the knowledge hub for footwear design and manufacturing in the country. The State is home to FDDI, CFTI and NIFT that offer quality training programs and courses, and generate industry ready employees and professionals for leather products and footwear companies. With the targeted increase in manufacturing capacity and capability, the Government shall endeavour to increase the supply of skilled labour and upskill the existing workforce. The State will institute upskilling programmes for workers at the shop floor level through the Tamil Nadu Skill Development Corporation (TNSDC), State polytechnic institutes and ITIs, and training programs for managerial and supervisory level through appropriate institutes. The State will also support the establishment of training facilities within or near the footwear clusters.

3.2 Policy Levers for Leather Footwear and Products

Tamil Nadu has been known for its prowess in Leather Finished Products, besides footwear. The State's share in manufacturing of leather and related products (tanning and dressing of leather, luggage, handbags, saddlery and harness and dressing and dyeing of fur) is 32%, which is the highest amongst states. To further encourage the Leather Products and Footwear manufacturing, the Government shall develop a sustainable and shock resilient ecosystem comprising small clusters of leather products units along with its ancillary industries such as ornaments, laces, buckles and embellishments. This shall make sure the localization of the entire supply chain and reduce information asymmetry. The Government shall also provide support to the allied industries that are part of the footwear supply chain but located outside the clusters.

3.2.1 Brownfield Clusters

Tamil Nadu has witnessed organic cluster development in the leather sector in major production centres such as Chennai, Ambur, Ranipet, Vaniyambadi, Trichy and Dindigul. In addition to developing greenfield non-leather footwear clusters, the Government shall focus on developing and upgrading its the existing leather clusters. Clustering is a recognized strategy to strengthen and consolidate sub-large players through increased interconnectedness, healthy competition and cooperation. Therefore, the Government shall undertake a study with the Council of Leather Exports to examine the existing gaps in the supply chain of leather products and footwear manufacturing supply chain. These gaps shall be addressed through infrastructural development either by Government initiatives or through public-private partnerships. the footwear clusters.



3.3 Other Policy Levers

3.3.1 Export Support for Footwear Manufacturing

Tamil Nadu Export Promotion Strategy 2021 identifies Footwear as a Champion Sector with high potential for exports and employment. The strategy mentions the following promotion measures for footwear exports.

- Creation of supporting infrastructure such as design studios and quality control facilities, which will support exporters from Tamil Nadu to design products, thus enabling them to move up the value chain.
- Develop mega leather clusters with well-equipped plug-and-play facilities, which can attract large players in the domestic and international markets to invest in the State.
- Establishing customs facilities for the exporters to obtain the inspection clearances at the time of loading and before dispatch from their premises which will minimize the hassle of unloading containers for carrying out checks at the port /airport for export.
- Creating skilled workforce through Centres of Excellence (CoEs) equipped with knowledge of cutting-edge technologies need to be set up in the leather clusters.
- Provide marketing and branding support for footwear manufacturing participating in international trade fairs and conventions to market their products.

3.3.2 Traceability

The global value chains are realigning based on of geopolitical spheres of influence in addition to comparative advantage. To navigate this realignment of long and complex value chains with minimal disruptions, the traceability of supply chains becomes crucial. Supply chain traceability is the process of tracking the journey of products and their inputs, from the very start of the supply chain to its end use. Efficient traceability systems may include institutional arrangements that enable tracing of the movement of a product through stages of production, processing and distribution.

Traceability provides information on provenance, authenticity, ethical credentials, and assurance of quality to an extent. It has three key benefits - increased supply chain visibility, improved quality control systems and reduced risks, including geopolitical risks. By recording the full history of production and distribution, suppliers can react quickly to issues that may arise. This protects suppliers from legal action and consumers from potentially non-standard products. For consumers to become more aware of how and where products are made, transparency is key. Additionally, traceability provides an opportunity for a company to credibly make and verify sustainability claims.

In order to focus on export competitiveness with a thrust towards quality and traceability, the Government of Tamil Nadu will encourage traceability for leather products manufacturers through incentives to support the manufacturers in tracking and recording the origin of products. Further, the Government, in collaboration with Council for Leather Exports (CLE) and CLRI will conduct research on creation of standards that works for both the environment and for local communities.

3.3.3 Logistics and Connectivity

The Government of Tamil Nadu through its various initiatives such as the Comprehensive Road Infrastructure Development Programme, shall aim to improve road connectivity to footwear clusters. This would enable faster transportation to EXIM gateways and enhanced rural labour mobility with reduced per unit transportation cost.

