I DISCUSSION PAPER

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Did the PLI Reap what it Sowed?

An Intermediate Case Study of the Textile Sector

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Discussion Paper

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II INTRODUCTION

As India grapples with leveraging its manufacturing prowess to fuel its growth story with challenges emerging on the fronts of international trade, a closing demographic window, concerns of premature deindustrialization, etc., an analysis of what has been called as her de facto Industrial Policy—Production Linked Incentives, announced in 2020—becomes imperative (Dhar, 2024). Launched to meet a host of objectives, such as reducing import dependencies and promotion of exports, anchoring of global supply chain champions and augment domestic value addition, create employment and scale productive capacities, the PLI scheme covers 14 strategic manufacturing sectors, namely (PMO, 2021; Sitharaman, 2021; PIB, 2024):

1. Large Scale Electronics Manufacturing (LSEM)
2. Critical Key Starting Materials (KSMs)/ Drug Intermediaries (Dis) and Active Pharmaceutical Ingredients (APIs)
3. Manufacturing of Medical Devices
4. Automobiles and Auto Components
5. Pharmaceutical Drugs
6. Specialty Steel
7. Telecom and Networking Products
8. IT Hardware
9. White Goods (Air Conditioners and LEDs)
10. Food Products
11. Textile Products: MMF Segment & Technical Textiles
12. High Efficiency Solar PV Modules
13. Advanced Chemistry Cell Batteries
14. Drone and its Components

Over the past few years, the scheme has attracted both the support and criticism of policy makers, scholars and academicians over issues of context, implementation and even, connotations (Ghosh & Chandrashekhar, 2023; Kant & Patil, 2021; Dhar, 2024). With a total outlay of INR 1.97 lakh crore, the figure of allocations and expenditures for 2024-25 and the outlays in 2025-26 (in Rs. Crores) are given below in Table 1.1. One can intuit a mixed bag of results, highlighting a sectoral specificity, merely in terms of allocations and expenditures, below:

Table 1.1.: PLI Scheme Budget Allocations and Expenditure, 2024-25 and 2025-26

Dept.	Scheme	Allocated Budget, 2024-25	Revised Estimate, 2024-25	Allocated, 2025-26
Dept. of Pharmaceuticals	PLI for KSMs/ DI's/ APIs	58	22	40

	PLI for Medical Devices	85	82	104.93
	PLI for Pharmaceuticals	2000	2046.5	2300
Ministry of Civil Aviation	PLI for Drones and its Components	57	57	0
DPIIT	PLI for White Goods	298.02	213.57	444.54
Ministry of Electronics and IT	PLI for LSEMs	6125	5747	8885
	PLI for IT Hardware	75	30	115
Ministry of Heavy Industries	PLI for Automobiles and its Components	3500	346.87	2818.85
	PLI for ACC Batteries	250	15.42	155.76
Ministry of Textiles	PLI for Textiles	45	45	1148
Ministry of Food Processing Industries	PLI for Food Processing Industry	1444.02	700	1200
Ministry of Steel	PLI for Specialty Steel	245.82	55	305

Source: (Ministry of Finance, GoI, 2025)

The analysis of a scheme of this magnitude, with such ambitious objectives, is constrained by the fact that the scheme is supposed to reap dividends in the mid to long-term, since it is expected to run till 2029-30 in most cases, has provisions of 'gestations' and, is intended to have significant spillover effects. Further, an encompassing analysis of the scheme would also have to take into account the significant differences in the design of the scheme for each sector, along with their vastly differing contexts and particularities. Given such constraints, it is better to understand the PLI scheme in sector specificity and, in lieu of the same, we will dwell into the PLI for Textiles Sector with a focus on MMF and Technical Textiles.

