Department of MSME and Export Promotion
Government of Uttar Pradesh

Draft District Export Action Plan, Kannauj, Uttar Pradesh

Knowledge Partner

विदेश व्यापार महानिदेशालय
DIRECTORATE GENERAL OF FOREIGN TRADE

Districts as Export Hubs

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Preface

This district export plan for Kannauj District is being prepared as a part of Developing District as Export Hub under the District Export Hub Scheme initiated by the Ministry of Commerce & Industry, Govt of India and state Government of Uttar Pradesh. Hon'ble Prime Minister in his Independence Day Speech on 15th August 2019, had, inter- alia observed that each of our district has a diverse identity and potential for targeting global markets and there is a need for converting each district into potential export hubs. In order to implement Hon'ble PM's vision for each district, Department of Commerce has mandated the Directorate General of Foreign Trade to work with State Government and District Level authorities to promote the Kannauj district as an export hub. In view of above, a District Level Export Promotion Committee has been formed by the office of DIC, Kannauj under the chairmanship of District Magistrate. With the said objective, 'District Export Action Plan' has been prepared and being presented to concerned stakeholders.

The report encompasses in-depth information on each district's geographic, demographic, and administrative profile, along with key statistics of prominent exporting products of district, gaps identified basis diagnostic survey, recommendations proposed to mitigate the gaps and action plans required to implement those recommendations.

The report provides insights into exports from the cluster, via analysing exports over the last five years from India and UP for the respective product. The report also shares insights on availability of raw material, technology upgradation, infrastructure, designing, packaging, access to finance, skill development etc. Besides the detailed action plans, the timeline and responsibility matrix has also been defined with implementation schedule to give implementation roadmap of the product.

For this desired purpose, an extensive primary and secondary research was conducted. The report has been prepared in co-ordination with the Office of DGFT, Kanpur and Uttar Pradesh Export promotion Bureau (UPEPB). The data has been sourced from multiple avenues, including but not limited to data provided by office of DGFT, Kanpur, UAM data (2019), DICs, 2011 Census of India, Diagnostic Study Reports, stakeholder consultation and several other secondary resources.

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"Each district of our country has a potential equal to that of one country, each of our districts has the capacity equal to a small country in the world. why should each district not think of becoming an export hub? Each of our districts has a diverse identity and potential for global market"

- ***Honourable Prime Minister of India, Shri Narendra Modi***

Foreign trade from India constitutes of 45% of its GDP. Until 2019, only the central government was engaged in the decision making of foreign trade, without any participation or involvement of state and/or district stakeholders. However, now, understanding that there are diverse elements that contribute towards an enabling and conducive foreign trade environment; the central government has identified that with policy & strategy, active support of the state governments and district admirations are also equally required.

Thus, to decentralize the existing activities, to boost local production & its exports and to ensure active participation of state & district stakeholders, vision of district as export hubs was put to action. Department of Commerce, through Directorate General of Foreign Trade (DGFT) is working with the State / UT Governments to achieve this objective.

DGFT and UPEPB have aimed at synergising their efforts to identify the key products, export trends and challenges. Further in order to minimize the challenges, quantify the exports and outline export strategy; a detailed district-wise Export Action Pan has been made for all 75 districts of UP, where EY has contributed as Knowledge Partner.

2. District Profile

Kannauj district, a part of Kanpur division is a district of Uttar Pradesh with its administrative headquarters located at Kannauj city. Kannauj district is named after its city Kannauj. The city got its name from the term 'Kanyakubj' meaning the city of the hunchbacked maidens. Kannauj is place of historical importance. At the very initial period, Kannauj was a part of Gupta Empire. But when the Gupta Empire started to decline in the 6th century, the Maukhari Dynasty of Kannauj who had served as vessal rulers under the Guptas and established their control over the large areas of northern India. At different periods of time the place was ruled by different dynasties but among them the three most powerful dynasties ruled over the place include the Gurjara Pratiharas of Malwa, the Palas of Bengal and Rashtrakutas of the Deccan between 8th and 10th centuries.. The conflict between these three dynasties is called tripartite struggle by many historians. On the other hand, natives of the district believe that the Kannauj city is the origin of the Kanyakubja Brahmins. **Kannauj is famous for the unique perfumes popularly known as Attar throughout the country.** The perfume industry of Kannauj district is very famous across the globe. Now-a days the essence flavor, fragrance and incense of the Kannauj district are become internationally well-known products. Moreover, it is a huge market centre for tobacco, rose water and incense. Some people believe that the district derived its name from its distinct dialect of the Hindi language called Kannauji. **Kannauj as separate district came into existence on 18th September 1997.**

2.1 Geography

Kannauj is located at 27.07°N 79.92°E. It has an average elevation of 139 metres (456 feet). The district is bounded by the districts of Farrukhabad to the north, Hardoi to the northeast, Kanpur Nagar to the east, Kanpur Dehat to the southeast, Auraiya to the south, Etawah to the southwest, and Mainpuri to the west. The district is divided into three tehsils and eight development blocks. The district was split from Farrukhabad on 18 September 1997 and is part of Kanpur Division. Total geographical area of the district is 3129.20 Sqkm.

2.2 Topography & Agriculture

The Ganges is the main river of the district at the North East border of the district. Kali river is at the northern border of the district while the Ishan river flows through the District. The climate of the district is characterized by a hot dry summer and a pleasant cold season. The average rainfall of the District is approximately 80 cm. The economy of Kannauj district to some extent is based on agriculture. Some of its chief agricultural crops are rice, maize, jowar, pulses soyabean, etc. it is one of the largest procedures of potato in the state. The adoption of the new agricultural techniques amongst the farmers of the district helps to increase the production of various agricultural items.

3. Industrial profile of the district

Essential Oils (Ruh), Attars Hina, Shamama of Kannauj district are world famous since Mughal empire. Kannauj Manufacturers/ exporters having been successful in selling their products in national & international market. Some of the Important products of Kannauj are being exported to Arabian region, European, Australia and neighbouring countries. Bidi a type smoking product are being used by the lower class of the society and Kannauj is the largest Bidi supplier in Uttar Pradesh.

