

Export Action Plan of Sonbhadra

Submitted to:

**ODOP Cell, Department of MSME,
Government of Uttar Pradesh**



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working world**

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1 About District Export Hub

1.1 Background

In order to implement the vision of the Prime Minister of India, Narendra Modi, to convert each district into an export hub; the Finance Minister in her Budget 2020-21 speech mentioned that each district should be developed as an export hub. She further added that efforts of the Centre and State Governments are being synergized and institutional mechanisms are being created.

The Ministry of Commerce and Industry through Directorate General of Foreign Trade (DGFT) has been engaging with States/ UTs to initiate preparation and implementation of a District Export Plan (DEP) specific to each district in every State/ UT through an institutional structure at the district level.

In order to prepare a district wise export data effort have been made by DGFT and DGCI&S to look into the feasibility of preparing district level export data from the existing set up. The products identified, which has export potential, from the 750 districts in the country are leather articles, sand and stone articles, spices, garments, wool, food products, ceramics, cement, silk, carpet, glass items, metal crafts, sports goods, pharmaceuticals, engineering goods, auto parts, poultry products, vegetables, cut flowers, forest produce, bamboo products and scientific instruments.

The District Export Plan will include: -

- ▶ Details about the support required by the local industry in boosting their manufacturing and exports with impetus on supporting the industry from the production stage to the exporting stage.
- ▶ Strategy to enhance logistics and infrastructure at the district level
- ▶ Identification of bottlenecks for exports
- ▶ Strategy to enhance logistics and infrastructure at the district level
- ▶ Action plan to increase the exports
- ▶ Key recommendation from stakeholders, industry association, export department officials etc.
- ▶ Informative material on various incentives provided by the Government of India and the respective State Government of exporters will be disseminated to the industry and other potential exporters.

2 Uttar Pradesh's Emerging Market Economy

2.1 Overview

- ▶ The State is the third largest State economy contributing over 8% to the country's GDP and has been growing at almost 7% for the last 5 years. ¹ The State is emerging as the country's next growth frontier with its large consumer base, rapidly improving physical infrastructure, abundant availability of manpower, large base of MSMEs and reform-oriented proactive governance. The rapidly improving policy environment and business climate in the state provides significant opportunities for Entrepreneurs to have a footprint in the state
- ▶ Between 2013-14 and 2018-19, Gross State Domestic Product (GSDP) expanded at a Compound Annual Growth Rate (CAGR) of 8.52 % to INR 15.80 trillion (US\$ 226.04 billion)
- ▶ The State has recorded **\$13.8 b** worth of exports in 2017-18, contributing to 4.6 % to India's net exports²
- ▶ The State is the largest producer of **food grains and milk** in India(2015-16) and offers numerous opportunities in across the value chain - Crop husbandry, Harvesting, Farm equipment, Cold Chain, Storage and Logistics ³
- ▶ The State is one of the largest producers of horticulture crops like gooseberry, guava, mango, peas, potato etc. ²
- ▶ The State is the **3rd highest** Producer of Fabric in the country and **5th in Silk Production** ⁴
- ▶ The State is coming up with World class Electronic Manufacturing Zone
- ▶ The GoUP is willing to **strengthen the trade relationship** not only in merchandise trade but also in **Services trade**.

2.2 State Infrastructure

- ▶ **Road Connectivity:** Known as State Expressways - operational, 3 in pipeline alongside 2 link Expressways
- ▶ **Railway:** Largest Rail Network in India, spanning over 8400 kms
- ▶ **Airport Connectivity:** UP has six domestic airports, located at Agra, Allahabad, Gorakhpur, Kanpur, Lucknow and Varanasi. International flights operate from Chaudhary Charan Singh International Airport, Lucknow, and Lal Bahadur Shastri Airport, Varanasi. An international airport is also coming up at Jewar, Greater Noida.

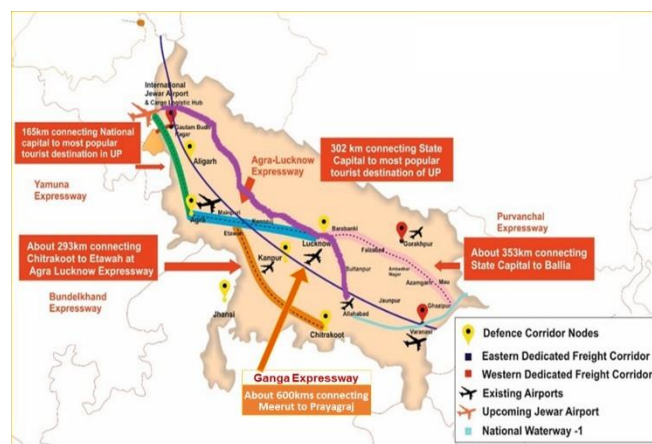


Figure 1: State Infrastructure

¹ <http://invest.up.gov.in/>

² UP Export Promotion Bureau

³ <https://foodprocessingindia.gov.in/state-profile/uttar-pradesh/?id=2&stateid=755&name=uttar%20pradesh>

⁴ <http://www.udyogbandhu.com/pdf/TEXTILE.pdf>

- ▶ **Strong Logistics infrastructure**, with AKIC & DMIC dedicated freight corridors passing UP and intersecting at Greater Noida
- ▶ Upcoming Defence Industrial Corridor worth INR 20,000 Cr, besides other key investment zones such as DNGIR, Chola Industrial Area, Bhaupur Industrial Area, Transganga City, etc.
- ▶ Existing logistics infrastructure in the State includes Moradabad rail linked combined domestic and EXIM terminal, Rail linked private Freight Terminal and Inland Container Depot in Kanpur, ICD at Dadri Terminal and at Kanpur.
- ▶ Three multi modal logistics/transport hubs are proposed at Noida, Boraki and Varanasi.
- ▶ Dadri is envisaged to be the largest logistics hub in India
- ▶ Other initiatives like development of the National Waterways -1 connecting Allahabad, Varanasi and Haldia sea port in Kolkata; subsidy on export cargo sent by air and on freight charges on gateway port; upcoming Western Dedicated Freight Corridor that stretches from Dadri in Ghaziabad to Jawaharlal Nehru Port in Mumbai; and the Eastern Dedicated Freight Corridor (EDFC) between Dankuni in West Bengal and Dadri in UP can boost the transport infrastructure in the State.

3 District Profile

3.1 District Profile

Sonbhadra or Sonebhadra is the second largest district of Uttar Pradesh, India. Sonbhadra is the only district in India which borders four states namely Madhya Pradesh, Chhattishgarh, Jharkhand and Bihar. It lies in the extreme southeast of the state, and is bounded by Mirzapur District to the northwest, Chandauli District to the north, Kaimur and Rohtas districts of Bihar state to the northeast, Garhwa district of Jharkhand state to the east, Balrampur District of Chhattisgarh state to the south, and Singrauli district of Madhya Pradesh state to the west.



The district headquarters is in the town of Robertsganj. Sonbhadra district is an industrial zone and it has lots of minerals like bauxite, limestone, coal, gold etc. Sonbhadra is called

as "Energy Capital of India" because there are so many power plants and lies between Vindhya and Kaimur hills

3.2 Geographical location

Sonbhadra district lies in the extreme southeast of the state, and is bounded by Mirzapur District to the northwest, Chandauli District to the north, Kaimur and Rohtas districts of Bihar state to the northeast, Garhwa district of Jharkhand state to the east, Koria and Surguja districts of Chhattisgarh state to the south, and Singrauli district of Madhya Pradesh state to the west. The district headquarters is in the town of Robertsganj. It is the only district in India which borders four states namely Madhya Pradesh, Chhattisgarh, Jharkhand, and Bihar. Geographically the district is located between 82°72' to 83°33' East longitude and 23°52' to 25°32' North latitude.

3.3 Connectivity

Sonbhadra is well connected to Lucknow, Allahabad, Varanasi, Mirzapur etc by road. It is very well connected through SH 5A.

Major railway stations are Varanasi Railway Station and Deendayal Upadhyaya Railway station. The nearest railway station for District Headquarter is "Robertsganj" which is on the loop line from Chunar (Delhi-Howrah line). These trains directly connect Sonbhadra to various cities i.e. Delhi, Kanpur, Allahabad, Pathankot, Jalandhar, Amritsar, Ludhiana, Ranchi, Lucknow, Kolkata etc.

The nearest airport for Sonbhadra is Lal Bahadur Shastri International Airport which is in District Varanasi & 110 Kms from Robertsganj (District HQ.). There are direct flights from Varanasi to different major cities i.e. Delhi, Agra, Khajuraho, Kolkata, Mumbai, Lucknow & Bhubhneswar etc and vice-versa.

3.4 Administrative Setup

A district of Sonbhadra is headed by the District Magistrate who is responsible for maintaining law and order in the district and the collector is the chief Revenue Officer responsible for revenue collection and recovery. The police administration in the district is under the control of Superintendent of Police (SP). To decentralize the authority in administrative setup the district is divided into 03 tehsil, 08 block, 67 Nyay Panchayat and 501 Gram Panchayat. There are 04 assembly constituencies.

3.5 Key Statistics of the District⁵

Sr. No.	Parameter	Description
1.	Geographical Location	82°72' to 83°33' East longitude and 23°52' to 25°32' North latitude
2.	Total Geographical Area (Sq Km)	6,788
3.	Population	18.6 lakhs
4.	Languages	Hindi, Gondi and Urdu
5.	Literacy Rate	52.9%
6.	Major Industries	Agro based, Woolen silk and artificial thread based clothes, and ready-made garments and embroidery
7.	Railways (Length of rail line)	103 Kms

⁵ District Industrial Profile (FY 2011-2012) - MSME-DI Institute, Agra; DIC, Mathura

8.	Roads (in Kms)	
a.	National Highway	91
b.	State Highway	146
c.	Main District Highway	116
d.	Other district & Rural Roads	2580
e.	Rural road/ Agriculture Marketing Board Roads	132
f.	Kachacha Road	331
9.	Agriculture Land Utilization (in Hectare)	
a.	Total Area	678800 Hectares
b.	Forest Cover	59065 Hectares
c.	Non-Agriculture Land	467206 Hectares
d.	Barren & cultivable Land	152529 Hectares
10.	Livestock & Poultry	
a.	Cows	1214098
b.	Buffaloes	201380
c.	Goats	296930
d.	Pigs	24321

4 Industrial Profile of Sonbhadra

4.1 MSME Landscape

As given in the below table, the total number of industrial units in Sonbhadra district are 5863 units giving employment to around 18,343 people with an investment of around 12.13 lakhs.⁶

NIC Code No.	Type of Industry	Sum of No. of Industrial Units	Sum of Sum of Investment (in Lakh)	Sum of Sum of Employment
20	Agro based	476	376	960
22	Soda water	-	-	-
23	Cotton textile	-	-	-
24	Woollen silk and artificial thread based clothes	84	56	189
25	Jute and jute based	-	-	-
26	Ready-made garments and embroidery	134	95	368
27	Wood/wooden based furniture	98	92	294
28	Paper and paper products	35	78	165
29	Leather based	-	-	-
31	Chemical/chemical based	10	5835	5066
30	Rubber, plastic and petro based	35	90	95
32	Mineral based	280	729	1084
33	Metal based (steel fab)	1200	2700	2600
35	Engineering units	567	355	1355
36	Electrical machinery and transport	75	42.23	182
97	Repairing and servicing	1850	1278	3680
01	Others	1019	405	2305

4.2 Prominent Industries

As per UAM data, the district of Sonbhadra comprises of 12,544 manufacturing units and 12,529 servicing units.