The Government of Tamil Nadu through its agency, Tamil Nadu Industrial Development Corporation Ltd (TIDCO) is developing an Integrated Logistics Plan for the State. The plan aims to establish an efficient and robust logistics system by developing internal and trunk infrastructure for industrial clusters in the state. This shall also include logistics and connectivity of brownfield and greenfield Leather and Footwear Parks/Clusters. Further, eligible manufacturing units may avail funds from Industrial Ecosystem Fund to develop last-mile connectivity.

Since July 2021, the Government has operationalised a scheme that enables working women in the State to travel free of cost in government-owned city and town buses. As 70% of total workers in the footwear manufacturing sector are women, women workers in these clusters shall benefit from this scheme.

The Government shall also endeavour to align the schedules of government buses in bus routes connecting the greenfield and brownfield non-leather footwear and leather clusters to nearby towns and villages to cater to the work-shifts of the manufacturing units, and start new bus routes, if required.

3.3.4 Marketing Assistance

The Government of Tamil Nadu shall support both MSMEs & large industrial Exporting Organisations in Footwear and Leather Products sector in branding and promoting their products. The State shall also host an annual international buyer-seller meet for the sector to provide them a platform for showcasing their export products.

3.3.5 Ease of Doing Business

As part of the Ease of Doing Business initiatives, the new Single Window Portal (SWP) shall provide more than 200 services (including sector-specific and sector-agnostic clearances) across 38 departments, making the process completely faceless, contactless, and paperless. The clearances essential for Footwear and Leather Products manufacturers have been onboarded on the new Single Window Portal providing a one-stop-shop for Footwear manufacturing companies in the state.

The Government of Tamil Nadu has directed a 'CTO scheme for green category industries' under which the green category industries can get direct consent to operate without applying for 'Consent to Establish', similar to white category industries.

3.3.6 Funds for Sustainable Operations

The State has created various funds such as the Industrial Ecosystem Fund, Research and Technology Fund and Emerging Sector Seed Fund that can be availed by Footwear and Leather Products manufacturing units for enhancing connectivity, funding sustainable operating practices, technological upgradation, and seed funding for new or expansion projects. technological upgradation, and seed funding for new or expansion projects.

4. Incentives

The Tamil Nadu Leather and Footwear Products Policy 2022 shall offer special incentives for the following categories :-

1. Special Package for Footwear and Leather Products (FLP) Manufacturing
2. Incentives for FLP Design Studios

4.1 Special Package for FLP Manufacturing

Projects that are 'Large' or above in "B" and "C" Category Districts (Rs. 300 crore +) and 'Mega' and above in "A" Category Districts (Rs. 500 crore +) are eligible for the "Structured Package of Assistance" as per the Tamil Nadu Industrial Policy (TNIP) 2021. *Footwear* and *Finished Leather Goods* manufacturing qualify as sunrise sectors under TNIP 2021 and are eligible for "Special Incentives for Sunrise Sector" comprising Investment Promotion Subsidy, Land Cost Subsidy, Stamp Duty Incentive, Enhanced Incentive for Quality Certification, Enhanced Incentive for Intellectual Property Creation, Interest Subvention, Electricity Tax Exemption, and SGST Refund on Capital Goods.

Considering the labour-intensive nature of the various segments of Footwear and Leather Products (FLP) manufacturing, the eligibility criteria for firms to apply for incentives shall be relaxed according to the following categories under the "Special Package for FLP Manufacturing" in this Policy.

Table 1 : Eligibility Criteria for Industry Categories

Industry Category Type	Eligibility	
	Minimum Investment (Rs. in cr.)	Minimum Employment (Jobs)
Leather Footwear and Leather Products	50	2000
Standalone Non-Leather Footwear	50	2000
Component Cluster	300	3000
Allied Footwear Industries (Outside the Cluster)	150	100

The minimum investment and employment commitment must be met by the unit(s) within a Standard Investment Period of 4 years.

The Industry Category Type – Component Cluster has been included to encourage group investments in clusters and to create positive externalities through the agglomeration of units and localization of the supply chain. The Industry Category Type - Allied Footwear Industries has been included to encourage the manufacturing units that are essential part of footwear and leather product manufacturing supply chain but may operate outside the component cluster. The eligibility conditions to avail incentives under the Industry Categories – ‘Component Cluster’ and ‘Allied Footwear Industries’ are mentioned in Annexure II.

