



India backs leather to boost national economy

Ahead of the 2018 Indian International Leather Fair (IILF) in Chennai, the Indian government unveiled a support package of more than \$400 million for the leather industry, which is seeking to get back on track following more than two years of export decline.

The leather industry can play a vital role in the growth of the Indian economy - that was the message from the country's Minister of Commerce and Industry, Suresh Prabhu, ahead of the 2018 Indian International Leather Fair (IILF) in Chennai.

This year's event, its 33rd edition, took place from February 1-3 and saw 500 companies exhibiting, including 160 from outside of India. More than 20 countries were represented, with China, Germany, France, Italy and Brazil setting up their own pavilions to allow their companies to connect with existing Indian customers and to generate new business leads.

Deepak Kumar, executive director of the India Trade Promotion Organisation (ITPO), which alongside India's Council for Leather Exports (CLE) co-organises IILF, said

the exhibition aims to "project Indian as an investment destination". For his part, ITPO chairman, LC Goyal, described it as the "ideal platform" to showcase the Indian leather industry's latest technologies and innovations, as well as offering an opportunity to demonstrate its potential.

Mr Prabhu was the guest of honour at the inauguration ceremony. In a passionate address, he said Prime Minister Narendra Modi is building "a new India", with economic development serving as a central pillar of this project. He explained that the government wants to "re-engage" the country with the rest of the world in order to restore its global footprint. As part of this strategy, it is aiming for 40% of the



The most recent IILF was well-attended by visitors from India and abroad.

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country's gross domestic product to come from global trade by 2025. This would include exports of \$1 trillion.

This export target will not be achieved unless more products are manufactured domestically, the minister warned. Although service exports are growing at a faster rate, he said material exports remain as important as ever and named the leather sector as one of the areas on which the government intends to focus its efforts.

Challenging times

Ahead of IILF, the chairman of CLE, Mukhtarul Amin, admitted the last two and a half years have been "a challenging period" for the Indian leather industry. He explained that leather exports have fallen from \$6.5 billion in the 2014-15 financial year to \$5.67 billion in 2016-17. Footwear made up 49% of this latest figure, with leathergoods representing 23.3% and finished leather 15.7%. Exports during the last full financial year were 3.2% lower than for the previous 12-month period. This followed on from a 9.9% fall in the previous year.

Despite these setbacks, Mr Amin praised the industry for its "fighting spirit" and expressed optimism that there would be a return to export growth in the coming years. To ensure this happens, he stressed that CLE has continued its aggressive marketing efforts in traditional markets such as the US and Europe, as well as targeting new markets with strong potential like Australia, Japan, the UAE and Russia.

He did offer some good news for the industry figures in attendance in Chennai, revealing that leather exports grew 1.48% in dollar terms between April and December 2017. He said this improvement gives him confidence that double-digit export growth can be achieved in the near future.

Mr Amin thanked Mr Prabhu for attending the inauguration ceremony, suggesting the minister's presence was testament to the central government's commitment to the leather industry. "The government of India has always supported and guided the leather industry and the recent turnaround in exports can be attributed to a series of support measures and programmes announced in recent months," he said.

Fresh investment

The latest such measure, a special government package to boost the country's leather, footwear and accessories (LFA) industry, was unveiled by the minister. The initiative, which is to be known as the Indian Footwear, Leather and Accessories Development Programme (IFLADP) 2017-2020, is backed by government investment of Rs 2,600 crore (more than \$400 million). It is divided into a series of sub-schemes which focus on different aspects of the industry, from skills training and brand promotion, to the establishment of new clusters and the upgrading of waste treatment facilities.

In his address at the inauguration ceremony, ITPO chairman, LC Goyal, said the leather industry has a "tremendous social dimension" and can significantly improve the living conditions and quality of life of those working within it. This sentiment was echoed by Mr Prabhu, who emphasised that every industry greatly depends on its workforce, which means their well-being should be of the highest concern.

This message is reflected in the new support package. As



Mukhtarul Amin, chairman of CLE, speaks at the inauguration ceremony for IILF 2018.

part of a sub-scheme focusing on human resource development, the government aims to train 432,000 unemployed people to work in the leather industry, as well as upgrading the skills of 75,000 existing workers. This will be achieved by providing financial assistance to both the workers themselves and to their employers. The scheme proposes the mandatory placement by companies of 75% of trained workers in exchange for these training subsidies.