⁶ MSME DI district Profile 2011

The most prominent MSME sectors in the district are: Agro based, Woolen silk and artificial thread-based clothes, and ready-made garments and embroidery.

The following are the prominent type of industries in the district⁷

NIC Code No.	Type of Industry	Sum of No. of Industrial Units	Sum of Sum of Investment (in Lakh)	Sum of Sum of Employment
20	Agro based	476	376	960
24	Woollen silk and artificial thread based clothes	84	56	189
26	Ready-made garments and embroidery	134	95	368

4.3 Industrial Infrastructure

List of the units in Sonbhadra & near by area;

- ▶ M/s Hindalco Industries Ltd. Renukut Sonbhadra.
- ▶ M/s Kanoriya Chemicals & Industries Ltd. Renukut Sonbhadra.
- ▶ M/s Hitech carbon Murdhawa Renukut Sonbhadra.
- ▶ M/s J.P. Associates Dala Sonbhadra.
- ▶ M/s J.P. Churk Industrial Complex Sonbhadra.

5 One District One Product



Sonbhadra is located in the south-eastern ranges of the Vindhyachal Mountain. It was carved out from the district Mirzapur on 4th march 1989.

The elegantly designed carpets of Sonbhadra are immensely popular. The art of making carpets was probably developed on the plains of Central Asia several thousand years ago. The purpose of its invention is to have some protection from the cold winters, something more easily handled than the sheepskin coverings. These handmade products are known for their artistry, creative designs and patterns. Artisans use traditional methods for making this unique product. This type of intricate designing can only be found on handmade carpets. At the same time they were also making decorations for the houses and banquets.

In the district Sonbhadra mainly high-quality hand knotted carpet are weaved. However, production in the district depends on the demands of overseas market as according to orders factories in the district pass on the order for production. Usually carpets of quality 9/60,12/60,14/70 and 16/80 in various sizes like 5x8', 6x9', 9x12', 10x14' and 12x18'

⁷ District Industrial Profile(FY 2011-2012) - MSME-DI Institute, Agra; DIC, Sonbhadra

are made. Presently following types of carpet are in demand.

1. Hand-knotted carpets
2. Tufted woolen carpet
3. Pure silk carpets
4. Persian carpets
5. Iranian carpets

6 Benchmarking

6.1 National Benchmarking

Carpet Industry is spread in some states of India such as Uttar Pradesh, Kashmir, Rajasthan, Punjab, Haryana etc. Details of craft pockets are as below:

S.No.	Name of the State	Name of the Districts
1	Uttar Pradesh	Bhadohi, Mirzapur, Varanasi, Agra, Sonbhadra, Sahajanpur,
2	Jammu & Kashmir	Baramullah, Bandipora, Anantnag, Budgam, Leh,
3	Rajasthan	Jaipur, Tonk, Bikaner, Jodhpur and surrounding areas.
4	Punjab	Amritsar, Ambala, Pathankot.
5	Himachal Pradesh	Dharamshala, Manali, Mandi etc.
6	Gujrat	Baruch, Surat
7	Kerala	Karur
8	North East	Gangtok, Ranipool, Tadong, Lachen & Lachung in Sikkim Imphal in Manipur, Bomdila & Tawang in Arunachal Pradesh, Mizoram etc
9	Haryana	Panipat, Sonipat, Karnal
10	Andhra Pradesh	Eluru
11	Telangana	Warangal

6.1.1 Kashmir

Kashmir is famous for its fine quality hand knotted carpets, which are expensive and considered as lifelong investment. An average piece is made with about 324 knots per square inch. Persian culture influenced the Kashmiri carpet for quite a long time, but gradually the Kashmiri Carpet industry has acquired an indigenous character. Kashmir has developed some of its own designs based on, the traditional paisley, shawl patterns, leaves and flowers. In Kashmir, Talim method is used to train craftsmen. Wool and silk is used for making carpets. The number of knots on the back of the carpet indicates the quality. Bokhara hand knotted carpets are one of the finest with about 120- 500 knots in a square inch.

6.1.2 Rajasthan

Rajasthan is also known for making namadha that is appliqué, printed or embroidered. Rajasthan made carpets shows hunting patterns with trees and floral motifs. Jaipur and its adjacent districts is the major manufacturing centers in Rajasthan that share a substantial part (15 percent) of total carpet manufacturing from India. The rulers of Jaipur took a keen interest in patronizing the carpet making activity. They were fond of collecting Persian and Mughal carpets. The carpet industry in Jaipur mainly started flourishing in the mid-19th century. In that period, carpet making was introduced as a jail craft. It was remarkable in terms of revenue and other operational aspects. Centers like Bikaner, Jaipur and Ajmer are the main places.

6.1.3 Punjab

Punjab has ancient tradition of weaving cotton durries. Durries are made with the use of comb-like iron fork called “punja” which means hand. It is used to heat the waft yarn to fix up in woven structure. Carpets from the Punjab and Haryana are woven in traditional stripes as well as with stylized birds, animals and human forms, usually used as motifs. Punjab also uses the talim method, which owes the development of the carpet industry to Maharaja Ranjit Singh, who conquered Kashmir. Most commonly mouri designs are used in Punjab. Traditionally, vegetable and mineral dyes like indigo, madder, turmeric, henna were used, however now chemical dyes are highly used. Chemical bath treatment is applied on carpets for a high luster.

6.1.4 Andhra Pradesh

Masulipatnam, Elluru and Warangal are the prominent centers for carpet manufacturing in Andhra Pradesh. In Masulipatnam, patterns used are named after the fruits and flowers like babul, guava, ambarcha etc. Also the main designs called by the name of famous patrons for example Nurjaha, Farsi, and Shah Navaz. More often, combination of blue and green with soft yellow and pastel shades is used. The carpets of Elluru and Warangal are the pride of Andhra Pradesh and have a strong local flavor. The carpet weaving at Warangal is done on a large scale because of ease to access cotton. Handspun wool and jute thread are used. The design are again here of Indo-Persian origin. Images are in deep green and orange colors while off-white background is used.

6.1.5 Himachal Pradesh

Sheep and goat rearing is a very common occupation of many villagers in Himachal Pradesh who are also engaged in blanket weaving texturing. Carpets in Himachal have magnificent designs and durable texture. Mainly carpets of these areas are made in pure wool and for durries cotton is used. Many Tibetan craftsmen are engaged in weaving woolen carpets, as a result motifs are influenced by Tibetan tradition and culture. Designs of birds, dragon, lion and swastika are popular. Threads of ground color are used.

6.2 International Benchmarking

S.No.	Name of the Country	Type of carpet
1	Iran and Pakistan	Indo Persian
2	Nepal	Tibetan carpet

3	China	hand tufted, shaggy carpet
4	Eastern European countries viz Romania, Bulgaria and others	Hand woven Flat weave durries and kelims

The world handmade carpet and rug production and exports are generally conducted by Iran, China, Pakistan, India, Turkey, Afghanistan, Nepal, and Tibet. These countries performed 79.1 per cent of the world handmade carpet exports in 2008. The share of Iran's production in the world market was 26 per cent that of India was 18 per cent, that of Pakistan was 14 per cent, that of China was 11 per cent, and that of Turkey was 7 per cent. In the EU market, there are six major handmade carpet exporting countries competing: Iran (with 24.7 per cent of the EU market share), India (21.3 per cent), China (13.9 per cent), Nepal (8.4 per cent), Pakistan (8.3 per cent), and Turkey (7.1 per cent).

The handmade carpet market is highly competitive. Consumer preferences in this market are changing rapidly and competition in design has become more noticeable in recent years. Nepal and India have managed to adapt to these changes rapidly, thereby becoming prominent countries in the world handmade carpet market. In China, on the other hand, production has shifted towards machine-made carpets, and increasing wages are gradually decreasing the handmade carpet manufacturing.

6.2.1 China's Carpet Industry

Chinese handmade carpets have an important position in the world carpet market. China can produce handmade carpets of different qualities and at several price intervals. As in many other industries in China, increasing labour costs have a potential to weaken the competitive power of China in the handmade carpet industry. A large part of production in China is tufted carpets, and in this market, China competes with India.

China is competing in the middle segment of the market by producing high-quality machine-made carpets. By producing machine-made carpets at low price and high quality, it competes with handmade carpets as well. This has made things difficult for other handmade carpet producers, forcing them to develop different strategies.

China's carpet exports are primarily to the United States and Japan. In the United States and Japan, one out of every five handmade carpets are made in China. The improvement in Chinese handmade carpets generates great social benefits for agriculture, rural areas, and farmers. Since they require intensive labour, Chinese handmade carpets have an important role in terms of both employments, especially for rural areas, and regional economic development. For instance, in Ningjin city of Shandong State, the carpet industry constitutes 25 per cent of the total private sectors. In Qianan city of Hebei State, the carpet industry provides employment for 12,000 people. In 2005, the carpet industry provided employment for 20,000 people in Qinghai State.

The number of handmade carpet producers in China has been growing. As of 2002, there were 1080 firms operating in the carpet industry in China. Leading firms of the industry consider technological improvements very important and have independent design rooms. Some firms even have independent research and development (R&D) and training centers that employ about 100 technical personnel. For instance, between 1995 and 2005, Qianan Carpet Corporation created 9000 different designs, which were in high demand in overseas countries. The Qinghai Tibetan Sheep Carpet Corporation has developed 100 new products and holds six patents in carpet weaving and techniques. Like many other carpet-producing countries, China exports a great portion of its carpets. The markets for Chinese carpets are extending both locally and globally. While the Chinese carpet industry is becoming more

competitive in the world market, there exists a market with great potential within China itself. In 2004, local consumption in China reached 80 million m², and this consumption is increasing by 10 per cent per annum.