Details of existing micro & small enterprises and artisan unit[1]

Table 1: Industries details

S No	Type of Industry	Number of units	Investment (lakh)	Employment
1	Agro based	814	16119	3289
2	Soda water	21	21	152
3	Cotton Textile	34	231	123
4	Woollen, silk & artificial thread-based clothes	102	398	407
5	Ready-made garments & embroidery/Hosiery	335	1922	1072
6	Wood/wooden based furniture	221	453	596
7	Paper & paper based	50	118	184
8	Leather based	47	48	141
9	Chemical/chemical based	248	2864	926
10	Rubber, Plastic, & Petro-based	11	11	51
11	Mineral based	7	2	19
12	Metal based (steel fab.)	6	2	16
13	Metal Products	28	20	87
14	Engineering units	98	348	293

[1] *DIP- Kannauj, DSR on Attar Products prepared by Darashaw & Company Pvt. Ltd.*

S No	Type of Industry	Number of units	Investment (lakh)	Employment
15	Electrical machinery and transport equipment	82	242	258
16	Repairing & services	343	593	826
17	Miscellaneous Manufacturing	296	799	901
18	Kachori making	212	50-60	896
	Total	**2955**	**24241-24251**	**10237**

Agro based sector of MSME with 814 units in the district is the most prominent and economy contributing sector of the district. It is followed by sectors such as "Attar Industries", "Repair & services", and Readymade garment & Embroidery and hosiery sector etc.

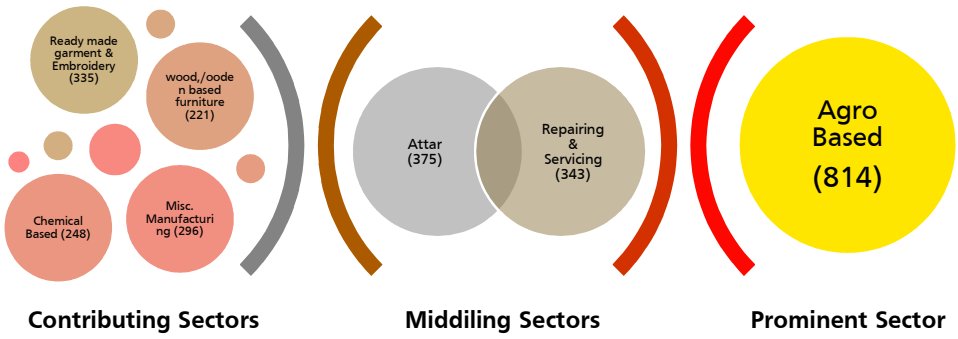
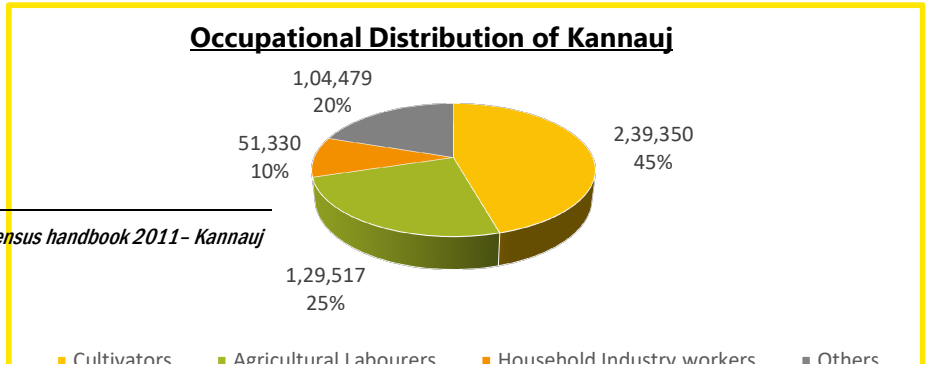


Figure 1: MSME landscape of the district

Out of total population of 1,656,616 (2011 census), 5,24,676 are working population. Out of total working population, 19.9% are working in other industries, 70.3% are cultivators and agricultural labourers and only 9.8% are household industry workers. This indicates that agriculture is the main source of income in the district.

Table 2: Occupational Distribution of Main Workers[2]

S.No.	Particulars	Kannauj	%
1	Cultivators	239,350	45.6%
2	Agriculture Labourers	129,517	24.7%
3	Household Industry Workers	51,330	9.8%
4	Others	104,479	19.9%



[2] *District census handbook 2011– Kannauj*

Figure 2: Occupational distribution of Kannauj

3.1 Major Exportable Product from Kannauj

The following table depicts the value of export of major products from Kannauj:

Table 3: Major exportable product

S. No	Product	Export value (in INR)[3] Sep-2020 to Nov-2021
1	Kernels, Other	56,30,514
2	Others (Essential oils (terpene less or not), including concretes and absolutes; resinoids; extracted oleoresins; concentrates of essential oils in fats, in fixed oils, in waxes or the like, obtained by enfleurage or maceration; terpenic by-products of the deter enation of essential oils; aqueous distillates and aqueous solutions of essential oils others)	38,40,000
3	Anise oil (Aniseed oil)	78,60,104
4	Camphos oil	4,03,88,201
5	Others (Camphor oil; Lemon grass oil; Ylang ylang oil; Davana oil; Cumin oil; Celery seed oil; paprika oil; turmeric oil: Other HS Code and Indian Harmonised System Code.)	13,32,67,355
6	Attars of all kinds in fixed oil base	34,27,860
7	Othr conc of esnl oils in fats/fixd/wax like trpnc byprdcts of deterpenation of esnl oils aqus distlts/soltn esnl ol	31,98,124
8	Synthetic perfumery compounds	2,05,10,293
9	Synthetic essential oils	5,12,77,985
10	Other mixtures of odorifrs substns n.e.s.	5,73,90,378
11	Other perfume and toilet waters	5,72,28,792
12	Other odoriferous prpns usd for deodorizing room (excl agarbatti)	1,57,50,840
	Total Export from Kannauj	39,97,70,446 (~39.98 Cr.)

Overall total Export from Kannauj District is INR ~66.32 Crore in the time spanning from September 2020 to November 2021.

4. Product: Perfume (Attar Products)

4.1 Cluster Overview

Key Facts

375 Units

40,000-50,000 ~ Cluster actors

INR 790 Crores Turnover of the cluster

INR 39.98 Crores from exports

[3] *District wise report for the period September 2020 to November 2021 recei*

Kanauj famously known as the perfume capital of India has been a pioneer in perfumery since ages.