This is fortuitous for a number of reasons. As the Union Govt. amps up the financial outlay for the sector (see Table 1, above) in the ongoing financial year, it invites fresh applications for the scheme from industry stakeholders (Ministry of Textiles, 2025), and as it contemplates extending the scheme to sectors such as leather and related products and garments (Ministry of Finance, GoI, 2025, p. 45; ET Bureau, 2024), a review, notwithstanding its progress being intermediate, may be prudent. Further, in the available analysis of the schemes sector-wise progress, the case of textiles is not adequately covered and curiously omitted in the laudatory releases by the government of the schemes achievements (PIB, 2024; Garg, 2020; Saraswathy, 2025; Vora, et al., 2021; Joseph & Kumar, 2022; Kapoor, Puri, Kartik, Joshi, & Zutshi, 2024; Dhar, 2024; Min. of Textiles and DPIIT, March, 2025).

Moreover, the objectives of the scheme have a specific resonance for the textile sector. For example, take the aspect of scale and productivity. Vis-à-vis other sectors, the formal textile sector is dwarfish, with ~Rs. 5 lakh GVA per worker annually, whereas the same for the formal automotive sector is ~INR 14 Lakh GVA per worker, ~INR 20 Lakh GVA per worker in the chemical formal sector, ~INR 17 lakh GVA per worker in the pharmaceutical sector, and ~INR 7 Lakh GVA per worker for the food processing industries. Alternatively, the avg. GVA per establishment for the formal textile sector is ~ INR 5 cr, whereas for the formal automotive sector is ~ INR 27 cr; for the formal chemical sector, its ~Rs. 15 cr; and formal pharmaceutical sector, ~Rs. 29 cr (based on NIC 2-digit Codes; calculations authors own) (MoSPI, 2024; NSSO, MoSPI, 2024).

In comparison to the sectors mentioned above, the informal textile sector, synonymous with a lesser productive utilisation of resources, is vast, almost employing double the workforce and a hundred times bigger in terms of number of enterprises (NSSO, MoSPI, 2024). In historical terms, this can be traced to the burden of small-sector reservations that had 'crippled' the sector until rather recently (Martin, Nataraj, & Harrison, 2017). To talk employment, the textile sector is considered one of the biggest absorbers of workers, aiding the processes of 'structural transformation' of the Indian economy (Ministry of Textiles, GoI, 2021). Further, to talk of its export potential, the sector, along with the apparel sector, already accounts for ~8% of the export basket, making India amongst the top 10 exporters of textiles and apparel products, holding ~4% of the global trade in these commodities (Min. of Textiles, 2025).

Specifically, of the Man-made fiber (MMF) segment and technical textile products, India's position is the following vis-à-vis other trading giants for some commodity groups for 2023[1]:

Table 1.2.: Major Exporters and Importers of MMF and Technical Textile Commodities by 2 Digit HS Code

HS 2-Digit Code	Major Exporters (Global % shares; value in US $)					Major Importers (Global % shares and value in US $ Bn)				
	1st	2nd	3rd	4th	India	1st	2nd	3rd	4th	India
54 (Man-Made Filaments)	China (49.1%; 24.6 Bn)	Taiwan (4.07%; 2.04 Bn)	Japan (3.84%; 1.93 Bn)	Turkey (3.72%; 1.86 Bn)	3.66% (1.84 Bn)	Vietnam (8.56%; 4.29 Bn)	Turkey (4.45%; 2.23 Bn)	India (4.38%; 2.2 Bn)	United States (4.21%; 2.11 Bn)	N.A.
55 (Man-Made Staple Fibers)	China (35.1%; 13 Bn)	United States (6.57%; 2.43 Bn)	Indonesia (5.07%; 1.88 Bn)	India (4.73%; 1.75 bn)	N.A.	Vietnam (5.23%; 1.93 Bn)	Bangladesh (5.01%; 1.86 bn)	United States (4.78%; 1.77 Bn)	Turkey (4.5%; 1.67 Bn)	2.97% (1.1 Bn)
58 (Special Woven Fabrics and Tapestries)	China (45.3%; 4.99 Bn)	Italy (4.64%; 510 Mn)	Germany (4.36%; 480 Mn)	Taiwan (4.27%; 470 Mn)	3.63% (400 Mn)	Vietnam (8.95%; 984 Mn)	United States (7.94%; 873 Mn)	Bangladesh (4.4%; 484 Mn)	Hong Kong (3.42%; 376 Mn)	1.96% (216 Mn)
59 (Coated, Covered & Laminated Fabrics for Industrial Use)	China (32.1%; 8.08 Bn)	Germany (10.4%; 2.63 Bn)	United States (6.35%; 1.6 Bn)	Italy (4.89%; 1.23 Bn)	2.18% (550 Mn)	United States (11.1%; 2.8 Bn)	Vietnam (6.53%; 1.65 Bn)	Germany (5.34%; 1.35 Bn)	China (4.75%; 1.2 Bn)	3.26% (820 Mn)