A company can choose to avail incentives under “Special Package for FLP manufacturing” under this Policy or “Special Incentives for Sunrise Sector” under TNIP 2021, subject to satisfying the eligibility criteria of the applicable policy.

Investments made from April 1, 2022, will be considered eligible for availing incentives. The “Special Package for FLP Manufacturing” will include the incentives applicable to Sunrise Sectors as per Section 14 of TNIP 2021 with suitable relaxations/ provisions/ enhancements to include Sub-Large Projects and additional incentives specified, where applicable, as specified hereunder.



Special Incentives Applicable based on TNIP 2021 (with relaxations)

The Special Incentives applicable to Sunrise Sectors as per Section 14 of TNIP 2021 with relaxations and additions are provided below:

4.1.1 Investment Promotion Subsidy

The FLP units can avail one of the following options for investment promotion – a) Turnover-based Subsidy or b) Fixed Capital Subsidy, subject to eligibility.

a) Turnover-based Subsidy

Considering the higher turnover to asset ratio in Footwear and Leather Products manufacturing, a turnover-based subsidy shall be applicable as a percentage of the turnover in each financial year for the following categories, subject to meeting the eligibility criteria for the applicable categories.

Table 2 : Turnover-based Subsidy (% Annual Turnover)

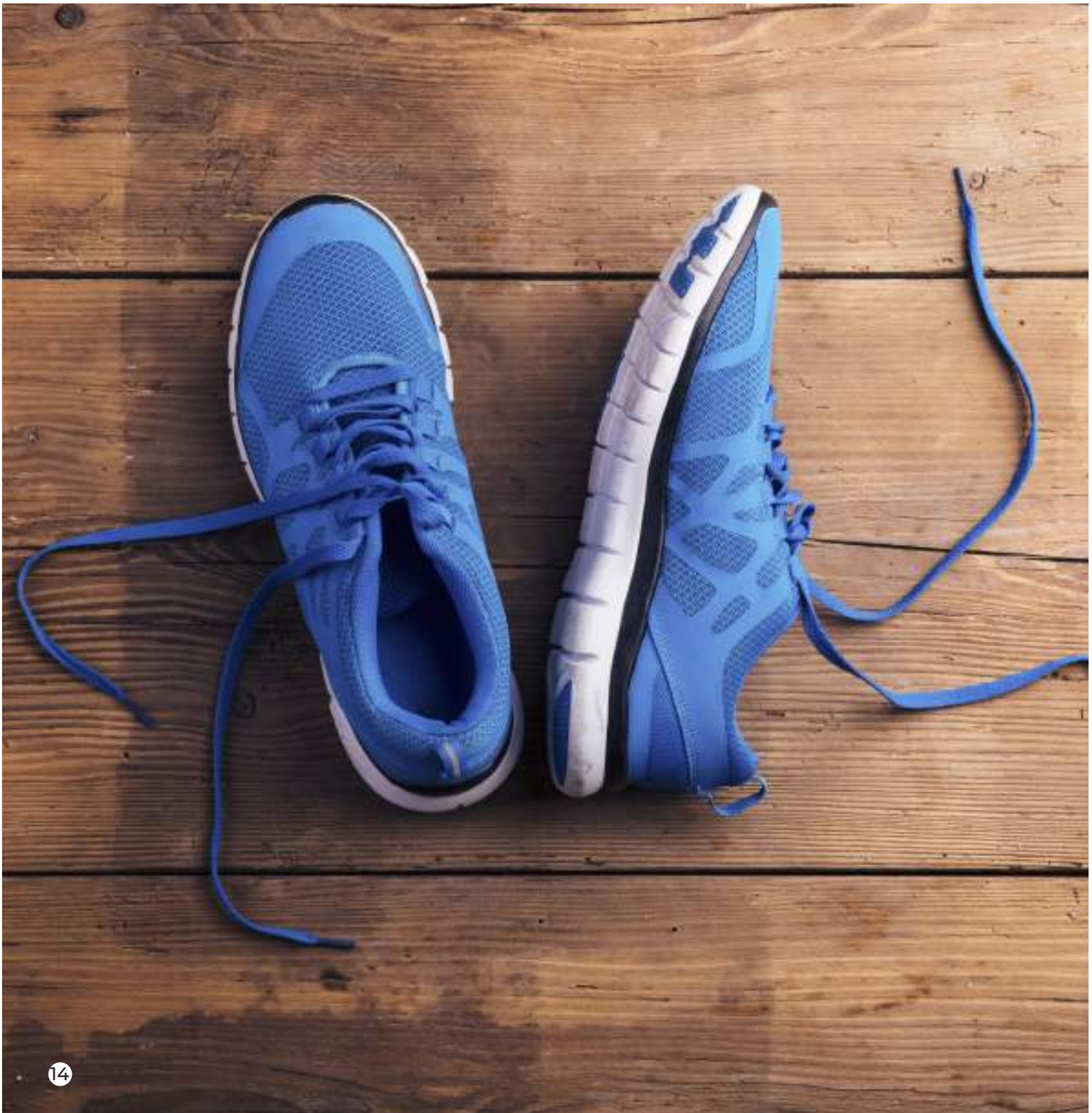
Industry Category Type	"B" Category District	"C" Category District
Leather Footwear and Leather Products Manufacturing	1.5%	1.75%
Standalone Non-Leather Footwear Manufacturing	1.75%	2%
Component Cluster	1.5%	1.75%