Attar derived from Persian word 'itir', (also called 'ittar' in Hindi) is a natural perfume oil made from natural ingredients like rose or even agarwood (gold attar). In ancient India, the process of extracting perfume is mentioned in the scriptures of Ayurveda. Kannauj is the only place where the largest amount of attar is manufactured naturally in the entire world.

Figure 3: Key Facts of Perfume (Attar) Products

In Kannauj, the attar is made from Hydro distillation (Degs and Bhapka) method which has not changed for more than 400 years. Six types of perfumes are made in Kannauj comprising of Rose, Henna, Shamama Henna, jasmine, Bela and Mud (Mitti) perfumes. Mud perfumes are made only in Kannauj, widely used in cosmetics and medicines as they are natural and safe.

Attar manufacturing cluster comprises of about 250 micro, small and medium enterprises. During interactions, it has been observed that all units are using traditional methods and have limited focus on sophisticated production systems. In most of the units, biofuel is used for heating purpose which can be substituted by a more environmentally efficient gas-based system. The production output/batch size depends on the size of the order which is produced in batches of 5 to 10 kg. Attar industry is highly dependent on the usage in pan masala and tobacco-based products which contributes to more than 90% of total revenue of Attar Manufacturing units. Attar manufacturing units mostly procure raw materials locally.

Attar oils are extracted natural oils through pure steam distillation process to derive a characteristic of odour of the plant. Attar oils have been around us from thousands of years and they can be used for a wide range of spiritual, health, cosmetic, religious and also for other applications. They can be used as a single Attar oil or a blend of Attar oils depending upon a user experience and desired benefit. Each of these oils are so unique and pleasant in their own way that they trigger an emotion and make you feel so fulfilling. Attars are very different than perfumes. They are concentrated liquids made from only natural sources, whereas perfumes are made from synthetic chemicals mixed with alcohol. Since these artificial perfumes are comparatively very cheap and they are marketed heavily with big budgets, they are dominating the current market.

Essential Oil Manufacturing Cluster: In Kannauj, there are about 125 essential oil manufacturing units that are involved in manufacturing through natural and synthetic based raw materials. Essential Oil manufacturers also manufacture edible oil of cloves, cardamom, saffron, etc. 50% of the units procure raw material locally and remaining procure it from other states. Most of the manufacturers use primitive technologies to produce essential oils. The waste remains after extraction of oil are used in making agarbatti, hawan samgri and dhoop batti. Usage of waste material requires proper waste management system to reuse this material economically and generating additional revenue. Essential Oils include a large class of volatile odoriferous oils of vegetable origin that give plants their characteristic odour and often other properties. These are obtained from various parts of the plants (as flowers, leaves, bark, seeds, fruits etc.) by steam distillation, expression, or extraction and are usually mixtures of compounds (as aldehydes, esters, Alcohols, ketones etc.), and are used often in fragrances, flavors, and pharmaceutical preparations. Essential oils often vary in specifications of their content and odour profile as they are influenced by geo-climatic conditions and variety of planting materials.

In FY 2014-15, the turnover of MSME units in Attar cluster was INR 650 Crore. As per stakeholders It has increased to around INR 790 Crore in FY 2017-18. The district's tradition still thrives today and is fondly preserved by artisans/craftsmen and small producers[4].

4.2 Product profile

Ittar, also known as **attar**, is an essential oil derived from botanical or other natural sources. Most commonly these oils are extracted via hydro or steam distillation. The Persian physician Ibn Sina was first to derive the attar

[4] DSR on Attar prepared by Darashaw & Company Pvt. Ltd.

of flowers from distillation. Attar can also be expressed by chemical means but generally natural perfumes which qualify as attars are distilled with water. The oils are generally distilled into a wood base such as sandalwood and then aged. The aging period can last from one to ten years depending on the botanicals used and the results desired. Technically attars are distillates of flowers, herbs, spices and other natural materials such as baked soil over sandalwood oil/liquid paraffins using hydro distillation technique involving a still (deg) and receiving vessel (bhapka). These techniques are still in use today at Kannauj.

Attars are classified on the basis of flowers or other raw material use- gulab, moulshri, kewra, motia, gulhina, chameli, kadam, khus, henna or mitti(mud). Except for Hina and Shamama rest of the attars are made from a single floral or plant material or from baked earth referred to as 'mitti ka attar'. Hina attar is a compound of several floral and herbal materials such as oakmoss, sugandhi mantra, laurel berry, cypriol, Indian Valerian, jattamansi, hydichium spicatum, and attars of gulab, kewra, motia, gulhina and chameli. A superior quality of Hina may also contain saffron, ambergris, musk and agarwood oil and is known as Shamama.

Indeed, single odour attars are produced but a wide spectrum of attar fragrances can be produced with additional blending of several other flowers, herbs and spices. Also obtained in this process are rose water which is the most popular and other water extracts which are being used in the making of cosmetics and other personal products. Sweetened rose petals called 'Gulukund' has been a popular food item made and marketed by Kannauj as the rose from the region has curative properties and is an excellent mouth freshener. Agarbatti, Dhoops, additive food flavours and food extracts have also found a market.

4.1 Cluster Stakeholders

- Primary Suppliers
  - Raw material Suppliers
    - Rose (Hathras & Aligarh)
    - Khus (Mathura)
    - Kewda (Odisha)
    - Mariegold (Raibareli)
    - Heena (Kannauj)
- Traders
- Attar Manufacturing units
- Essential Oil Manufacturing units
- Financial Institutions
- DIEPC, Kannauj
- MSMEDI/DGFT/FIEO
- Industries Associations
- Research Institutions- FFDC Kannauj
- Exporters

Figure 4: Cluster Stakeholders

4.1.1 Industry Associations

The cluster comprises of support institutions that can be broadly classified into three categories – trade and industry association, educational and training institutions, and other institutions. The trade and industry associations assist industries in the cluster in getting clearances and approvals, solving issues regarding industrial infrastructure, providing information on latest government schemes etc. Educational and training institute provide training to labours and assist in addressing availability of skilled labour. Other institutions comprise banks and logistics service providers.