6.2.2 Iranian Carpet Industry

Iran is one of the world's prominent carpet manufacturers and exporters. The carpet industry is one of the most important industries in the Iranian economy. Iran manufactures more than 5 million of handmade carpets and exported around 500 million USD annually between 2004 and 2006. In Iran, 90 per cent of carpets are woven in rural areas, where weavers do not have enough information about the demands of customers in international markets.

World-renowned Iranian carpets have been confronted by unfair competition from low-cost, imitation carpets from countries such as mentioned above. These countries have captured the handmade carpet market. For instance, China has captured some part of the Iran's carpet market share in the United States by imitating Iranian carpets and producing low quality carpets.

Despite the declines in recent decade, Iran is still one of the largest carpet exporters in the world. Handmade carpet exports rank first among Iran's non-petrol exports and third in Iran's total exports. Carpet manufacturing constitutes 12 per cent of Iran's non-petrol exports. Iranian handmade carpets are exported to more than 20 countries.

7 Export Scenario

7.1 Overview

India contributes 40% of the total handmade carpets export in the world². Total carpet-durrie export value of Bhadohi-Mirzapur including Sonbhadra is Rs 5308 crores for 2018-19. Although the major exporter units are based in Mirzapur and Bhadohi. However, Sonbhadra is contributing around Rs. 45 crores in turnover of Bhadohi and Mirzapur.

However, with the advent of high-quality machine-made carpets, Indian handmade carpet industry is facing stiff competition from China, Pakistan, Turkey etc.

Basis our understanding and discussion with exporters, we identified the specific 6-digit code; 570241 being utilised by exporters for Sonbhadra Carpets, specifications for which are provided in the figure (right)

Key Facts of Export

227,641 (USD Thousand)

Value of world exports in 2019

24,189 (USD Thousand)

Total Exports of India in 2018

7616.641 (USD Thousand)

Total Export of UP in 2017/18

31.48%

Share of UP in India's Exports

7.2 India's Export Scenario

India is a land for its rich culture and artistic heritage. Carpet weaving is an ancient Indian tradition, with the industry flourishing in the country since the 16th century. Today, India is the world's largest producer and exporter of handmade carpets in terms of value and volume. Around 75-85% of carpets manufactured in India are exported. Indian carpets are known worldwide for their excellent design, fascinating colours and quality.⁷

Ranked No. 1 as a producer and exporter of Handmade Carpets and other floor coverings both in terms of volume and value, Weavers can make handmade carpets in any design, colour, and quality as per the needs of overseas buyers and also caters to the requirement of every segment of the society. Produces a wide range of Handmade Carpets and other floor coverings in low, medium and high qualities for all the segments of consumers, Raw materials used are diverse and blending & mixing of different yarns is its specialty.⁸

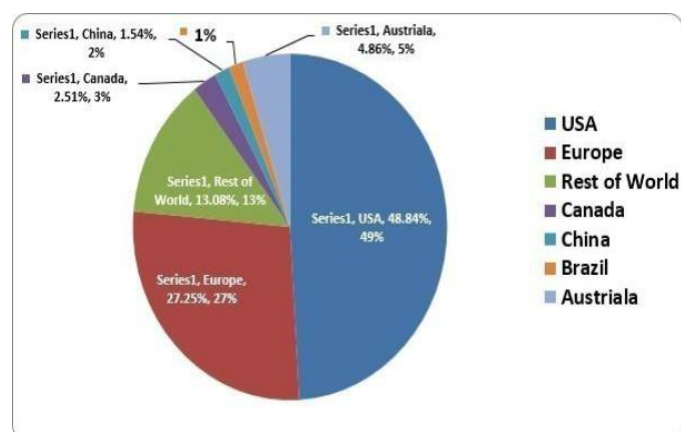
Unlike, other countries, **in India skilled/unskilled/semi-skilled is easily available** and India's **export policies are liberal**. India also has various schemes and policies chalked out for its MSMEs and traditional industries to uplift their sales and profits. In recent years, India has made the **shift towards contemporary designs**, necessitating an **upgrade in production and processing techniques**. India is seen as a **flexible supplier** that can **quickly respond to changes** in consumer preferences. Bhadohi alone produces **over 8 types of carpets** that are of export quality with a wide ranges of designs.

Government has granted various subsidies to this sector such as State Capital Subsidy, Generator Subsidy, and Power Tariff Subsidy. The government has further set up various institutes such as Indian Institute of Carpet Technology, Bhadohi(UP) and Srinagar (J&K) for Technological support. Thus, Government is leaving no stone unturned to boost up this tremendous potential industry.

In recent years, India has made the shift towards contemporary designs, necessitating an upgrade in production and processing techniques. India is seen as a flexible supplier that can quickly respond to changes in consumer preferences.

India today is a clear leader in the international handmade carpet market. India's heritage of handmade carpet has been recognized worldwide with a commending share in global exports, for its subtle elegance, eco-friendliness and exquisite vibrant colour craftsmanship with a human touch.

The following image depicts India's Export to various countries:⁹

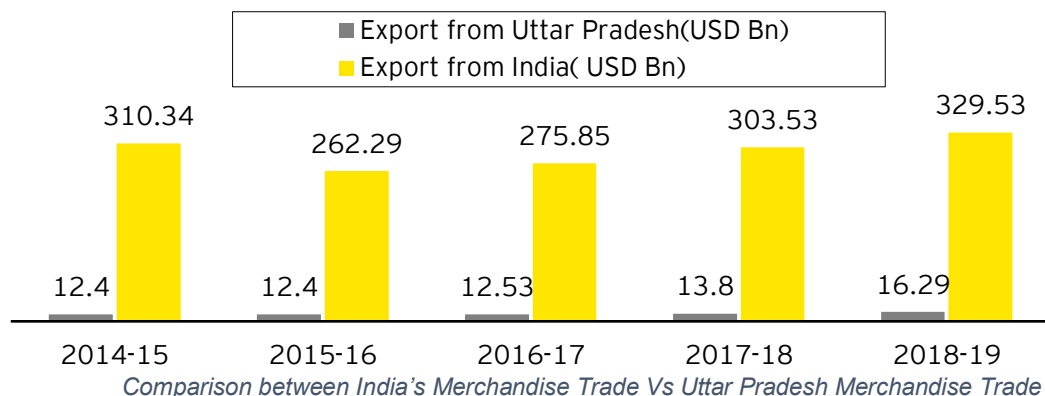


7.3 UP's Export Scenario

Uttar Pradesh ranks third in terms of Gross State Domestic Product (GSDP) in the country. Against this, the State accounts for less than 5 per cent share in India's exports - significantly lower if compared to its contribution to other key macroeconomic parameters.

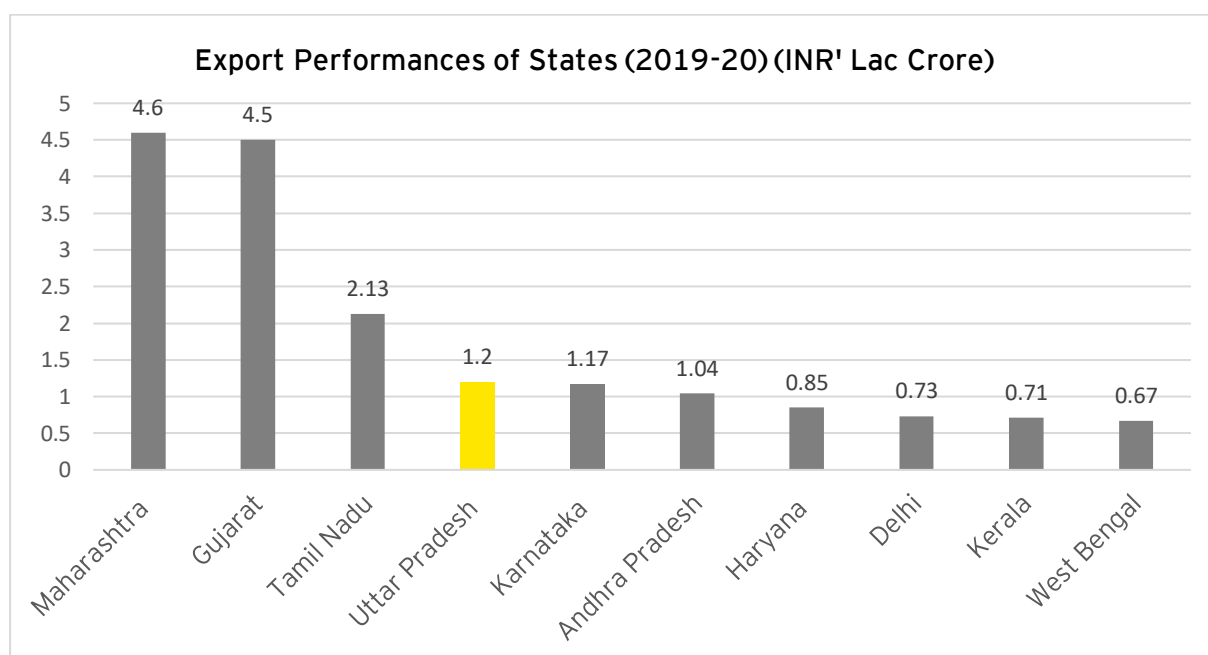
Export growth would not only boost the state economy but also generate more opportunities for employment and augment the competitiveness of business enterprises from the State.

Over the period of 5 years, exports from Uttar Pradesh have grown at a compounded annual growth rate (CAGR) of 7.06% as against national average 1.5%⁸



Export performance from Uttar Pradesh

Total export from U.P. has jumped up from 1.14 Lakh Cr in 2018-19 to 1.20 Lakh Cr in year 2019-20 registering a growth of more than 5%.⁹



7.4 Export Potential

In order to assess export potential of Indian Zari Zardozi clusters, below HS codes (6 digit) have been utilized to understand current exports and untapped potential export markets.

While analyzing export potential and markets that India (UP) can target, it is also necessary to look at Free trade agreements that India has with all countries. Below given table lists all types of agreement that India has.