HS 2-Digit Code	Major Exporters (Global % shares; value in US $)					Major Importers (Global % shares and value in US $ Bn)				
60 (Knitted Fabrics)	China (55.6%; 18.5 Bn)	Turkey (5.88%; 1.96 Bn)	Taiwan (5.25%; 1.75 Bn)	Vietnam (3.53%; 1.17Bn)	1.51% (501 Mn)	Vietnam (18%; 5.99 Bn)	Cambodia (7.16%; 2.38 Bn)	Bangladesh (5.23%; 1.74 Bn)	Indonesia (4.59%; 1.53 Bn)	2.29% (761 Mn)
61 (Knitted Clothing Accessories)	China (30.2%; 73.8 Bn)	Bangladesh (10.4%; 25.5 Bn)	Vietnam (6.81%; 16.7 Bn)	Turkey (5.25%; 12.8 Bn)	3.24% (7.94 Bn)	United States (20.9%; 51 Bn)	Germany (8.63%; 21.1 Bn)	France (5.15%; 12.6 Bn)	Japan (4.94%; 12.1 Bn)	0.43% (1.04 Bn)
62	China (29%; 64.7 Bn)	Bangladesh (9.58%; 21.4 Bn)	Vietnam (7.21%; 16.1 Bn)	Italy (6.35%; 14.2 Bn)	4.08% (9.1 Bn)	United States (17%; 37.9 Bn)	Germany (8.64%; 19.3 Bn)	France (5.62%; 12.5 Bn)	Japan (5.19%; 11.6 Bn)	0.43% (952 Mn)

Source: (Simones & Hidalgo, 2011, p. y. 2023)

India lingers somewhere in between the list of top 10 producers of these commodity groups as an exporter and still has a significant share of imports, suggesting a clear road ahead, in terms of its position within international trade. In both the segments of MMF and Technical Textiles, the domestic demand has a large space to grow and is poised to attract a workforce from the entire skill spectrum, with India aiming to become the largest producer of both these commodities in the world (India is already the second largest producer of MMF in the world) (Ministry of Textiles; KPMG & FICCI, 2023). The sheer number of sectoral policies in the textile sector as a whole gives a rather promising idea of the 'bets placed' on the success of this sector. Thus, apart from the PLI, there is the PM MITRA (Mega Integrated Textiles and Apparels) Park Scheme, Amended Technology Upgradation Fund Scheme (ATUFS), SAMARTH (Scheme for Capacity Building in Textile Sector), Textile Cluster Development Scheme (TCDS), and National Technical Textiles Mission (NTTM) (Ministry of Commerce and Industry, 2025). These are notwithstanding the import-export support schemes that India runs, such as Remission of Duties, and Taxes on Exported Products (RoDTEP), Advance Authorizations for duty-free imports with export obligations, and Export Promotion of Capital Goods (EPCG) scheme (Indian Trade Portal).

In what proceeds, we will lay out the regulatory design of the scheme in section one while responding to some concerns around the same; the progress made until recently in the administration of the scheme in section two vis-à-vis sectoral tendencies; and conclude with a discussion on some of the probable challenges that the scheme operates in and may be facing, along with recommendations flowing from our analysis.