Following are main Industry Associations that are working for the development of Perfume (Attar) Sector:

- Attar and Perfumes Association, Kannauj (APA)
- Fragrance and Flavours Association of India, Mumbai (FFAI)
- Essential Oil Association of India, Noida (EOAI)
- Federation of Indian Export Organization (FIEO)

- Industrial Area Manufacturers' Association (AIMA)
- The Associated Chambers of Commerce and Industry of India (ASSOCHAM)
- Confederation of Indian Industry (CII)
- Federation of Indian Chambers of Commerce & Industry (FICCI)

4.2 Export Scenario

4.2.1 HS code

The following table lists the HS codes under which the products are exported from the district:

Table 4: HS codes for Perfume (attar) Products[5]

HS Code	Description
12024220	Kernels, Other
33012590	Others (Essential oils (terpene less or not), including concretes and absolutes; resinoids; extracted oleoresins; concentrates of essential oils in fats, in fixed oils, in waxes or the like, obtained by enfleurage or maceration; terpenic by-products of the deter enation of essential oils; aqueous distillates and aqueous solutions of essential oils others)
33012911	Anise oil (Aniseed oil)
33012941	Camphos oil
33012990	Others (Camphor oil; Lemon grass oil; Ylang ylang oil; Davana oil; Cumin oil; Celery seed oil; paprika oil; turmeric oil: Other HS Code and Indian Harmonised System Code.)
33019031	Attars of all kinds in fixed oil base
33019090	Other conc of esnl oils in fats/fixd/wax like trpnc byprdcts of deterpenation of esnl oils aqus distlts/soltn esnl ol
33029011	Synthetic perfumery compounds
33029012	Synthetic essential oils
33029090	Other mixtures of odorifrs substns n.e.s.
33030090	Other perfume and toilet waters
33074900	Other odoriferous prpns used for deodorizing room (excl agarbatti)

Export Potential

- Attar is exported to over 71 countries from India.
- In the year 2020-21 (Apr-Nov), India has exported Attar worth of 2.61 USD million[6].

[5] DGFT, Kanpur Nagar

[6] Attar Export From India | Data, price & analysis of Attar export (connect2india.com)

- The total export value of the top 5 countries is 1.87 USD million which is the 71.65% of the total export value of Attar. These countries are UAE, Nigeria, Nepal Somalia and USA.[7]
- The global perfume market size was valued at USD 31.4 billion in 2018 and is expected to expand at a CAGR of 3.9%[8] from 2019 to 2025.
- Approximately 75% of millennial women prefer buying natural products, wherein more than 45% of them favour natural-based healthy perfumes.
- Year wise export of Perfume (attar) from India is as follows:

Table 5: Year Wise Export of Attar from India[9]

Year	Export value (USD Million)
2009	2.6
2010	10.82
2011	2.56
2012	5.22
2013	8.57
2014	4.74
2015	9.39
2016	9.38
2017	9.05
2018	14.04
2019	22.44
2020	2.61

Current Scenario

The chapter focusses on the export scenario of India and Uttar Pradesh and then deep dives into the export statistics of 2 products codes 330300 and 330290 stating the target countries for market expansion for both the products. These HS codes are utilised for Perfumes and toilet waters (excluding aftershave lotions, personal deodorants and hair lotions) and Mixtures of odoriferous substances and mixtures, incl. alcoholic solutions, based on one or more of these substances, of a kind used as raw materials in industry (excluding food or drink industries respectively.

Product 1 (330300) - Perfumes and toilet waters (excluding aftershave lotions, personal deodorants and hair lotions)

India's exports in 2019 for the product with HS code 330300, represent 0.8% of world total exports. Its' ranking in world exports is 16 behind France, Spain, Germany, USA, UAE, Italy, Singapore, UK, Netherlands, Poland, Czech

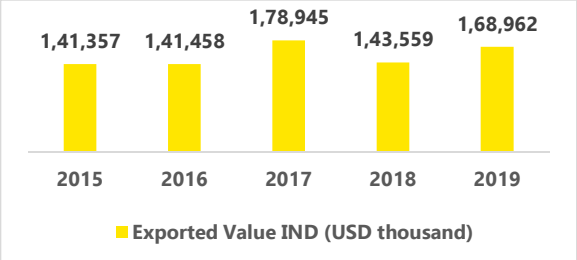


Figure 5: Exported Value from India under HS code 330300

[7] Attar Export From India | Data, price & analysis of Attar export (connect2india.com)

[8] *Grandviewresearch.com/industry-analysis/perfume-market*

[9] Attar Export From India | Data, price & analysis of Attar export (connect2india.com)

Republic, Belgium and Hong Kong – China for the selected product. India's exports have increased during 2015-2017 and dropped in 2018. Between 2018-19, the exports have risen again for the selected product.

India exported this product to Singapore, Saudi Arabia, USA, UAE, Nigeria, Switzerland, UK, Brazil, Sudan, Srilanka, Kuwait, Nepal, Bangladesh, Qatar, Yemen etc. Below figure shows the top importers for this product are[10]:

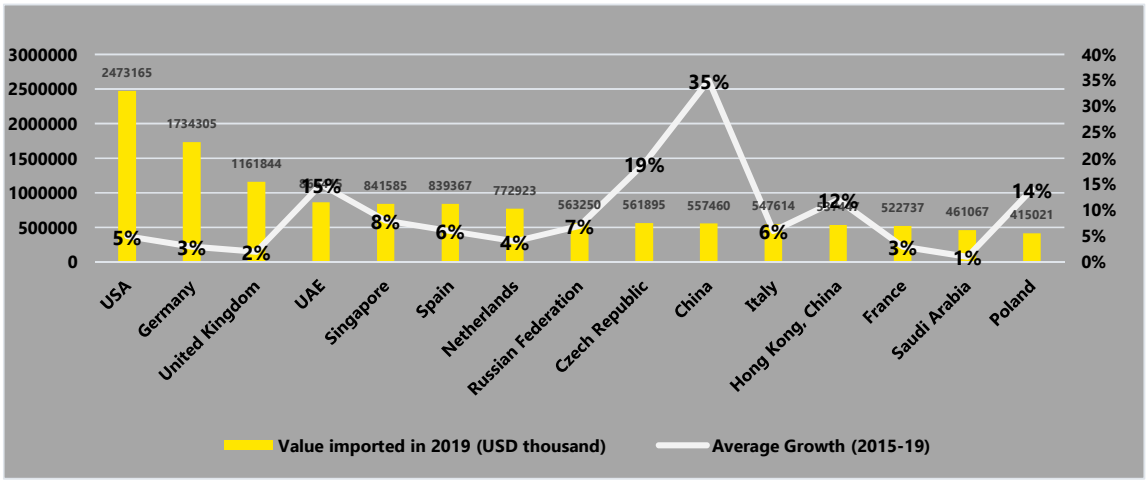


Figure 6: Top Importers of the product (330300) in the world

Product 2 (330290) Mixtures of odoriferous substances and mixtures, incl. alcoholic solutions, based on one or more of these substances, of a kind used as raw materials in industry (excluding food or drink industries

India's exports in 2019: India's exports for the product with HS code 330290 represent 3.2% of world exports, its ranking in world exports is 10 behind for the selected product. As shown in the diagram, India's exports increased in 2015-16 and after a sudden drop in 2017, it increased again between 2018-2019.