The company can choose to avail the Turnover-based Subsidy from the date of commercial production or upon achieving the minimum eligible investment for Structured Package in the given Industry Category type, whichever is later, up to a cap of 4% of cumulative investment in Eligible Fixed Assets per annum for a period of 10 years.

In case of Component Clusters, units within the designated component cluster shall be eligible to avail a Turnover-based Subsidy (as mentioned in Table 2) as applicable from the commencement of commercial production of all units within the component cluster, subject to a cap of 4% of cumulative investment in Eligible Fixed Assets (EFA). In case a unit chooses to avail the subsidy before the commercial production of all the units, the individual units will be eligible to avail 50% of the applicable incentives in a given year, from the commencement of commercial production of the individual unit, subject to a ceiling of 2% of its cumulative investment in EFA. Upon the commencement of commercial production of all the units, the balance 50% of applicable incentives shall be adjusted in the subsequent years over the incentive disbursement period. the Turnover-based Subsidy for expansion projects shall be determined on a case-to-case basis and the base volume principle will be applicable.

b) Fixed Capital Subsidy

Industries allied to Footwear Manufacturing, or component industries located outside the clusters shall be eligible for a Fixed Capital Subsidy of 10% of investment in Eligible Fixed Assets to be disbursed in ten equal annual instalments. The company can choose to avail the Fixed Capital Subsidy from the date of commercial production or upon achieving the minimum eligible investment threshold of Rs.150 crores and minimum employment threshold of 100 jobs, whichever is later. If the company chooses to avail the Fixed Capital Subsidy prior to the completion of the investment and employment commitment, the Fixed Capital Subsidy shall be disbursed in tranches corresponding to the cumulative investment made until then and subsequent tranches for actual annual incremental investment within the investment period.



4.1.2 Training Subsidy

Skilling support can be availed in form of Training Subsidy of Rs. 4000 per worker per month for 6 months for residents of Tamil Nadu. For women and transgender employees, persons with benchmarked disabilities, persons from SC/ST communities the training subsidy shall be Rs. 6000 per worker per month for 6 months.

4.1.3 Land Cost Subsidy

For eligible projects in SIPCOT estates, land allotment will be made with a 10% concession on SIPCOT's rate in "B" districts and with a 50% concession on the rate in "C" districts for land up to 20% of EFA. For private land in "C" districts, 50% subsidy will be offered on the cost of land as per guideline value, up to an extent of 50 acres and subject to land cost not exceeding 20% of EFA and a cap of Rs. 2 crores provided that at least 70% of the land is used for manufacturing operations. In case the investor chooses to avail the land cost subsidy, land will be excluded from Eligible Fixed Assets for the purpose of Investment Promotion Subsidy.

4.1.4 Stamp Duty Incentive

100% stamp duty exemption will be given for lease or purchase of land/ shed/ buildings meant for industrial use in land obtained from SIPCOT. In the case of private lands, stamp duty concession will be given as a 100% back ended subsidy for upto 50 acres on fulfilment of investment and employment commitment.

4.1.5 Enhanced Incentive for Quality Certificate

Projects obtaining certifications like ISO, ISI, BIS, FPO, BEE, AGMARK, and ECOMARK or any other national or international certification shall be eligible for a subsidy of 50% of the total cost incurred for obtaining the certification, as certified by the Chartered Accountant, limited to Rs. 1 crore for the period of investment.

4.1.6 Enhanced Incentive for Intellectual Property Creation

The Government will reimburse 50% of the expenditure incurred by the Project for the investment period for a patent, copyright, trademarks, Geographical Indicators registration subject to a maximum of Rs. 1 cr. for the period of investment.