⁸ DGFT

⁹ DGFT

Trade Agreements¹⁰

Grouping	Number of member countries	Member Countries	Type of Agreement
India Sri-Lanka FTA	2	Sri Lanka (1998)	Free Trade Agreement (FTA)
Bilateral	2	Afghanistan (2003)	FTA
Bilateral	2	Thailand (2004)	FTA
Bilateral	2	Singapore (2005)	FTA
Bilateral	2	Bhutan (2006)	FTA
Bilateral	2	Chile (2006)	Preferential Trade Agreement (PTA) in effect
Bilateral	2	Nepal (2009)	FTA
India Korea CEPA	2	Korea (2009)	CEPA, in effect
India- Malaysia Comprehensive Economic Cooperation Agreement (IMCECA)	2	Malaysia (2011)	CECA, in effect
Japan India Comprehensive Economic Partnership Agreement (JICEPA)	2	Japan (2011)	CEPA, in effect
Asia Pacific Trade Agreement (APTA)	6	Bangladesh, China, South-Korea, Sri Lanka, Lao PDR	Preferential Trade Agreement (PTA) in effect
India- ASEAN Trade in Goods Agreement (India-ASEAN TIG)	11	Brunei, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam	FTA
BIMSTEC	7	Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka, Thailand	FTA, under negotiation
South Asia Free Trade Agreement (SAFTA)	7	Afghanistan, Bhutan, Bangladesh, Pakistan, Maldives, Sri Lanka, Nepal	FTA, in effect
India- MERCOSUR PTA	5	Brazil, Argentina, Uruguay, Paraguay	PTA , under re-negotiation
India- Gulf Cooperation Council -FTA	7	UAE, Saudi Arabia, Qatar, Oman, Kuwait, Bahrain	FTA under negotiation
Bilateral Trade and Investment Agreement (BTIA)	28	India and EU	FTA under negotiation, may ink PTA before

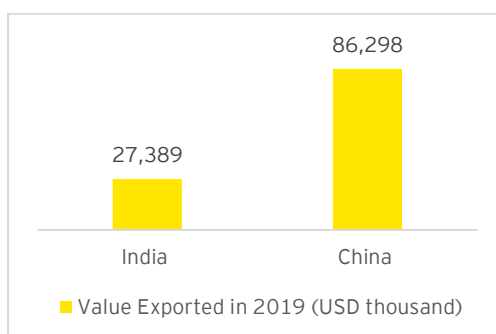
¹⁰ <https://www.india-briefing.com/news/indias-free-trade-agreements-4810.html/>

Grouping	Number of member countries	Member Countries	Type of Agreement
India Canada CEPA	2	Canada	CEPA under negotiation
India UK FTA	2	United Kingdom	FTA under negotiation, may ink EHS before

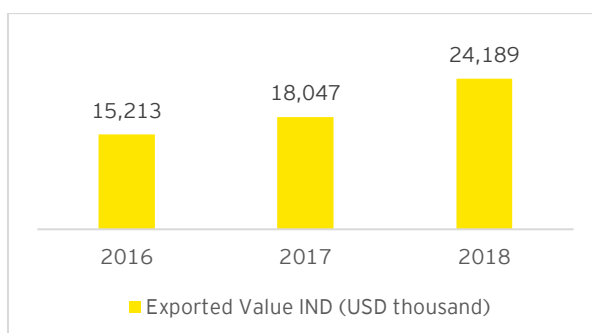
7.4.1 Product 1: Carpets and other floor coverings, of wool or fine animal hair, woven, not tufted or flocked, of pile construction, made up (excluding Kelem, Schumacks, Karamanie and similar hand-woven rugs) (570241)

The Indian carpet has market access to 73 countries, US being the largest². India's exports represent 12.3% of world exports for this product, ranking it number 2, only behind China. The value of India's exports over the last 5 years have increased by CAGR 12.6%. As per data FY 2015-16 to 2018-19 for exports from the state of UP, it is observed that there has been an increase by CAGR 2.1% and that UP accounts for more than 50% of the overall Indian exports in this category.

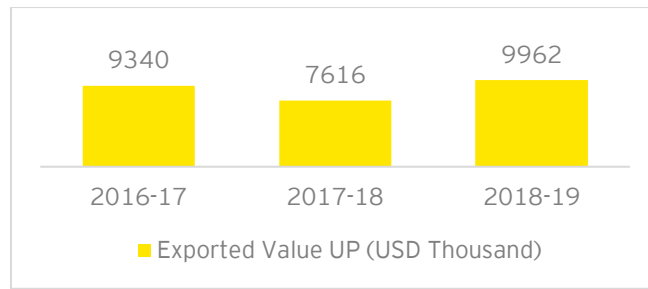
India's main competition is China that accounts for nearly 3 times India's level of exports in the world market i.e. 37.9% of the world exports for this product, ranking China number 1 in the world.



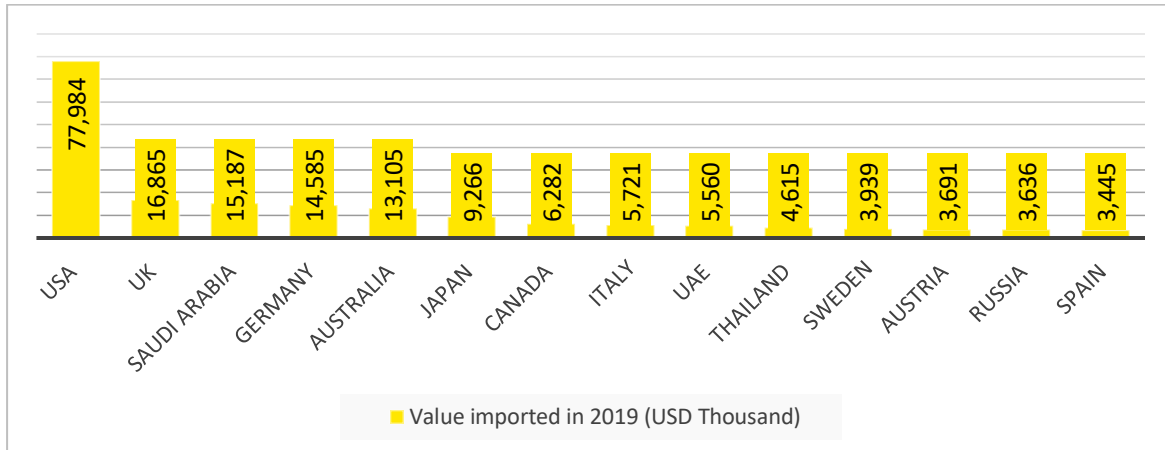
India's export of the product has gradually increased over the last three years as seen below:



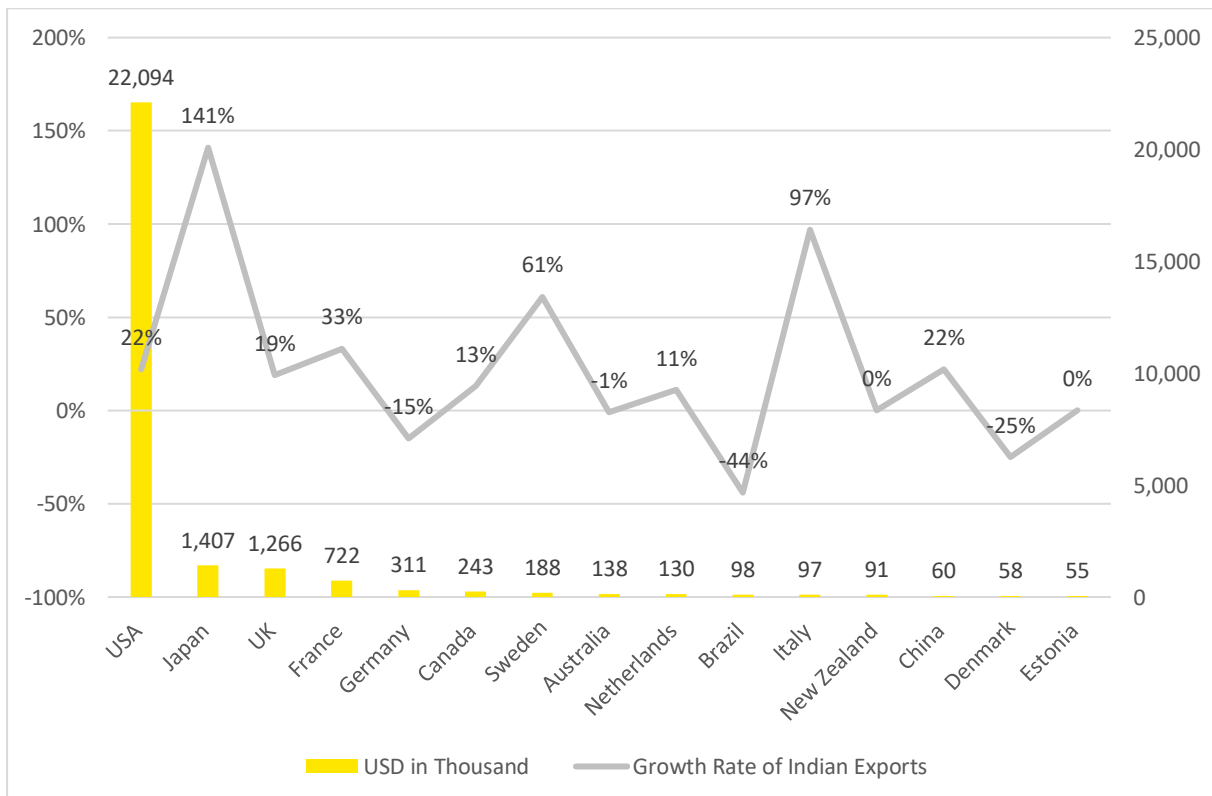
Contrary to India's value of exports, UP's export of the product between 2016-2019 has fluctuated with an overall increase as shown below:



The top importers for this product in the world are:



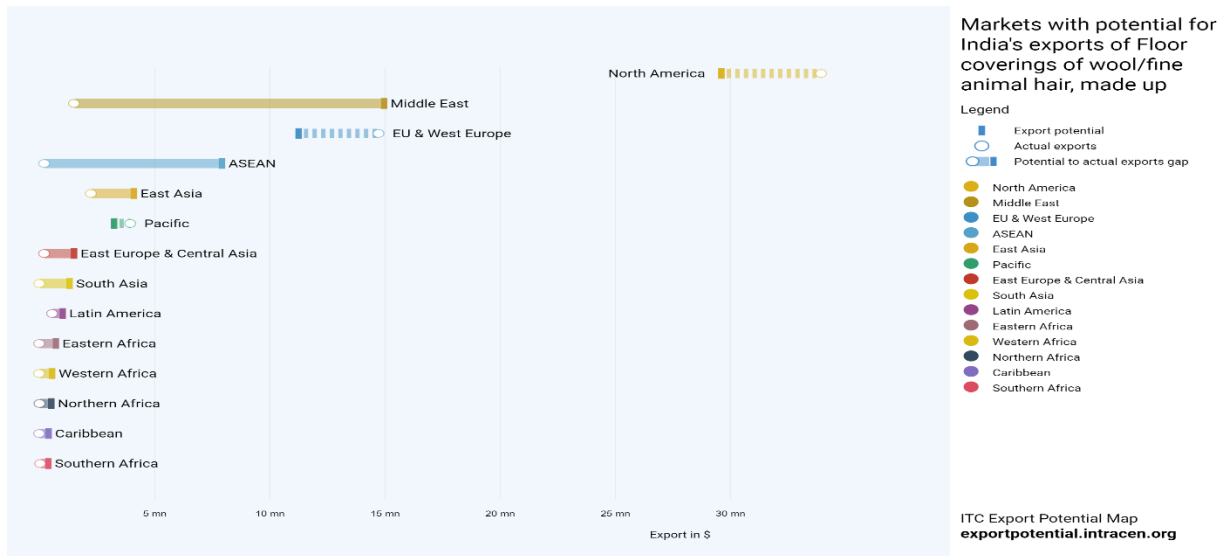
The following chart showcases the prominent import countries to whom India export this product.