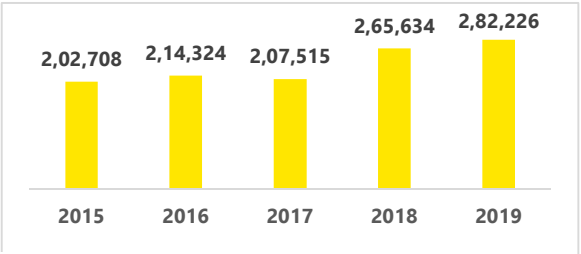


Figure 8: Export Value from India under HS code 330290

India exported this product to UAE, South Africa, Indonesia, Pakistan, Bangladesh, Saudi Arabia, Egypt, Srilanka, Nigeria, Jordan, USA, Iran, Kenya, Nepal, Singapore etc. Below figure shows the top importers for this

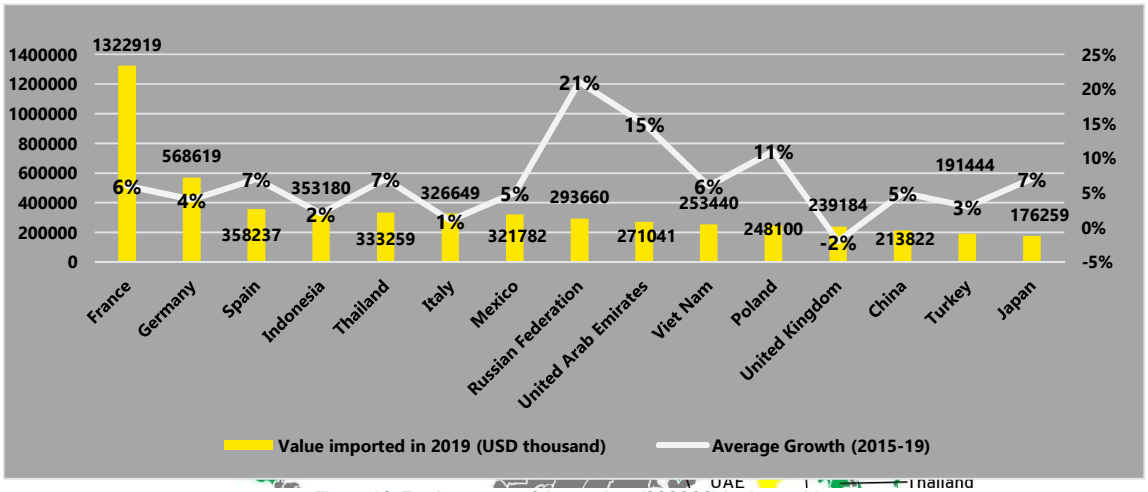


Figure 10: Top importers of the product (330290) in the world

Figure 7: Markets for Export Potential

product are[11]

Export From UP[12]**:**

Countries to whom UP exports the selected product under HSN code 330300 are USA, UAE, Chile, Saudi Arabia, Qatar, Kuwait, Nepal, Italy, Bahrainis, Columbia, Nigeria, Hong Kong, Oman, Germany and China Republic.

Countries to whom UP exports the selected product under HSN code 330290 are UAE, USA, Egypt, Nepal, Kuwait, Oman, Saudi Arabia, China Rep., Bangladesh, Malaysia, Nigeria, Netherlands, Korea Cameron.

4.3 Potential Areas for Value Added Product

Product Diversification is one of the most crucial product uplifting strategies which in turn is an important part of a product's export. This plays a vital role in any products exports as it is a product uplifting strategy. Most artisans are not bothered about changing their product range and they fail to understand that it is an integral part of comprehensive marketing. Diversification can be brought in the cluster by:

1. **Standardization of Attar products:**
   Standardization of Attar Products has not been done yet. It is required to design the standards for the Attar product for better quality.
2. **Modifications of Existing Products**
   With the help of upgraded/modern technology cluster of kannauj may do the modifications in existing products. Currently in cluster traditional Deg-bhapka method is used.

4.4 SWOT analysis

Table 6: SWOT Analysis

Strengths	Weakness
▶ GI tagged Product since 2013 ▶ Easy availability of raw material such as flowers, khus etc. ▶ Availability of cheap labour ▶ Presence of unique product which is manufactured in Kannauj only such as mitti attar ▶ Availability of national level institute as FFDC, Kannauj ▶ Good connectivity through road, rail ▶ Kannauj is known as perfume city of India equivalent to Grasse of France.	▶ Limited awareness of importance of GI tag. ▶ Absence of quality standard in the cluster ▶ Most of the workforce is unskilled ▶ Limited awareness about advance manufacturing technology such as packaging, labelling. ▶ Dependency on pan masala industry for flavour ▶ Ban on use of bas material of sandalwood in north India- mainly using chemical combination for the same.
Opportunities	**Threats**
▶ Development of Perfume Park for R&D ,Product Development and Diversification and Quality enhancement ▶ Participation in National & International Exhibition through MDA Scheme of Export Policy	▶ Sudden policy changes resulting declination in demand i.e. ban on pan masala. ▶ Low cost from competing countries like China, Spain, Germany

[11] Trademap.org for HSN code 330300
[12] Dgcisanalytics.in-State Export Analysis

▶ Demand for natural products are increasing in global market ▶ Product range could be developed for other uses such as Aroma therapy etc. ▶ Increasing demand of made in India products	▶ Use of artificial perfume