4.1.6 Enhanced Incentive for Intellectual Property Creation

The Government will reimburse 50% of the expenditure incurred by the Project for the investment period for a patent, copyright, trademarks, Geographical Indicators registration subject to a maximum of Rs. 1 crore for the period of investment.

4.1.7 Interest Subvention

Interest Subvention of 5% as a rebate in the rate of interest shall be provided be on actual term loans taken for the purpose of financing the project for a period of 6 years, subject to the limits provided in the next Table.

Table 3 : Interest Subvention for Project Categories

Project Category	Maximum Incentive Disbursal Period (Year)	Ceiling per annum (Rs. Lakhs)
Sub Large	6	5
Large	6	20
Mega	6	100
Ultra-Mega	6	400

4.1.8 Standard Incentives

The Project shall also be eligible for standard incentives, namely, electricity tax exemption for 5 years (Para 13.5.1 of TNIP 2021) and green industry incentives of up to Rs. 1 cr. (Para 13.5.3 of TNIP 2021). Projects availing the Enhanced Quality Certification/IP Incentive (section 4.1.5 and 4.1.6 of this policy) shall not be eligible for Quality Certification/IP Incentive under Standard Incentives, respectively.

4.1.9 SGST Refund on Capital Goods

The Project shall also be eligible for SGST refund on capital goods in case of inverted tax structure as specified in Para 13.6 as per TNIP 2021.

4.1.10 Transport Subsidy

Transport and logistics is a significant operating expenditure for companies. As per TNIP 2021, to facilitate the transition of foreign companies to Tamil Nadu, 75% of the cost incurred on transportation and logistics towards the relocation of capital goods from the source country to Tamil Nadu within the investment period, shall be reimbursed. It will be subject to a total limit of Rs. 10 crore.

Additional Incentives over and above TNIP 2021

4.1.11 Marketing Assistance

Based on Tamil Nadu Exports Strategy 2021, for Large, Mega, and Ultra Mega projects firms (as per TNIP 2021) operating in the State in Footwear and Leather Goods, the Government of Tamil Nadu shall reimburse 50% of the physical and digital marketing expenses of Footwear and Leather Products manufacturing units that export more than 50% of their products, capped to Rs. 20 lakhs per year per firm up to a period of 5 years.

4.1.12 Traceability Incentive

In order to support establishing an end-to-end system that enhances traceability by capturing information on provenance, authenticity, ethical credentials, and quality, 50% of the expenditure incurred on the purchase of a specialized software license for Traceability Systems or implementing the Traceability Systems within the Standard Investment Period of 4 years, shall be reimbursed subject to a ceiling of Rs. 25 lakhs.



4.2 Incentives for FLP Design Centres

Footwear design is a creative endeavour of designing a shoe - both from a visual and technical aspect. A well designed product has a higher possibility of success in the market. This includes identifying market opportunities through customer feedback and future needs, clearly defining a problem or future need, and determining whether to solve those problems or to meet future needs and this new solution. It involves imagining, creating, and iterating new products by developing appropriate solutions, and validating them with real end users. A good product design can not only enhance the competitiveness of the company, but can also capture a major share of the market. Design is an important part of the value chain, but it is still at a nascent stage in India. The rich tradition and legacy of the State provides numerous opportunities for development of indigenous, contemporary and fusion designs that can capture the domestic and international markets. In order to develop the design value chain, the State shall facilitate and promote international design centres in the State through the following incentives for design centres projects with investments of more than Rs. 10 crores and employment generation of 20 jobs within the Standard Investment Period of 4 years.

4.2.1 Special Capital Subsidy

FLP Design Centres shall be eligible for a Fixed Capital Subsidy of 5% of investment in Eligible Fixed Assets disbursed in five equal annual instalments upon completion of the minimum investment and employment criteria..

4.2.2 Training Subsidy

Training subsidy of Rs 10,000 per month per designer shall be offered for 6 months for the residents of Tamil Nadu subject to a maximum of 50 employees.

4.2.3 Lease Rental Support

Design Centres established in the greenfield or brownfield clusters will be eligible for reimbursement of 50% of rental expenses up to Rs. 30 lakhs per year within the Standard Investment Period.