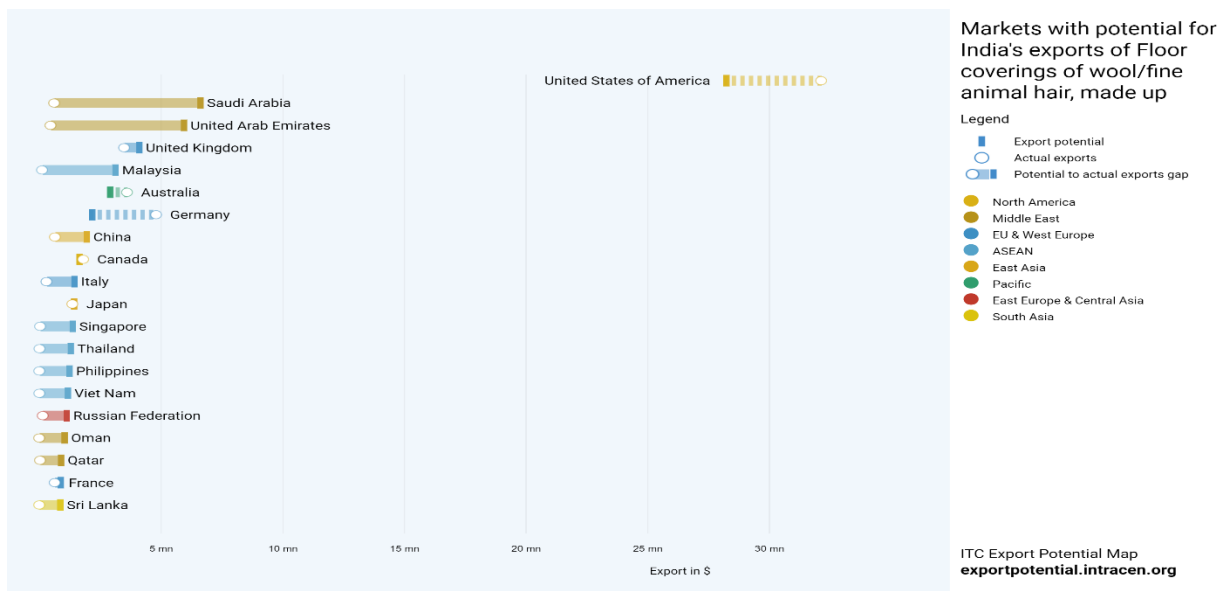
7.4.1.1 Market Expansion

The following figure shows the Untapped export potential of India:

a) Region wise:



b) Country wise:



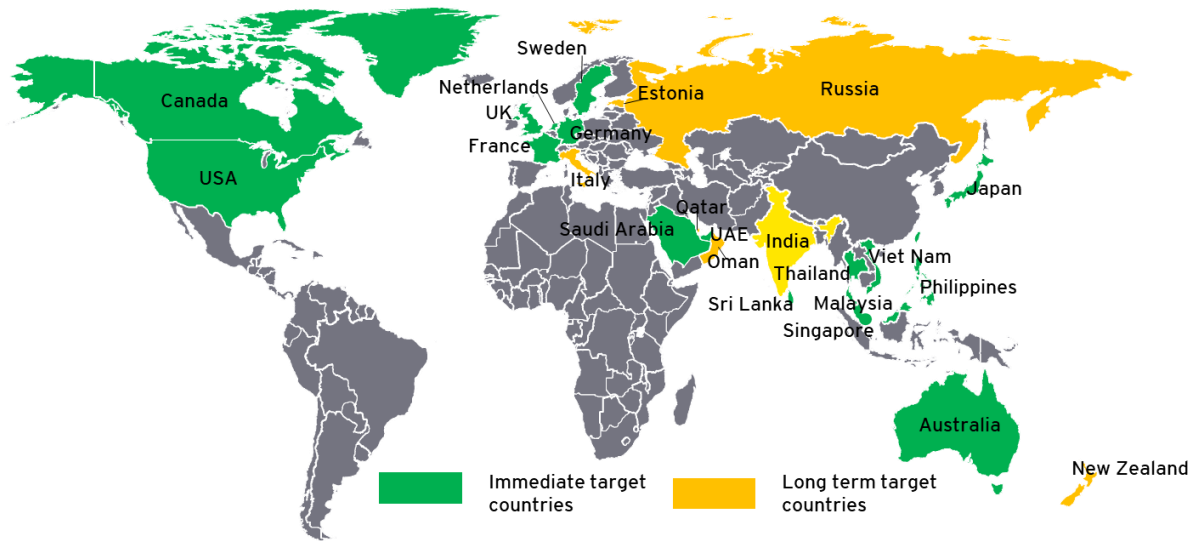
Synergies:

1. Immediate:

- Based on Signed FTAs and Untapped potential the following can be targeted: **Japan, Saudi Arabia, UAE, Malaysia, Singapore, Thailand, Philippines, Viet Nam and Sri Lanka**
- Based on list of already importing countries from India, UP should target the following countries to expand its market and maximize its exports by signing FTAs: **USA, UK, France, Germany, Canada, Sweden, Australia, Netherlands**

- 2. Long Term:** Apart from the above mentioned countries, we can aim to develop synergies with the following countries in the long run: **New Zealand, Estonia, Italy, Russia, Oman, and Qatar**

Target Countries on Map

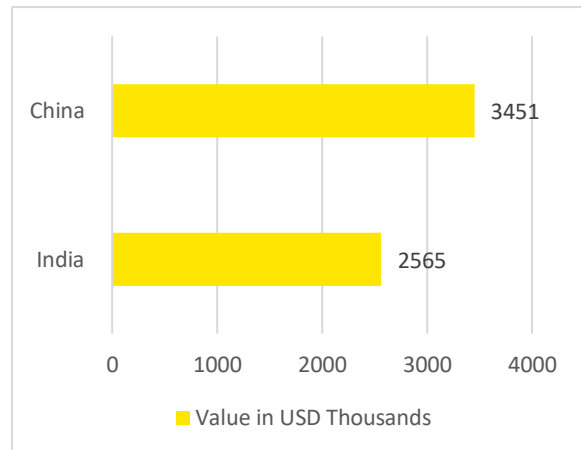


7.4.1.2 Competitive analysis

7.4.1.2.1 Case Study of Target Market: Japan

The figure alongside depicts the list of countries that export to Japan. China exported products worth of 3,451 USD Thousand in 2019 whereas, India's value of exports was 2,565 USD thousands.

Japan's imports represent 3.7% of world imports for this product, its ranking in world imports is 7.



India's Advantage:

1. India's experiences 0% tariff rate. Whereas, China has to pay 8.1%; which shows that India can compete with China to tap Japan market as Indian exporters would not have to pay tariff rates on the exported product thus making the product more price friendly.
2. Unlike China, India already has its CEPA in effect with Japan
3. India's minimum daily wage per hour is lesser than China. This will help India in maximizing the production thus, helping it cater to a larger audience worldwide¹¹

China's Advantage:

1. China has advanced technology machines for embroidery and carpet making, hence China is leveraging advantage of mass production and lower cost.

7.4.1.3 Top Ports used by Uttar Pradesh for the selected product's transport

The following figure depicts the top ports used for the export of the product in INR Th Cr:¹²

1. Nhava Sheva Sea
2. ICD Piyala Ballagarh
3. ICD Panki, UP
4. Madhosingh ICD Mirzapur
5. Delhi Airport

¹¹ https://en.wikipedia.org/wiki/List_of_countries_by_minimum_wage

¹² <http://www.dgcisanalytics.in/ for code 581092>

6. ICD Pakwara Moradabad Meerut
7. Delhi (ICD)
8. CGML Dadri

8 Uttar Pradesh Export Promotion Policy

The Policy provides financial assistance as mentioned below:

1. **Fiscal Initiatives:**
 - a. The State will refund expenses incurred for compulsory certifications like Conformity European (CE), China Compulsory Certificates (CCC) etc. to the extent of 50 percent of expenses subject to a maximum of Rs. 2.00 Lakh per unit per annum.
 - b. For exports routed through air, assistance will be provided through Air Freight Subsidy Scheme. The upper ceiling under this scheme will be raised from Rs. 2.00 Lakhs annually per unit to Rs. 5.00 Lakhs annually per unit.
 - c. The deficit in Electricity duty collected by Uttar Pradesh Power Corporation Ltd. (UPPCL) will be reimbursed by Government of Uttar Pradesh.
2. **Preparation of a Database and market research for exporters:**
 - a. Allocation of a market research and database development fund of Rs. 1.00 crore annually.

9 Export Promotion Schemes

Exports are regarded as an engine of economic growth in the wake of liberalization and structural reforms in the economy. In recent times India is witnessing slowdown in exports with its traditional partners. Under these circumstances, we need to set in motion strategies and policy measures which catalyze growth of exports in several different sectors as well as in newer markets.

The following are the initiatives taken by Government of India and UP to strengthen the exports from India:

9.1 Initiatives of Gol

9.1.1 Merchandise Exports from India Scheme (MEIS)

- ▶ Under this scheme, exports of notified goods/ products to notified markets as listed in Appendix 3B of Handbook of Procedures (<http://164.100.59.247/hand-book-of-procedures-2015-20-primary-tabs>) , are granted freely transferable duty credit scrips on realized FOB value of exports in free foreign exchange at specified rate (2-5%).
- ▶ Duty Credit Scrips are provided for exports to diversify markets and offset the disadvantage faced by exporters with regard to freight costs, transport hurdles and other disabilities. They are like debit notes which can be used to pay import duties.
- ▶ Such duty credit scrips can be used for payment of custom duties for import of inputs or goods, payment of excise duty on domestic procurement, payment of service tax and payment of custom duties in case of EO default.
- ▶ Exports of notified goods of FOB value up to Rs 25, 000 per consignment, through courier or foreign post office using e-commerce shall be entitled for MEIS benefit.