4.5 Challenges and interventions

Parameter	Challenges	Intervention
Raw Materials	▶ Procurement of raw material is a challenge as flowers are required to be processed quickly after plucking, otherwise the melody or fragrance degrades quickly. ▶ Sandalwood oil, known for its best fixating properties, is scarce and expensive now-a-days. Multiple large players working in Attar industry has shut down due to raw material scarcity and no support from govt. ▶ Imposed export quotas 1996 had led to increased prices of Indian sandalwood and sandalwood oil, this further banned sandalwood procurement from Salem, Tamilnadu. ▶ Currently poor-quality sandalwood oil is imported from Australia as India has outpriced itself from market. ▶ Scarcity of Highest Quality of Agar wood. Moreover, wild agar trees have been harvested rapaciously, making them a potentially threatened species ▶ Flower prices always fluctuate, and fluctuating rates affect supply	▶ Establishment of a Raw Material Bank within the CFC ensuring flower pricing to be set standard for all. ▶ The concentration of attar manufacturing units for floral type must be near to procurement centres. ▶ The issues must be solved by establishing the **"Perfume Park"** in Kannauj with perfume museum and Common facility centre. ▶ The govt can form a policy for Re-forestation of sandalwood by roping in private sector at par with US, Canada or the Scandinavian govt's policy for paper industry. ▶ The govt. can also plan and protect industry by putting an Act in place for regeneration and sustainability of Indian sandalwood (Santalum Album) like Australia. ▶ The state govt. can fix prices for the main flowers (i.e. Roses Rs 5000/Qtl), so the farmers can get stable income and ensure enough supplies of flowers. ▶ To solve Agar scarcity, the viable alternative is to have agar plantations
Packaging, Branding and Marketing	▶ Low market appeal due to old bottles and packaging and lack of value addition with Attar and its' by products ▶ Dependence on wholesalers and traders for reaching to new markets; Direct export is limited ▶ Synthetic laid perfumes are taking over a major segment of the perfume market posing high competition to pure attar manufacturers ▶ A rising demand for cheap alcohol-based fragrances, coupled with the high cost of production, and lack of sandalwood oil which was traditionally used has badly affected the attar industry. ▶ The base oil used Di-octyl Phthalate	▶ Marketing outlets may be open in International Airports like in Lucknow, Varanasi, Kushinagar, Delhi, Mumbai, Kolkata, Chennai and Bengaluru ▶ Institutionalization of GI tag for Branding by FFDC with the support of Attar and Perfumers Association, UPSIDC and DIEPC, Kannauj ▶ Branding & Packaging Unit to be established for MSMEs in form of Common Facility Centre ▶ Establishment of design workshop for attar cluster ▶ Buyer Seller Meets, Global Exposure Visits and Participation in various national and international Trade Fairs

	(DOP) is non-edible so it can't get fit certificate for export under essential oils (raw material for food and beverages industry)	under ODOP MDA scheme. ▶ The floral waste can be utilised in making agarbattis, dhoopbattis and mosquito coils. The chemical free dried waste can be further utilised by various craft industry ideas – i.e., herbal colour for festivals like Holi, DIY craft projects for kids.
Quality Control	▶ Unaware of global standards and quality ratings ▶ No checks and balances made for quality certification/maintenance ▶ Only few exporters of the cluster try to maintain the quality standard of global market based on customers' demand ▶ Absence of quality testing for the final product in the cluster	▶ Establishment of a R&D centre for the development of fragrances and a Testing centre for final product testing may be established in the form of CFC for MSMEs ▶ FFDC can help in getting BIS standardization for the production process thereby helping MSMEs grow their exports
Technology, Infrastructure & Fuel	▶ Conventional extraction techniques like Hydro and Steam Distillation - Need for advance technology to remove impurities in raw material ▶ Outdated technologies led to low productivity of essential oils for base oil locally ▶ Limited use of technology in harvesting flowers as raw materials ▶ Fuel issue - The availability of Firewood is one of the major issues to the Artisans; Residential families suffer from Dense Smoke produced from the local unit.	▶ Field distillation unit is in trend for essential oils. In order to develop an improved solution, the existing facility should be modified to add a steam generator next to the distillation column. ▶ The marginal cost of adding a steam generator is not very high and is compensated by the improved yield of the overall facility. ▶ The installation of steam generators requires minimum power and a boiler ▶ Subsidized Gas connection facility needs to be made available for the artisans.
Access to Finance	▶ Difficulty in receiving financial support ▶ Tedious paperwork and long waiting time of banks usually persuade artisans/workers from not taking financial support from banks	▶ **Interest Subvention** to provide a **reimbursement of five percentage points** on the interest charged by the lending agency for the purpose of modernization, working capital requirement and technology up-gradation related to product manufacturing. ▶ Collaboration with nationalized banks to facilitate quick loan approval and disbursement through digital lending. (ex. SIDBI and BoB) ▶ Awareness and outreach program for raising consciousness about existing schemes ▶ Sensitization of banks/financial institutions to understand the product value chain while fixing WC/CC limits

Skilling	▶ About 46% of the units are using unskilled manpower ▶ Majority of the labour force engaged has gained the required skills through traditional learning ▶ The low acceptance of formal skill training and negligible recognition to trained and certified worker in terms of wages	▶ Establishment of a **Training centre** will help facilitate training programs along with certificates to individuals about the manufacturing process of the product and thus help taking forward the age-old art. ▶ FFDC to organize Up skilling of workforce and providing structured trainings ▶ The participants can be given 3 to 6-month training and hands-on work on machines to attract younger persons.
Taxation and Subsidies	▶ **Higher GST on inputs leading to blockage of funds:** ○ No uniformity in GST for raw materials used in attar making. There is 18% GST on Gulab-Jal and 12% GST on Methane Oil.	▶ **Abatement or Exemption of GST** rates on Attar Products (or MSME units) given high turnaround time of production cycle ▶ 18% GST is very high as compared to earlier tax by state government (earlier VAT was 5%, gulabjal and kevra were tax free); the GST on attar can be reduced to 12% and most essential gulab jal and kevra can be tax free.