II REGULATORY DESIGN OF THE PLI FOR TEXTILES SCHEME[2]

Whereas it is beyond the scope of this article to lay out the 'nitty gritties' of the scheme, administratively speaking; we will attempt to lay down some of its salient features and address some of the debates that commentators have initiated, linked to its definitional and regulatory design.

Equipped with an outlay of INR 10,683 cr, the PLI for textiles scheme is operational between 2021 to the end of the financial year in 2030 and applicable to 40 commodities in the MMF Apparel segment, 14 commodities in the MMF Fabrics segment (by HS 6-digit codes), and 10 segments of the technical textiles such as geotextiles, agro, medical, defense, mobile, sports, building and industrial textiles, etc. The scheme is overseen by an empowered group of secretaries constituted by members from NITI Aayog, Dept. of Commerce, DPIIT, Dept. of Revenue, Department of Economic Affairs, Ministry

of Textiles, and led by the Cabinet Secretary.

There are two parts of the scheme, intended to attract the bigger firms and the SMEs', which mandate different rates of incentives for different tracks of investments and turnover. Thus, the Part 1 of the scheme mandates a minimum INR 300 cr investment and INR 600 cr turnover within the notified commodities list, and the second part mandates a minimum of INR 100 cr investment and INR 200 cr turnover. The scheme allows a gestation period of two years to the applicants, following which the minimum mandated turnover is to be adjudged in the 'performance year' one w.e.f. 2024-25 and, then, mandates a minimum incremental turnover of 25% with a cap of additional 10% from performance year 2 onwards. Each years' net performance is adjudged separately, and the scheme allows for a 15% rate of incentive (per turnover annual value) for Part 1 in performance year 1, decreasing by 1% each subsequent year for 5 years and 11%, respectively, for Part 2 applicants.

Table 2.1. Minimum Financial Infrastructure of the PLI for Textiles Scheme

Year	Gestation Period	Performance Year	Incentives Claim Year	Scheme Part 1		Scheme Part 2	
				Min. Prescribed Turnover	R.O.I	Min. Prescribed Turnover	R.O.I
	FY 2022-23						
	FY 2023-24	Optional					
1		FY 2024-25	FY 2025-26	600 cr	15%	200 cr	11%
2		FY 2025-26	FY 2026-27	750 cr	14%	250 cr	10%
3		FY 2026-27	FY 2027-28	937.5 cr	13%	312.5 cr	9%
4		FY 2027-28	FY 2028-29	1171.87 cr	12%	390. 63 cr	8%
5		FY 2028-29	FY 2029-30	1464.84 cr	11%	488.2 cr	7%

Source: (Ministry of Textiles, 2021)

Notwithstanding the infrastructure beyond the minimum prescribed values, the penalties and disincentivizing of defaulting, steps to encourage investments and turnover beyond the minimums, etc.—details which would interest those who intend to avail the benefits of the scheme, rather than policy researchers—there are a number of salient points of the scheme which necessitate foregrounding.

One amongst them is the many ways the scheme ensures productive utilization of resources and domestic value addition. As the scheme says explicitly, 'trading and job-working' are not to be considered as falling within the definition of manufacturing under the scheme, one can find a clear insistence by the government towards initiating novel enterprises in the sector.

Thus, apart from ensuring that the applicant firms and individuals have established credibility in the manufacturing of the product applied for (through financial capacity and relevant experience clauses

within the examination of applications), the scheme mandates that the applicant and participant firm, once selected, are registered separately under the Companies Act of 2013. Further, the applicant and its group companies are mandated to have a record of not defaulting with any financial institution.