9.1.2 Service Exports from India Scheme (SEIS)

A scheme designed to provide rewards to exporters to offset infrastructural inefficiencies and associated costs. The Duty Credit Scrips and goods imported/ domestically procured against them shall be freely transferable. The Duty Credit Scrips can be used for:

- ▶ Payment of Basic Customs Duty and Additional Customs Duty specified under sections 3(1), 3(3) and 3(5) of the Customs Tariff Act, 1975 for import of inputs or goods, including capital goods, as per DoR Notification, except items listed in Appendix 3A.
- ▶ Payment of Central excise duties on domestic procurement of inputs or goods,
- ▶ Payment of Basic Customs Duty and Additional Customs Duty specified under Sections 3(1), 3(3) and 3(5) of the Customs Tariff Act, 1975 and fee as per paragraph 3.18 of this Policy.

9.1.3 Duty Exemption & Remission Scheme

An exporter must take Advance Authorization (AA) from the regional DGFT offices if he uses his imported product as an input to manufacture his resultant exported product. No Advance Authorization can obviously be given for import of prohibited items. Advance Authorization can however be given for import of restricted items with certain conditions. Items reserved for import through State Trading Enterprises (STEs) can be imported against Advance Authorization/ DFIA provided the item of import is canalized/ bought through STEs or after obtaining No Objection Certificate from STEs.

- A. **Advance Authorization Scheme:** Under this scheme, duty free import of inputs are allowed, that are physically incorporated in the export product (after making normal allowance for wastage) with minimum 15% value addition. Advance Authorization (AA) is issued for inputs in relation to resultant products as per SION (Standard Input Output Norms prescribed in Handbook of Procedures Vol. II) or on the basis of self-declaration, as per procedures of FTP. AA normally has a validity period of 12 months for the purpose of making imports and a period of 18 months for fulfilment of Export Obligation (EO) from the date of issue. AA is issued either to a manufacturer exporter or merchant exporter tied to a supporting manufacturer(s).
- B. **Advance Authorization for annual requirement:** Authorization holders who have been exporting for at least 2 years can get annual Advance Authorization. This gives them the flexibility to export any product throughout the year falling under an export product group using the duty exempted imports. However specific inputs have to be tallied with the resultant exports as per SION/ prescribed ad hoc norms.
- C. **Duty Free Import Authorization (DFIA) Scheme:** DFIA is a variant to Advance Authorization scheme. It is different from Advance Authorization as a higher minimum value addition of 20% is required, as compared to only 15% in Advance Authorization. It has enabling provision for transferability of authorization or materials imported against it. DFIA can be applied and obtained on post export basis as well. It is popular with exporters who export first and then obtain the Authorization, which can be sold freely.
- D. **Duty Drawback of Customs/Central Excise Duties/Service Tax:** The scheme is administered by Department of Revenue. Under this scheme products made out of duty paid inputs are first exported and thereafter refund of duty is claimed.

9.1.4 Export Promotion Capital Goods Scheme

The objective of the Export Promotion Capital Goods (EPCG) Scheme is to facilitate import of capital goods for producing quality goods and services and enhance India's manufacturing competitiveness. EPCG Scheme allows import of capital goods for pre-production, production and post-production at zero customs duty.

- A. **Zero duty EPCG scheme:** Zero duty EPCG scheme allows import of capital goods for preproduction, production and post-production (including Completely Knocked Down/ Semi Knocked Down thereof as well as computer software systems) at zero Customs duty, subject to an export obligation equivalent to 6 times of duty saved on

capital goods imported under EPCG scheme, to be fulfilled in 6 years reckoned from Authorization issue-date (para 5.1 a of FTP).The scheme can be taken both post exports and pre- exports. The export obligation discharged would require fulfilment of specific export obligation in addition to the existing Average export performance over a period of three years.Period of import would be 9 months. Exporters availing benefit under Technology Up Gradation Fund Scheme ("TUFS") can also avail benefit of Zero duty EPCG Scheme. Import of motor cars, SUV's, all purpose vehicles by hotels, travel agents, or tour or transport operators and companies owning/ operating golf resorts not allowed. Export Obligation for domestic sourcing of capital goods under EPCG schemes has been reduced by 10% to encourage import substitution.

- B. Post Export EPCG Duty Credit Scrip Scheme:** A Post Export EPCG Duty Credit Scrip Scheme shall be available for exporters who intend to import capital goods on full payment of applicable duty in cash.

9.1.5 EOU/EHTP/STP & BTP SCHEMES

Units undertaking to export their entire production of goods and services may be set up under this scheme for import/ procurement domestically without payment of duties. For details of the scheme and benefits available therein FTP may be required.

9.1.6 Towns of Export Excellence (TEE)

Selected towns producing goods of Rs. 750 crores or more are notified as TEE on potential for growth in exports and provide financial assistance under MAI Scheme to recognized Associations.

9.1.7 Rebate of duty on "export goods" and "material" used in manufacture of such goods

Rebate of duty paid on excisable goods exported or duty paid on the material used in manufacture of such export goods may be claimed under Rule of 18 of Central Excise Rules, 2002.

9.1.8 Export of goods under Bond i.e. without payment of excise duty

Rule 19 of Central Excise Rules 2002 provides clearance of excisable goods for exports without payment of central excise duty from the approved factory, warehouse and other premises.

9.1.9 Market Access Initiative (MAI) Scheme

Under this Scheme, financial assistance is provided for export promotion activities on focus country, focus product basis to EPCs, Industry & Trade Associations, State Government Agencies and Indian Commercial Missions abroad to do market surveys, publicity campaigns, participate in International Trade Fairs, set showrooms/ warehouses etc.¹³

9.1.10 Status Holder Scheme

Upon achieving prescribed export performance, status recognition as one-star Export House, two Star Export House, three star export house, four star export house and five star export house is accorded to the eligible applicants as per their export performance. Such Status Holders are eligible for various non-fiscal privileges as prescribed in the Foreign Trade Policy. In addition to the above schemes, facilities like 24X7 customs clearance, single window in customs, self-assessment of customs duty, prior filing facility of shipping bills etc. are available to facilitate exports.

9.2 Initiatives of GoUP

¹³ Details of the Scheme is available at www.commerce.nic.in

9.2.1 Market Development Assistant (MDA)

A. **Objective:** To promote export from the State, Participation in foreign Fairs & Exhibition is essential. Hence Fairs are to be organized within the Country & outside the Country to attract Foreign Buyers. Exporters at present are participating in prestigious Foreign Fairs, which on an average require an expenditure of about Rs. 5 lacs, which is difficult to be met by MSMEs. This Scheme was introduced to support the exporters to increase the global reach of our renowned products.

B. **Eligibility:**

- a. MSME Exporters of UP registered with Export Promotion Bureau (EPB) & Uttar Pradesh export promotion Council (UPEPC).

C. **Assistance:**

Under the scheme, financial assistance is provided in the following activities:

a. **Foreign Fairs/Exhibition:**

- i. 60% of Stall charges paid up to max. Rs. 100000/- for one fair/exhibition
- ii. Air Fare 50% by economy class max. Up to Rs. 50000/- per fair for one person.

b. **Publicity Advt., Printing Of Catalogue & Development Of Website:**

- i. 60% of total cost of Expenditure maximum upto Rs. 60000/- annually.

c. **Samples to Foreign Buyers**

- i. 75% of total expenses on courier for sending samples max. assistance up to Rs. 50000/- per year

d. **Facility for obtaining ISO 9001-2000/BIS 14000, Hall Mark, HACCP & C-MARK**

- i. 50% of total expenses max. up to Rs. 75000/- per year

9.2.2 Subsidy On Freight Charges Up to Gate Way Port

A. **Objective:** Geographically, Uttar Pradesh is located far away from the ports of India and this makes the exporters of Uttar Pradesh at a comparative cost disadvantage to other exporters who are based in states close to ports of India. To offset this disadvantage, partially, and enable them to remain competitive, this Scheme was introduced in 2007-08 to provide Financial Assistance and remain competitive in the International Markets

B. **Eligibility:**

- a. MSME Exporters reg. with EPB.

C. **Financial Assistance**

- a. 25% of the total inland Freight charges with maximum ceiling of Rs. 6000/- for 20" and Rs. 12000/- for 40" per container up to maximum Rs 12.00 lac in current financial year is admissible to exporting units to send their goods by State ICD/CFS to the gateway port. This amount is sanctioned by the district users committee chaired by D.M. of the concerned district.

9.2.3 Air Freight Rationalization Scheme

The assistance for such exporters, who send their export consignment from the Air cargo complexes of the state, be also provided assistance in the form of subsidy on the export air cargo charges. The assistance would be limited to Rs 50.00 per kilogram or 20% of value of

the airway bill, (whichever is lower) up-to a maximum of Rs 2,00,000/- (Two Lacs Only) per year/ per exporting unit

9.2.4 Uttar Pradesh Niryat Awasthapna Vikas Yojna (NAVY)

- A. **Objective:** Accepting the recommendation of 14th Finance commission, GOI has delinked the Aside (Assistance to State for Developing Export Infrastructure and Other Allied Activities) Scheme from the Union Budget 2015-16. So to complete the projects related to Export Infrastructure the State Govt. started Uttar Pradesh Niryat Awasthapna Vikas Yojna. Under this scheme, the selected projects lying in the basket have to be completed. Like ASIDE Scheme, the projects have to be established, maintained and operated by the Implementing Agencies (SPVs).
- B. **Eligibility:** For the establishment, development, maintenance and operation the following agencies will be eligible:
- a. Central/State Government
 - b. Public Sector Undertaking under Central/State Government
 - c. Other Agencies of Central/State Government
 - d. Export Promotion Councils/Commodity Boards
 - e. Apex Trade Bodies Certified under Exim Policy of Government of India
 - f. Individual productions/service units dedicated to export.
- C. **Financial Assistance**
- a. Minimum 30% of project cost and incumbrance free land will be provided by the Implementing Agencies (SPVs)
 - b. Maximum 70% of project cost will be assisted under scheme.