4.6 Future Outcomes

Turnover	Export
By 2030 the turnover could increase up to approx.1200 Cr. from 790 Cr. at the rate of 5% y-o-y growth.	The cluster exports may increase from Approx. 15-20% of the total turnover to approx. 50% of the total turnover

5. Scheme under Uttar Pradesh Export Promotion Bureau

Various schemes being run by Export Promotion Bureau to apprise the exporters are as follows:

A. Marketing Development Scheme (MDA)

S. No	Incentive Offered	Amount of incentive against total expenditure
1	Participation in foreign fairs/exhibitions (total three fairs /annum) a. Stall charges b. Air fare (economy class)	a. 60% of stall charges (max 01 lakh /fair) b. 50% (max 0.5 lakh for one person /fair)
2	Publicity, advertisement, development of website	60 % (max 0.60 lac/annum)
3	Sending of samples to foreign buyers	75 % (max 0.50 lac/annum)
4	ISO /BSO certification	50 % (max 0.75 lac/annum)

B. Gateway Port Scheme

Brief Description	Assistance is given to all manufacturing exporting units on expenses incurred on the rail transport of their goods from ICD/CFS to Gateway ports.
Eligible units	Micro, small & medium enterprises.
Incentives Offered against actual expenditure	25% of the total expenditure or Rs 6000 (20 ft' container) & Rs 12,000 (40 ft' container) whichever is less
Maximum limit	Rs 12 lacs /unit /year
Empowered committee	District Users Committee under the chairmanship of district magistrate.

C. Air Freight Rationalization Scheme

Incentive offered	20% of the actual expenditure or Rs 50 / kg (whichever is less)
Eligible Units	Manufacturer & merchant exporter
Maximum limit	Rs 2 lacs /unit /year
Recognized Cargo Complexes	Varanasi & Lucknow

6. Action Plan

Quantifiable activity/ intervention	Responsible authority	Timeline for implementation[13]
Increasing the overall exports from the state		
Sensitization and facilitation in availing Import/ export documents: Majority of the cluster actors though interested and sensitized on exports are unaware of Import-Export Code which is crucial for participating in global trade. While some of them are aware, they face challenges in applying. Thus, at district level, a camp should be set in every three months to help the individuals interested in trade to understand about the requisite documents required for undertaking import/ export and provide support in availing them	DIEPC, UPEPB	Continuous initiative
Creation of an event calendar comprising of events to be conducted in a Financial Year with a **focus on international marketing events**. Further, DGFT and FIEO can finalize a target to participate **in at least 3 international events in a year per product category/industry** Perfume (Attar) Products by **utilizing schemes like IC and MAS**	DIEPC, UPEPB	Continuous initiative
Sensitization of cluster actors: **a.** The individuals of a cluster should be **sensitized on the plethora of schemes**[14] available for them for maximizing the potential of exports. **Merchandise Exports from India Scheme, Service Export from India Scheme** etc. provides **various exemptions** for facilitating exports. Further, schemes like **Advance Authorization Scheme (AAS), Duty Free Import Authorization (DFIA Scheme) ensure procurement of imported duty-free raw materials** **b.** Currently, majority of the exporters and traders focus on selling their goods to USA, UK and European countries without correctly analyzing the demand market. Thus, these cluster actors should be **sensitized on target countries identified through export analysis mentioned in DAPs and EAP**	DIEPC, UPEPB	Continuous initiative

[13] Short term: Should be initiated within 6 months, Intermediate: to be initiated between 6- 12 months, long terms after 12 months

[14] List of available schemes facilitating exports: https://cdn.s3waas.gov.in/s3555d6702c950ecb729a966504af0a635/uploads/2020/12/2020120965.pdf and https://www.ibef.org/blogs/indian-export-incentive-schemes:

DIC and FIEO can play a pro-active role in this regard. **10% increase** in every year in the number of units taking part in the trade fairs organized by FIEO and other organizations may be proposed as a target under this segment	DIC, UPEBP and FIEO	Intermediate
Common interventions across sectors/ clusters		
Collaboration with e-commerce companies like Amazon, ebay, Flipkart etc.	UPEPB/DIEPC/ODOP Cell	Short term
MoU with QCI for defining quality standards of the products	UPEPB/DIEPC/ODOP Cell	Short term
Sensitization of banks and bankers to help them understand the niche sectors of MSME and their specific requirements which shall help banks evaluate projects better while lending credit	UPEPB/DIEPC and banks	Short term
Introduction of revolving working capital within the cluster to help MSMEs procure raw materials and undertake production without hinderances	UPEPB/DIEPC and banks	Intermediate
Tie up with the banks/financial institutions (SIDBI, BoB etc.) for better interest rates, enhanced working capital limits etc.	UPEPB/DIEPC and banks/ODOP Cell	Intermediate
Handholding of MSMEs for increasing their awareness on schemes of state & center and the procedure to apply to avail financial assistance	UPEPB/DIEPC	Intermediate
Sensitization of cluster actors from this sector on **Make in India initiative and PLI** for leveraging the assistance provided to the sector to enhance productivity and expand exports	DIEPC /UPEPB	Short term
DIEPC to act as a focal point for all exporters issues. Deputy Commissioner Industries may be given this responsibility to monitor the cell in consultation with DGFT.	DIEPC/DGFT/UPEPB	Long term
Cost Structure: a. The DIC office should organize workshops for exporters to apprise them about Foreign Trade Policy benefits viz. Duty Exemption Scheme / Advance Authorization Scheme / Duty Free Import Authorization Scheme. b. The CONCOR rates are to be made available at regular intervals to the DIC office for updating of the same at the district website. c. The formation of the Sub-committee comprising the representative of CONCOR and	DIEPC/UPEPB DIEPC/UPEPB	Long term Long term