Then, the investment capitalization is mandated for setting up of new plants, machinery, equipment, and associated utilities (inclusive of expenditure on captive power, ETPs, water and power supply, IT and ITes infrastructure, etc.) which could be either through purchase or lease, but not be second hand/ used and refurbished resources. Investment in constructions of offices and administrative buildings along with guest houses is not permissible to value recognized in the scheme along with expenditure on consumables or raw material. The scheme also allows for investment in R&D and Testing Laboratories too, within the project budgets.

The value addition formula in the scheme is a fairly simple one: A (defined as, product sale value declared in GST invoices, excluding taxes) minus B (defined as, purchase value of inputs/ raw materials excluding duties, cess and taxes) / B * 100. The minimum value addition under the scheme for incentives is 60% for integrated production (from fiber/ yarn to fabric or fabric to garment or technical textile) and 30% for processing industries (dyeing or printing, etc.)[3].

However, clearly, in the guidelines, the intent behind the scheme is setting up of new facilities and units, the issue that has been highlighted by experts relates to auditing and monitoring modalities under the scheme. Thus, apart from the GST integrations at various steps, the scheme mandates separate accounts for the notified product manufacture in a facility (which also allows for the firm to use the capital invested in the manufacturing of other non-notified products), sample scrutiny by the ministry of textiles, risk management, and a stringent quality and certification mechanism (including independent quality checks by third-parties if the Ministry of Textiles deems necessary), etc.—all of which have been called as 'mirroring the license control Raj' of earlier times, infamous for government control and intervention in the Indian economy (Dhar, 2024).

Apart from the above, one another aspect of the scheme worth noting is a clear direction to promote industrialization in lower tier cities and especially aspirational districts (awarded a higher point in application evaluation), and restriction of firms to move from lower tier cities to higher tiers, except when it aligns with the PM MITRA scheme.

II PERFORMANCE & TENDENCIES, HITHERTO

Although it is still early to comment comprehensively on the functioning and impact of the scheme, as mentioned before, it can still be evaluated on a number of counts. That it is rather still early is most visibly borne by the fact that until 2025, the PLI incentives have been availed by merely two applicant companies, worth 54.50 cr., which are most plausibly in the part 2 of the scheme for SMEs, since the minimum incentive rate for the Part 1 applicants is INR 90 cr. (Minister of Textiles, Aug, 2025). It must also be noted that FY 2024-25, for which the incentive would have been disbursed, is still the 'gestation period'. It is only in FY 2025-26 that the performance years begin, whose incentives would show up in the expenditure budget of 2025-26, next year. The upshot in allocation for FY 2025-26 in the budget, seen above in Table 1.1, is for this reason.

According to the data available, 74 applicant companies have been selected for inclusion in the scheme. Seen in tandem with the reopening of applications until August end, 2025, one may warrant the implication that the applications received and selected for benefits under the scheme are below the expectations of the government (Ministry of Textiles, August 2025 (Date Accessed)).

Furthermore, as of now, the projections of the government on segments for which applications have been received are as follows:

Table 3.1: PLI for Textiles Scheme Projections

Target Segment	Number of Applicants	Investment (in Cr)	Turnover (in Cr)	Employment
MMF Fabrics	9	2,280	24,495	10,914
MMF Apparels	12	2,177	26,095	77,583
Technical Textiles	25	14,762	85,051	28,788
Multiple Segments	28	9,492	81,118	1,41,879
Total	74	28,711	2,16,760	2,59,164

Source: (Ministry of Textiles, August 2025 (Date Accessed))

From above, it is clear that major applications are aiming to build out capacities in either the technical textile segment or in multiple segments which are vertically integrated, ensuring value addition.

Further, it must also be noted that states such as Gujarat, Maharashtra, Tamil Nadu, Uttar Pradesh, and Karnataka are attracting the highest investments, and states like Bihar, West Bengal, Assam, Telangana, etc. do not attract much investments. Although there may be district wise proliferation happening in the top investment friendly states, it does broadly point towards these states maintaining their industrial prowess within India's manufacturing economic geography (MoSPI, 2024, pp. S2-4). Notable exceptions, however, are the ascent of Madhya Pradesh, which ranks in the top 3 states attracting the PLI for textiles investments, and the descent of Punjab and Haryana (Ministry of Textiles, August 2025 (Date Accessed)).