Beyond training, there are plans to formalise 200,000 jobs in the leather sector by subsidising employer contributions to the Employees' Provident Fund (EPF) for all new employees in the LFA industry. EPF also includes allowances for pensions and insurance cover.

To guarantee a long-term supply of skilled workers, funds have been set aside to train 150 'master trainers', who will be responsible for training future generations of leather industry workers. To this end, some of India's 12 footwear design and development institute campuses will be upgraded to centres of excellence and three new fully-equipped skills centres will be built near to the sites of three planned mega clusters.

The building of these clusters is another part of IFLADP. The government aims to establish three or four over the next three years to boost production of LFA. It will offer graded assistance of up to 50% of the cost of each project, excluding the cost of purchasing the land. A proposal for a cluster in the Nellore district of Andhra Pradesh has already been approved. It will be the largest of the new clusters and will be dedicated to footwear and leathergoods manufacturing. No tanners will be located at this site. The other sites being considered are: in Sohna in Haryana



Suresh Prabhu (second from right), India's Minister of Commerce and Industry, unveiled the government's new support package for the leather industry ahead of IILF.



The Designers Fair took place alongside IILF for the third time. It gave 40 designers from nine countries the opportunity to display their products to Indian manufacturers and exporters of leather, leather products and footwear.

State; at the Kolkata leather complex in West Bengal; and at Ramaipur, near Kanpur in Uttar Pradesh.

Stimulating the growth of India's micro, small and medium enterprises is also part of the government investment package. It proposes helping 1,000 leather, footwear, accessories and component manufacturing units to grow by offering them grants of 30% towards the cost of new plants and machinery. These companies can also apply for grants covering 20% of the cost of upgrading technology at existing units.

CLE chairman has said improving the waste treatment capabilities of leather clusters across the country is the "biggest component" of the development programme. It will make up Rs 782 crore (\$122 million) of the total investment. These funds will be used to subsidise up to 70% of the cost of installing or upgrading the country's common effluent treatment plants (CETPs). The three CETPs operating in Uttar Pradesh are not covered under this sub-scheme. Mr Amin said tanners have shown a willingness to carry out these improvement works and the investment from the government means funding them is no longer an issue.

A further focus of the programme is the promotion of Indian LFA brands overseas. This is in line with the government's desire to create a more outward-looking country in order to increase overseas trade and exports. Funding will be provided to 10 brands to expand their international reach. This can be used for promotional activities such as displaying products in international department stores, creating product catalogues or launching advertising campaigns. The brands can claim 50% of the cost of such projects. Mr Amin said this sub-scheme represents the first time that significant investment has been made in brand promotion. He expects it to help Indian brands expand beyond the domestic market into the international arena.

Raw material request

While the Minister was in Chennai, he took the opportunity to make a request for additional assistance for the leather sector in a number of areas. One issue he mentioned was the availability of raw materials, which he said are essential for the growth of the value-added products segment. He explained: "Although India has a huge raw material strength in the form of domestic availability of leathers, the industry is increasingly resorting to imports to get certain types of leathers and to meet shortages in domestic supply." He asked the government to allocate funds to assist in the establishment of refrigeration facilities in Tamil Nadu, Uttar Pradesh and West Bengal to address this problem.

The Council for Leather Exports has said that if the leather sector is to meet its ambitious turnover target of \$23 billion by 2019-2020 (including \$7.5 billion in exports) it will require five billion square feet of leather per year. Domestic production is around three billion square feet per year, meaning there is a clear shortfall. In response to this issue, CLE organised a new event, the Raw Materials Sourcing Meet, at IILF. It took place on the first day of the show and saw international suppliers of raw hides and skins, wet blue, crust and leather from countries such as Bangladesh, New Zealand, Brazil, Iran and Egypt attend one-on-one business meetings with Indian manufacturers of leather products to discuss their sourcing requirements. CLE has said it intends to grow this element of the fair in the future.

Mr Amin also urged the government to offer complete five-year tax breaks to overseas companies wanting to establish units in India. He said this would encourage more foreign direct investment in the LFA sector. For his part, Mr Prabhu called on all Indian companies, including those operating in the leather industry, to work on building relationships with overseas companies in order to stimulate not just their own growth but that of the Indian economy. ☺