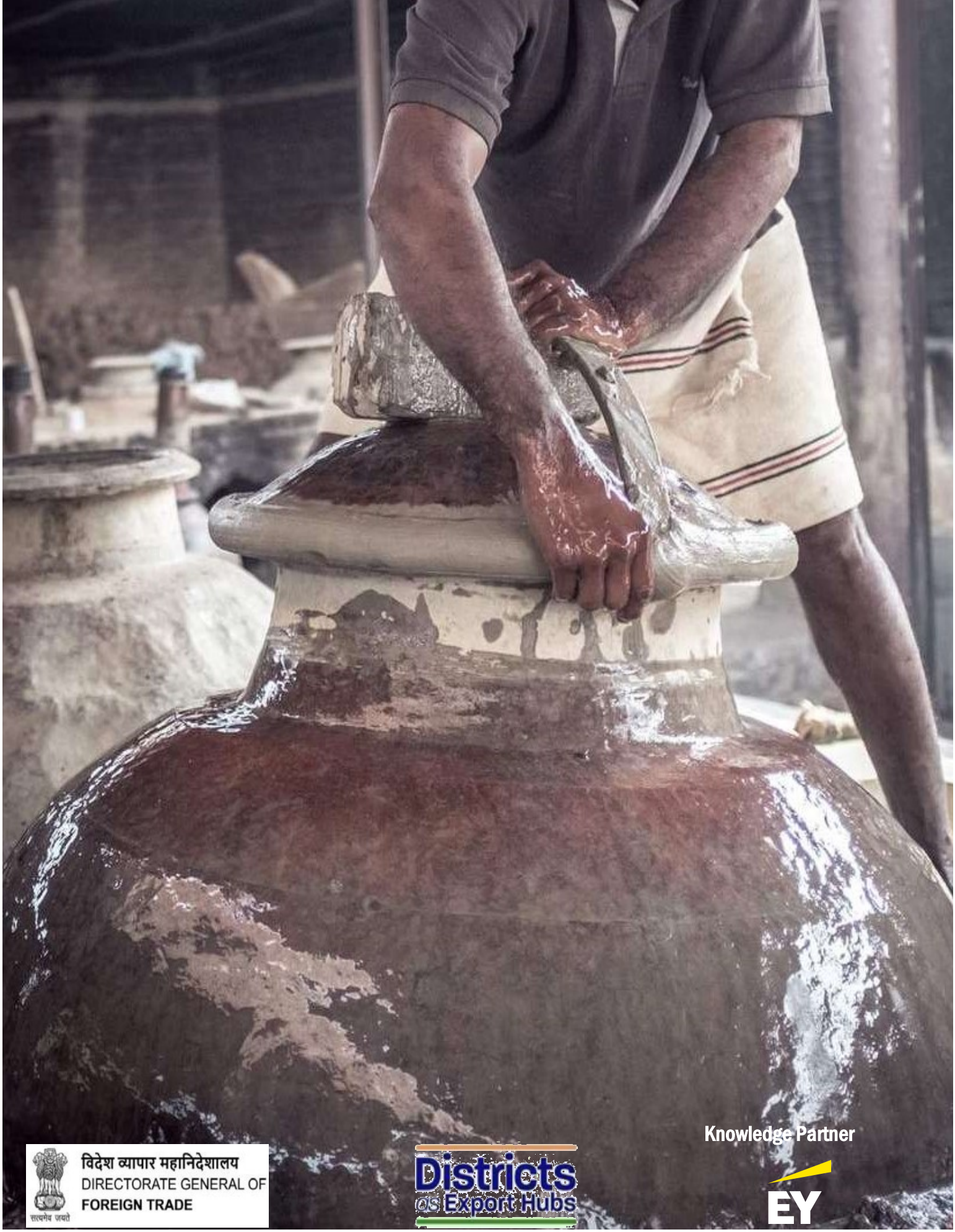
Deputy Commissioner Industries to understand the issue and suggest ways to help Industry. Ease of Logistics portal of FIEO has been developed to provide information about container availability and issues relating to it. The industry may be informed of this portal.	DIEPC/UPEPB/FIEO	Short term
Product: Perfume (Attar)		
Establishment of Common Facility Centre with: a. Raw Material Bank b. Branding and Packaging Centre c. R& D and Testing Centre d. Marketing center for undertaking marketing events	DIEPC, DGFT and ODOP Cell	Long term
Craft tourism: Kannauj is place of historical importance where tourist can see history of Perfume manufacturing process. For centuries Kannauj has been crafting oil based botanical perfumes called attar using time-based distillation methods. Sought after by both Mughal royals and everyday folk in ancient India's fragrance-obsessed culture, Kannauj attar scented everything from wrists to food, fountains to homes.	UPEPB/ EPC and UP Tourism	Long term
Increase the usage of the portal as this portal facilitates the entrepreneurs to provide information about their products for easy understanding of exporters.	UPEPB/ODOP Cell	Short term
Promotion of post GI initiative: **DIC to identify 100 authorized users to become IEC holder in a year** Organize one seminar within two months to apprise the stakeholders about the importance of Geographical Indication (GI) and for increasing the authorized users	DIEPC/UPEPB	Intermediate term
Development of Perfume Park and Museum	DIEPC/UPSIDA	Long term

Abbreviations

APEDA	The Agricultural and Processed Food Products Export Development Authority
API	Active pharmaceuticals ingredients
CAD	Computer-Aided Design
CAM	Computer Aided Manufacturing
CFC	Common Facility Center
CONCOR	Container Corporation of India
CPC	Common Production Centre
DGFT	Director General of Foreign Trade
DHO	District Horticulture Officer
DIC	District Industries Centre
DIEPC	District Industry and Enterprise Promotion Centre
DPR	Detailed Project Report
EPC	Export Promotion Council
EPCG	Export Promotion Capital Goods
FIEO	Federation of India Export Organization
FPO	Farmer Producer Organizations
FTA	Free Trade Agreement
GCC	Gulf Cooperation Council
GI	Geographical Indication
HS	Harmonized System
IC	International Cooperation
IC Engines	Internal Combustion Engines
IEC	Import Export Code
IIP	Indian Institute of Packaging
ISW	Industrial Solid Waste
ITI	Industrial Training Institute

KVK	Krishi Vigyan Kendra
MAS	Market Assistance Scheme
MSE CDP	Micro & Small Enterprises - Cluster Development Programme
MSME	Micro, Small and Medium Enterprises
NHB	National Horticulture Board
NIC Code	National Industrial Classification Code
NIC	National Informatics Centre
NID	National Institute of Design
NIFT	National Institute of Fashion Technology
NSDC	National Skill Development Cooperation
ODOP	One District One Product
PM FME	Pradhan Mantri Formalisation of Micro food Processing Enterprises
PMU	Project Monitoring Unit
QCI	Quality Council of India
R&D	Research & Development
RMB	Raw Material Bank
SGPGI	Sanjay Gandhi Post Graduate Institute of Medical Science
SIDBI	Small Industries Development Bank of India
SPS	Sanitary & Phytosanitary
SPV	Special Purpose Vehicle
SWOT	Strength, Weakness, Opportunities, Threats
TBT	Technical Barriers to Trade
UAE	United Arab Emirates
UK	United Kingdom
UP	Uttar Pradesh
UPEPB	Uttar Pradesh Export Promotion Bureau
UPICO	UP Industrial Consultancy Organisation

USA	United States of America



विदेश व्यापार महानिदेशालय
DIRECTORATE GENERAL OF
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सत्यमेव जयते

Districts as Export Hubs

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