10 Key Gaps and Recommendations

10.1 Raw materials

Establishment of **Raw material bank with processing facility** for easy access to micro units/weavers

Challenges

- ▶ Raw materials for Dari/Carpet works is currently being procured from Surat/ Panipat as the material available locally are priced higher
- ▶ Due to improper supply of raw material the artisans are not able to manage their timelines properly leading to delayed deliveries of finished goods, low reduced satisfaction rate among customers which sometimes leads to loss of future orders to the artisans

▶ **Hard Interventions:**

1. Raw material Bank may be set up to supply the quality raw material at a concessional rate.

▶ **Soft Intervention:**

1. **Creating awareness** amongst daily wage artisans to leverage working capital loan from the banks to procure raw material

Recommendations

10.2 Design

Design Innovation through **collaboration with national institutes and establishment of Design Bank**

Challenges	<ul style="list-style-type: none"> ▶ Designers lack access to weavers, strong presence of middlemen producer groups are institutionally weak, and tend to be victims of knowledge gaps - producers have little access to market trends ▶ Green technology standards are important for access to international markets. Traditional designs are not documented, facing threats of extinction ▶ Lack of territorial identities like GI for designs ▶ Producers need technological inputs to enhance productio
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Recommendations	<ul style="list-style-type: none"> ▶ Hard Intervention: <ol style="list-style-type: none"> 1. Digital design banks should be set up and placed in the public domain. 2. A computerized design center may be set up in the CFC. This design center may be equipped with high quality printers, scanners, digital cameras, software's like AutoCAD, Adobe (Photoshop and illustrator), Studio or 3D Max, Corel draw (Updated Original Software). The Design Centre will have a training hall for conducting customized training courses conducted on CAD / CAM. 3. Weavers database should be prepared for designers to access, i.e. Handicrafts Census 4. Design institutes like NIFT, NID, IICD should create interface platforms between weavers and designers 5. Designer-artisan interface can be enforced through branding and monitoring process through Craftmark 6. Green standards for craft production can be enforced via Ecomark. He same can be dovetailed with Craftmark
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10.3 Technology Upgradation

Technology Upgradation by providing **modernized innovative looms, machine tufting guns and set up of dyeing plants with ETP facility within the cluster**

Challenges	<ul style="list-style-type: none"> ▶ Lack of innovation in technology: The traditional weaving is still in the practice in the carpet making region. This cause the Indian carpet more costly and less attractive in comparison to the other machine-made carpet
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Recommendations	<ul style="list-style-type: none"> ▶ Soft Interventions: <ol style="list-style-type: none"> 1. Leverage government schemes which provides financial assistance for technology upgradation (viz. ODOP margin money scheme etc.) 2. R&D work may be initiated for Modern system of latexing, tufting, dyeing washing /drying the carpets after wash and finishing. Institute like IICT Bhadohi and IIT, Delhi may be engaged for this work
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10.4 Marketing

Increasing market access by establishing **Expo-mart**, leveraging schemes of Govt. , collaboration with key players and participation in events & fairs

Challenges

- ▶ Due to lack of working capital they are not making their own product and working on contract basis
- ▶ Major units present in the district are operated by Unit holder based in Bhadohi, Delhi and Jaipur.
- ▶ Influence of middle-men or Unit holder on weavers
- ▶ Lack of comprehensive brand and logo for Handicrafts, Handlooms
- ▶ Emphasis on foreign/export markets lack of GI

▶ Hard Interventions:

1. A Business Development Services (BDS) may be set up in CFC to increase its market penetration and sales which will provide direct exposure of market to the artisans
2. To increase the visibility of cluster, several promotional measures like advertisements, printing and distribution of product catalogues and cluster briefs among the potential market agencies are suggested.
3. For e-commerce activities, an Online Portal may be launched and registration of e-commerce portal like Pay TM may be done to establish new marketing linkages
4. CEPC may organize exhibitions in new market potential countries like South Africa, Portugal, Greece, Turkey, Brazil etc.
5. Warehouse facilities may be arranged in major carpet importing countries for exporters

Recommendations

10.5 Infrastructure

Infrastructure upgradation to strengthen the industrial area and to resolve their day-to-day

Challenges

- ▶ Acute infrastructural inadequacies: Lack of link roads and power supply, sanitation of workspaces, sewerage, marketing, and connectivity etc. which is hampering the clusters access to modern technology, market, finance and skills.

▶ Hard Interventions:

1. Industrial upgradation with establishment of proper lighting, ETP, RCC drains etc. will improve the productivity and resolve the issues faced by artisans while doing the artwork in their homes
2. State Government and local body may plan to improve civic infrastructure i.e. road, link road, sewerage of the Sonbhadra city and the district. Similarly supply of electricity may be improved in the district
3. Support for establishment of cluster level networks (industry associations) in the form of basic office infrastructure, including books; and other need based support as emerge from the diagnostic study
4. A common production and processing center may be setup in CFC for quality assurance of the product.

Recommendations

10.6 Access to Finance

Assistance in terms of revolving working capital fund, interest subvention and collaboration

Challenges	<ul style="list-style-type: none"> ▶ Financial flow from nationalized banks is very meagre: To procure production range for direct marketing funds are not available with the units /artisan. Banks require elaborate documentation for extending financial support to Artisans ▶ Investment in tools/machine is very less ▶ To procure production range for direct marketing funds are not available with the units /artisan. ▶ For raw material sufficient finance is required 	
	<ul style="list-style-type: none"> ▶ Soft Interventions: <ol style="list-style-type: none"> 1. Savings groups under Rural development schemes eligible to extend credit 2. Artisan's credit cards - Artisan cluster funding via private investment/private equity 3. AHVY: margin money support 	Recommendatio

10.7 Skilling

Adequate trainings to improve availability of skilled manpower in the district with the establishment of Training Centre, collaboration with NSDC and leveraging schemes

Challenges	<ul style="list-style-type: none"> ▶ SHGs formed in rural areas are not functioning properly, thus artisans are not organized in the cluster ▶ Lack of opportunities to scale up SHGs. ▶ Lack of entrepreneurial skills, financial and marketing skills, management skills amongst weavers ▶ Lack of exposure to markets, technology, designs ▶ Lack of organization and institutional strength ▶ The weaver of district Sonbhadra confined only to weaving technique of the carpet. 	
	<ul style="list-style-type: none"> ▶ Soft Interventions: <ol style="list-style-type: none"> 1. Collaboration with NSDC for providing job-oriented training for skilling and upskilling, funding for which will be sourced through NSDC. 2. Maximizing leveraging of schemes such as the ODOP Skill Development Scheme, Entrepreneurship and Skill Development Programme (ESDP) DDUGKY scheme, 'Seekho aur Kamao' and Uttar Pradesh Skill Development Mission for skilling and upskilling of artisans 3. Expand the role of IAs to include producers' groups, social enterprises, private sector 4. Need based training within the clusters (related to global trade issues, skill development, marketing, management and credit) 5. Bring in private sector to incubate small enterprises and help leverage debt and equity support schemes for producers/social entrepreneurs from SIDBI and NABARD 6. Exposure visits to other clusters and institutions to understand the self-help actions, new products, technology, etc.; ▶ Hard Interventions: <ol style="list-style-type: none"> 1. Awareness camps may be held to bring together weavers in the same cluster and provide assistance in forming co-operatives SHGs/federation. 2. Establishment of training center for omen. 	Recommendations

10.8 Occupational Health and Safety

Issuance of ID cards and upgradation of existing industrial infrastructure to improve the standard of living for workers in the workplace

Challenges

- ▶ Lack of information and knowledge about the schemes among the potential beneficiaries Poor implementation of schemes at the local administrative level.
- ▶ Lack of comprehensive database on weavers, crafts, producers groups
- ▶ Lack of recognition of weavers identity
- ▶ Lack of Occupational health and Safety norms and support towards improving working conditions
- ▶ Lack of Environmental norms and infrastructure support

▶ Soft Interventions:

1. Health and Life insurance-expand number of service providers (Ministry of Labour standards)
2. Handicrafts Census- create database supplemented by NRLM
3. Issue Artisans ID cards
4. Convergence of infrastructure service provision - upgrade workspaces in terms of sanitation, sewerage, marketing, power supply, connectivity etc.
5. Awards to master craftsmen and other design innovation awards
6. Expand the Implementing agencies to include NGOs & relevant groups

Recommendations

10.9 Organizational Behavior

Adequate awareness programmes and formation of cooperatives to improve the standing of the middle-men and brokers in the industry

Challenges

- ▶ Shortage of capital and lack of access to market have forced artisans to depend on the Manufacturing Export Firms of Bhadohi-Mirzapur for raw materials, design and marketing of the products. The raw-material suppliers as well as the buyers at the artisans' level are unified, hence the profits are mainly accruing to Exporting firms and the artisans are just being paid for their job-work
- ▶ The middle-men and the brokers leave out the artisans in the value chain addition process: Artisans get paid a small fraction of what the final product is being sold.
- ▶ Due to low and irregular wages the craftsmen/women are shifting to other professions or migrating to other fields of work which is a threat to the craft as well as scarcity of artisans.

▶ Soft Interventions:

1. Weaver can then take up branding, packaging and enter the marketing space through cooperatives, so that they can reap higher margins which raises their income level and standard of living
2. Providing identity to the cluster and greater marketing opportunities may motivate the weavers in continuing to remain hooked to their traditional profession.
3. Awareness programmers may be conducted for counseling, trust building and motivation of artisans

Recommendations

11 Action Plan

Countries like USA customer preferences show approximately 23% currently dealing with India's Handwoven carpets. Amongst of carpets imported from various countries, USA stocks 15% of India products, which is the highest amongst other importing countries.

From, the analysis above we can see, that India already exports much more than its export potential to USA.

Similarly, UAE and Saudi Arabia are the countries with whom India has a huge export potential due their history dating back to the 1810s. First major group of foreign settlers in the region were Iranians and Persians who have age old traditions of using carpets in every households. Carpet covered floors are their distinctiveness. With this trait of the community, favourable relations and positive foreign policies with their governments, India can aim to expand its export to these countries in the following way:

India can work on the following pillars for expanding its market in the target countries:

11.1 Product Diversification

This plays a vital role in any products exports as it is a product uplifting strategy. Most artisans aren't 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. **Development of a new products:** The artisans of the district should be encouraged to diversify the product categories and must be provided with enough resources to create innovative products without losing the ancestral essence of the craft.
2. **Modifications of Existing Products:** It has also been found that most of the artisans use no strategy for making modifications to the existing products in the light of design and fusion. They can also expand in terms of the materials they use for making the products.