Then, with regards to scale averages and projections, the scheme seems to be on its intended course. Take, for example, the case of per project turnover and employment generated (on the basis of projections) vis-à-vis the sectoral average, at the pan-India level. We see that, while the sectoral average per (operational) factory persons engaged are at ~125 in the formal sector textile manufacturing in 2022-23 (MoSPI, 2024); in the PLI projections, they stand at over 3000 persons engaged per project approved[4]! Then, if one takes the total output value per factory in operation, the turnover (total output) stands at ~ INR 40 cr in the formal textile manufacturing in India; the same average, per project, under the PLI scheme, stands at a high of ~INR 2929 cr. Moreover, the investment already garnered is at ~10% of the capital invested in this sector, in the formal sphere, pan-India (MoSPI, 2024).

Through the last ten years, there has been an interesting development occurring in the formal textile manufacturing in India, where employment elasticity is decreasing, and increased 'informalization' of the workforce is coincident with a rising labour productivity and increase in the capital invested in the sector. One can hint here the germs of that tendency in the sector which has endangered the Indian economy for some time now—rising capital intensification of production which threatens 'jobless growth' (Mishra, Forthcoming, 2025). However, these two developments of increased productivity due to capital intensification may not always lead to jobless or job-loss-ness, and the balance hangs delicately on the policy structure—a fortuitous instance in the last two decades captured by Deb Kusum Das and Gunjita Kalita for the labor-intensive industries (Das & Kalita, 2009). In this regard, the PLI scheme has the clear opportunity to achieve this balance of inclusivity of economic growth.

II CONCLUSION

Beyond what has been already said above, a few theoretical remarks may be made to highlight indicators to watch out for, specifically with regard to the scheme and its evaluation in the Indian context. Thus, the issue of striking a balance between achieving scale and productivity with generating employment is crucial not merely for inclusive development but also because High Growth Firms (HGFs) have a significant record of negatively impacting the industry in which they occur in terms of concentration and centralization of capital[5]. This becomes important in light of the fact that the textile sector in India is heavily concentrated in the traditional and informal sectors and runs the risk of 'running dry' due to spillover effects.

If, on the one hand, such is the delicate balancing that policy needs to foster the industry to achieve; on the other hand, more onus is on the government to facilitate adequate markets for the industry, both internationally and domestically. This becomes all the more important when one considers that the supply chain integration in these sectors may not always be favorable even when all other conditions are favorable. A case in point are the global garment supply chains whereby the integration of firms is such that international brands, located mostly in the global North, are able to dictate prices on their supplier bases, located mostly in the global South, and enjoy a monopsonist power (Nathan, 2021).

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ENDNOTES

1. As per the HS 2 Digit Codes which are extrapolated from the reserved commodities under the PLI scheme for textiles (Ministry of Textiles, 2021).

2. This section has been condensed from (Ministry of Textiles, 2021).

3. Some experts have also raised questions on whether this definition of value addition is an adequate one based on net sales. See, for example, (Raju & Sharma, 2024).

4. The case of Tamil Nadu for which we have more exact figures allows us further precision in our argument. Two points to be noted are that one can, with reason, assume that per project 1 manufacturing unit will be established since the total applications approved for Tamil Nadu are 10 and the total manufacturing units established under PLI in the state are 11. Then, the total person engaged in these 11 units are at 5,295 currently (which might increase), which, again, supersedes the national average of per factory person engaged. (Ministry of Textiles, Augsut 2025 (Date Accessed)) (Ministry of Commerce and Industry; DPIIT, July, 2025).

5. A phenomenon which may be celebrated by those who adhere to a laissez faire ideology (Goswami, Medvedev, & Olafsen, 2019).

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