



Department of Industrial Policy
and Promotion

Department of
Commerce

Leather Sector

Achievements Report

December 21, 2016*



MAKE IN INDIA

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Leather Sector

The Indian leather industry enjoys a predominant place in the Indian economy and has been a major contributor to export earnings. India has an abundance of raw materials with access to 20% of world's cattle and buffalo and 11% of the world's goat and sheep population. Globally, India is the **2nd largest producer of Footwear and 2nd largest exporter of Leather Garments.**

India's leather industry is set to grow exponentially over the next five years with a growth target of 50% in exports from 2016-20. Per capita consumption of footwear in India is projected to increase and total domestic consumption is expected to reach up to 5 billion pairs by 2020. The industry is highly labour intensive and employs around 3 million people out of which 30% are women. The sector has a **potential to generate 250 jobs for every INR 1 crore investment.**

Policy Initiatives & Investments

FDI Policy

100% Foreign Direct Investment is permitted through the automatic route.

FDI Equity Inflow

During the last two years, (Apr 2014- Dec 2016), a total of USD 53.39 million has been received in FDI.¹

Details of major investments in the sector are provided in Annexure I.

Exports

Indian leather industry was **USD 17.85 billion in size during FY2015-16** where exports accounted for USD 5.85 billion and the domestic consumption was USD12 billion.

Fiscal Incentives

- Excise duty reduced to 6% from 12% on leather footwear (footwear with uppers made of leather) with retail sale price of more than INR 1000 per pair (Budget 2015-16).
- Services by Common Effluent Treatment Plants (CETPs) exempted from service tax with effect from April 1, 2015.
- Interest rate reduced to 3% on Rupee Export Credit to MSME units and all footwear units under Interest Equalisation scheme launched on April 1, 2015.

Reforms under Foreign Trade Policy 2015-20

- 3% duty scrip under Merchandise Exports from India Scheme (MEIS) for notified leather products and footwear and 2% duty scrip for finished leather products for export to Group A and B countries.
- Zero duty Export Promotion Capital Goods Scheme (EPCG) implemented in previous Foreign Trade Policy (FTP) has been retained in FTP 2015-20.

1. Data from DIPP FDI Cell



- Infrastructure Projects in Export Clusters under ASIDE² Scheme: The Council for Leather Exports (CLE) has been notified as a Central Agency for implementing Infrastructure projects relating to Leather Sector across the country with financial assistance from the Department of Commerce (DOC) under ASIDE Scheme as well as from the State Government.
- Zero import duty on hides & skins, semi-processed as well as finished leather, raw and tanned fur-skins.

Skill Development

The Indian government has put in place an array of measures for skill development and skill up-gradation of workforce in this sector.

- Under Indian Leather Development Programme, primary skill development training has been imparted through the Footwear Design and Development Institute (FDDI).
 - During FY 2014-15: **1,38,608 trained and 82% placed**
 - During FY 2015-16: **1,44,000 trained and 80% placed**
 - During FY 2016-17: **1,17,499 trained** out of a target of 1,44,000 and **80% have been placed** as of January, 2017
- To enhance the institutional infrastructure, **two new branches of Footwear Design and Development Institute (FDDI)**, with assistance

of INR 100 crore for each branch, have been built in the Punjab (Banur) and Gujarat (Ankleshwar).

- Under National Skill Certification policy and Monetary Reward Scheme of the National Skill Development Corporation and Pradhan Mantri Kaushal Vikas Yojna (PMKVY), **60,359 youth have been trained** for various job roles in leather and footwear industry since July 2015.³

Other Initiatives

- INR 765 Lakh has been sanctioned by Department of Commerce under Market Access Initiative scheme and INR 297.93 Lakh under Marketing Development Assistance scheme for marketing programmes and activities during FY 2016-17.
- **Approval provided for setting up Mega Leather Clusters at Kota Mandal, Nellore district, Andhra Pradesh** with a central government assistance of INR 125 crore. The project is expected to generate employment for 20,000 people and leverage an investment of at least INR 500 crore in the first phase itself.

2. Assistance to States for Development of Export Infrastructure and Allied Activities (ASIDE) Scheme

3. Data from Nation Skill Development Corporation, November 12, 2016



Annexure

Annexure I: Major FDI equity inflow in the sector since April 2014 are listed below⁴

Sl.No	Name of Indian Company	Country	Name of Foreign Collaborator	FDI Equity Inflows (USD Million)
1	Mayur Uniquoters Ltd	Mauritius	Westbridge Crossover Fund	11.66
2	Robemall Apparels Pvt Ltd	Mauritius	Indi Yuva Limited	10.24
3	Safari Industries (India) Ltd.	Mauritius	Tano India Pvt Equity Fund	7.40
4	ZF India Pvt Ltd	Germany	ZF Friedrichshafen AG	4.81
5	Apache Footwear India Private Limited	Singapore	Apache Investment Holding Pte Ltd	3.90
6	Tannex Apparels Limited	HongKong	Union Energy International Ltd	3.28
7	Itares Shoes Pvt Ltd	Netherlands	Hollre B.V	1.37
8	Hidesign India Private Limited	France	Louis Vuitton Malletier	1.13
9	DMI Draexlmaier Mfg India Pvt Ltd	Germany	Lisa Draexlmaier Gmbh	1.01
10	Heromount Footwear India Private Limited	HongKong	Heromount Ltd	1.01

4. Data from DIPP FDI Cell

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