5. Incentives for MSME

The Government of Tamil Nadu offers a wide range of schemes and incentives for enterprises classified as Micro, Small or Medium Enterprise based on the following composite criteria:

Type of enterprise	Investment in Plant & Machinery not exceeding	Turnover not exceeding
Micro	Rs. 1 crore	Rs. 5 crores
Small	Rs. 10 crores	Rs. 50 crores
Medium	Rs. 50 crores	Rs. 250 crores

As per the MSME Policy 2021, the Micro, Small and Medium Enterprises are eligible for the following services, incentives and schemes:

- The MSME Department has developed and implemented a Single Window Portal for MSMEs as per the Tamil Nadu Business Facilitation Act, 2018, to promote Ease of Doing Business. The existing MSMEs can also avail these for renewal of their licences through the Single Window Portal.
- Innovation Voucher Program, Venture Capital Fund, Schemes for fund raising and leveraging IPR regime are available through MSME policy to foster an innovation ecosystem for MSMEs. These schemes cover portions of the budget or total expenditure incurred on SME IPO, part of cost of filing the patent registration, 50 % subsidy on the cost of filing application for Trade-Mark registration including the cost of first-time maintenance fee / Geographical Indicators registration / application.
- The enterprises in thrust sectors set up anywhere in the State are eligible for special capital subsidy up to Rs.150 lakhs in three instalments and additionally micro enterprises anywhere in the State are eligible for payroll subsidy.
- Low Tension Power Tariff Subsidy is available to new micro enterprises / enterprises going in for expansion & diversification using Low Tension Power Supply (Tariff III B) only, equivalent to 20% of power consumption charges for 36 months from the date of commencement of production or date of receiving the power connection, whichever is later.
- Additional Capital Subsidy to promote cleaner and environmentally friendly technologies at 25% of plant and machinery value up to Rs 10 lakhs is available for all new and existing micro enterprises located anywhere in the State, and small and medium manufacturing enterprise in select locations.
- In addition to the above schemes, interest subsidy schemes for technology upgradation, terms loan availed from TIIC, credit linked subsidy, stamp duty exemption, marketing support energy audit charges and implementation charges reimbursement, quality certification support, technology development fund are also available for MSMEs.
- Other incentives under MSME Policy 2021, as applicable

6. Implementation

The special packages such as 'Special Package for FLP Manufacturing' and 'Incentives for FLP Design Centres' shall be sanctioned to eligible industries by the Industries, Investment Promotion and Commerce Department based on the recommendation of Guidance to the Government / Inter-Departmental Committee, and SIPCOT shall serve as the nodal agency for incentive disbursement. The existing institutional mechanism for disbursement of investment related incentives to industries and other implementation guidelines (as per TNIP 2021 or the prevailing industrial policy) shall be applicable to the Footwear and Leather Products industries eligible under this Policy.

The incentives for MSME sector shall be sanctioned by the Commissioner of Industries and Commerce. The single window facilitation for sub-large, large & mega industries shall be done by Guidance through its single window portal. The single window facilitation for MSME sector shall be done by the Commissioner of Industries and Commerce & District Industries Centre.



Annexure I

1. Design Development Centres
2. Training Academy
3. Stock fitting facility
4. Upper stitching units
5. Fly knit factory
6. Mould factory
7. Ornament factory
8. Lace factory
9. Sole factory
10. Footbed factory
11. Foam lamination factory
12. Heat transfer and welding facility
13. Shoe box making facility
14. Outer carton facility
15. Bonded Warehouse with showroom
16. Common utilities, Power supply station, Dormitory, Creche, Medical Centre, Boiler, compressed air, STP, Incineration and waste disposal facility for all

Annexure II

The eligibility conditions to avail incentives under the Industry Categories – ‘Component Cluster’ are as follows:

- a. The aggregate investment and employment of a group of related projects/companies (group investors) supplying to a footwear manufacturing unit shall be jointly considered for the purpose of eligibility if the aggregate investment and employment meets the minimum eligibility criteria for investment and employment of Rs. 300 crore and 3000 jobs respectively.
- b. The group investors in the component cluster must individually receive 50% of their annual turnover due to sales to a Footwear/Leather Products manufacturing unit.
- c. The group investors in the component cluster shall furnish an undertaking from the Footwear/Leather Product manufacturing units that the group investors are suppliers to Footwear Manufacturing unit (within or outside the cluster) and have a valid contract for 5 years or more.

The eligibility conditions for the ‘Allied Footwear Industries’ is as follows:

- a. The manufacturing unit must individually receive 50% of its annual turnover due to sales to a Footwear/Leather Products manufacturing unit.
- b. The manufacturing unit shall furnish an undertaking from the Footwear/Leather Product manufacturing unit, that the unit is a supplier to the Footwear/Leather Product manufacturing unit and has a valid contract for 5 years or more.



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