11.2 Market Linkages

In order to facilitate direct market linkages, steps should be taken to improve the marketing performance of the enterprises in the cluster. The following is recommended for developing a strong market linkage which will help expedite exports from the cluster:

1. **E-commerce Collaboration:** By collaborating with e-commerce companies like **Amazon, Flipkart, Shopclues and ebay**. This initiative will help the artisans engage with customers around the world and increase the exports of the product. These companies will then facilitate in cataloguing, imaging, branding, training & handholding on how to use platform for increased sales and also provide onboarding support to the artisans
2. **Expo Mart:** The Sonbhadra Carpet Expo Mart will be a milestone in the development of the Bhadohi-Mirzapur-Varanasi-Sonbhadra Carpet belt and the benefit will directly to the weaver and weaker section of the society in the adjoining areas. The mart will have the shops allotted to the weavers of carpets which will help establishing a direct relation with end users. The mart can also be utilized for promotion and branding of Indian Handmade Carpets all over the world in guidance of CEPC. The expo mart can also be used a dome for exhibitions, trades and fairs for uplifting and promoting the carpet industry of Sonbhadra.
3. **Virtual Expo:** The virtual expo will serve as a platform for networking & building new partnerships and envisage new marketing avenues. The expo should give more focus

to the ODOP products. The expo can provide the following for increasing the sales and export:

- a. Platform for marketing linkages
 - b. Instant interaction platforms between sector experts, buyers and sellers
 - c. Exhibition with showrooms and pavilions
 - d. Webinars & Digital Session on focus sectors
 - e. International buyers
3. **Marketing and Display Centre:** The place where the product is sold is one of the factors that adversely impacts sales of the products. Hence, it is extremely important for the exporter/ trader/ wholesaler to visit the cluster to have an actual look and feel of the product and engage with the artisan themselves. For offline sales, a **marketing centre and a display centre**¹⁴ is planned to be established within the CFC. Both of these interventions will act as a remarkable increase in sales. This will help establishing a direct relation with customers. This will also allow the customers/ traders/ exporters to visit the cluster and have look at the process and perceive the uniqueness of the product. The marketing centre can also be utilized for conducting fairs, tradeshows and other promotional events. Dedicated buyer-seller meets can be organized such that a direct trading channel is created, eliminating the middlemen in the ecosystem. Thus, it will play a pivotal role in increasing the overall sales of the cluster.

11.3 Quality Enhancement

For any product to survive in the global market, it is mandatory to meet the global quality standards thus, the following is aimed to enable the same:

1. **Collaboration with QCI:** MoU with QCI for defining quality standards of the products so that their quality can be maintained/ improved, and they can be exported across the globe with brand logo which ensures its authenticity.
2. **Service Quality Improvement:**
 - ▶ Training of Logistics service providers in areas such as certification packaging/labelling as per international standards, track & trace service, among others
 - ▶ Training of exporters and CHS required for correctly capturing data for export especially State of Origin, so that the actual exports from the State can be tracked which in turn will inform better policy-based interventions by the State

11.4 Promotion

For a product to capture large audience and end users, adequate promotion is necessary. The following can be implemented for the promotion of the product:

1. **Social Media Promotions:** A campaign should be run on the **Facebook, LinkedIn & Instagram** handles of **ODOP Mart** wherein the ODOP product is promoted and the journey of manufacturing is shown to the audience. This will help in marketing the product to a wider range of individuals around the world. The products that have received GI tag should be highlighted along with the historic importance of the product.
2. **Product Videos:** The product can also be promoted by involving a creative agency for preparing a short film or documentary of the history, evolution and manufacturing process of the intricate craft of Carpet and Durrie making.
3. **Branding:** Branding the craft of **Bhadohi-Varanasi-Mirzapur** will help preserve the authenticity of the products created from here and prevent any duplicity or creation

¹⁴ It is a display centre that is being established within the CFC is along with a design centre

of second-copy of the products and will thereby be easy to differentiate it from similar products from other belts of the country/ world. The brand if added on the product's packaging shall also ease the inspection of the products as certain foreign buyers lay down their own standards/specifications and insist upon inspection by their own nominated agencies.

4. **Instore Promotion:** Co-promotion with major retail players involving setting up display units in the retailer's premises (both departmental stores and specialists) to increase visibility for the brand and give an opportunity to the consumers to get a look and feel of the textile products.

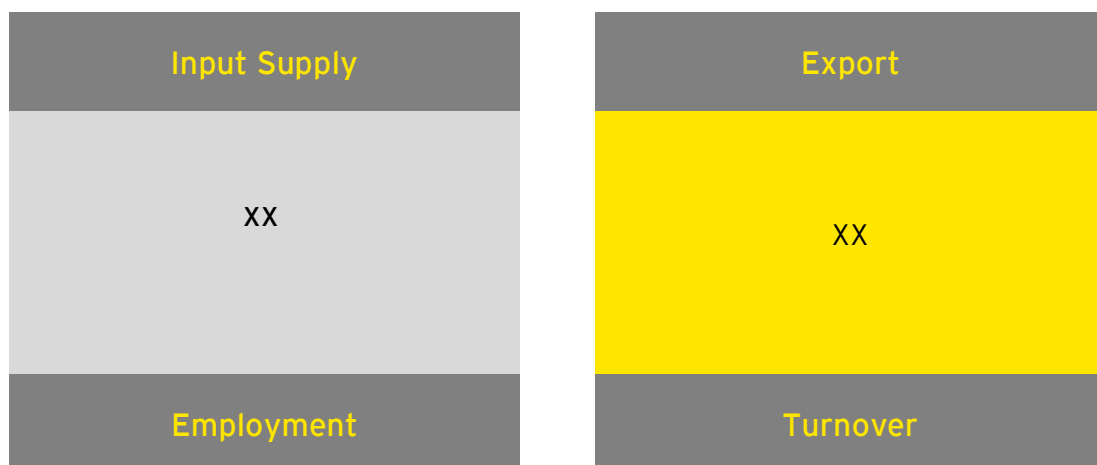
11.5 District Export and Data Centre (DE & DC)

Government should envisage to establish a District Export and Data Centre which will cater to products exported from the district. This District Export and Data Centre should be in charge of curating and managing repository of all traders, exporters, manufacturers from the district, products and quantity exported amongst other key statistics.

The DE & DC could facilitate the following :

1. Identification of target market, product requirement in those markets
2. Facilitate collaborations with a financial/ non-financial institutions who would disseminate information pertaining to export specific schemes and its benefits to enterprises
3. Support the enterprises in cataloging and marking the product on e-commerce and social media platforms
4. Support enterprises and exporters with export related documentation and requirements of exporting country
5. Display area, which can showcase/ exhibit products for sale
6. Dissemination of various export schemes of the Government and their benefits through outreach via campaigns and events.
7. Dissemination of various export schemes of the Government and their benefits through outreach via campaigns and events.

12 Future Projections



1100 additional artisans to be employed
with an overall increase in artisan income
by 30-50%

XX

13 Annexure

13.1 FTA Details

- ▶ **Free Trade Agreement-** A free trade agreement (FTA) or treaty is a multinational agreement according to international law to form a free-trade area between the cooperating states. FTAs, a form of trade pacts, determine the tariffs and duties that countries impose on imports and exports with the goal of reducing or eliminating trade barriers, thus encouraging international trade. Such agreements usually "center on a chapter providing for preferential tariff treatment", but they also often "include clauses on trade facilitation and rule-making in areas such as investment, intellectual property, government procurement, technical standards and sanitary and phytosanitary issues".
- ▶ **Framework Agreement-** Prior to negotiating trade accords, potential trading partners sign framework agreements, which set the period for future substantive liberalization by defining the scope and provisions of orientation for some new area of discussions. For instance - **India had signed framework agreement with GCC in 2004.**
- ▶ **Preferential Trade Agreement-** In this type of agreement, two or more partners give preferential right of entry to certain products. This is done by reducing duties on an agreed number of tariff lines. A PTA is established through a trade pact and is a steppingstone towards better economic relations with the concerned country. **The key difference between an FTA and a PTA is that in a PTA there is a positive list of products on which duty is to be reduced; in an FTA, there is a negative list on which duty is not reduced or eliminated.**
- ▶ **Comprehensive Economic Cooperation Agreement (CECA)/ Comprehensive Economic Cooperation Partnership Agreement (CEPA)-** Both are free trade agreements between the countries. The main difference between CEPA and CECA is that CECA involves only "tariff reduction/elimination in a phased manner on listed / all items except the negative list and tariff rate quota (TRQ) items, CEPA also covers the trade in services and investment, and other areas of economic partnership.
- ▶ **US Generalized System of Preferences-** Legality lies in The GATT Decision on Differential and More Favorable Treatment, Reciprocity and Fuller Cooperation of Developing Countries(also known as the 'Enabling Clause').The Enabling Clause is an exception to the Most Favored Principle states that members may accord 'differential and more favorable treatment' to developing countries, without according such treatment to other nations'. **India was the biggest benefactor of US**
- ▶ **Generalized System of Preferences as USA allowed duty-free imports from India in many categories.** However, in 2019, **US President Donald Trump removed India from this list.**
- ▶ **Early Harvest Scheme-** is a precursor to an FTA between two trading partners. At this stage, the negotiating countries identify certain products for tariff liberalization

pending the conclusion of actual FTA negotiations. The EHS is, therefore, used as a mechanism to build greater confidence between the trading partners, and structurally prepares them for subsequent, deeper economic engagement. India is keen on such schemes, and some EHS agreements are incorporated within existing treaties. **India and United Kingdom are inching towards EHS** before signing FTA. Under EHS, India is looking for reduce tariffs in textile and Fruits category whereas UK is pushing for reduce tariffs for tobacco and Scottish whiskies.

13.1.1 Key Notes

- ▶ Majority of the Indian Free Trade Agreements have been signed with the Asian countries.
- ▶ The exports share going to FTA countries have significantly drop from 51% to 46% and export share of 'natural allies' like USA and Europe has increased from 38% to 43% in past decade.
- ▶ The reason being is that USA and Europe major import from the world comprise of machinery, mineral fuels, pharmaceuticals, organic chemicals, gems and jewelry which are also India's top export items
- ▶ FTA agreement is essential with US and Europe respectively as untapped export potential as percentage of current export is around 60% for USA while it is 90% for EU.
- ▶ Except FTA agreement signed with SAFTA, **in case of all other FTA, India imports have increased at higher rate than exports. Therefore, leading to huge trade deficit.** For instance, FTA signed with ASEAN flooded Indian market with Chinese and South-Asian goods although export to these markets increased the trade deficit that India has with ASEAN is huge that is the reason India opted to signed out off from RCEP(Regional Comprehensive Economic Partnership) world's largest free -trade agreement comprising of 15 countries which accounts to 30% of world population and 30% of World's GDP.

Note- Bangladesh, Cambodia and Myanmar comes under GSP category of European Union and thus are eligible for lower tariffs on 2/3rd of their products whereas Pakistan and Sri-Lanka comes under GSP+ categories and hence are subjected to 0% tariff duties on their product. Due to this EBA countries saw their exports to the EU increase by 125% and GSP+ beneficiaries by 82% (2011-2017).

- ▶ Similarly, Afghanistan, Bhutan, Cambodia, Nepal and Myanmar come under Least-developed beneficiary developing countries of USA whereas Sri Lanka and Pakistan comes under GSP-eligible beneficiary developing countries of USA. Due to this product coming from these countries except some agricultural, fishery and primary industrial product are subjected to less tariff rates. **India too, belong to GSP-eligible beneficiary developing country of USA till 2019 and was the biggest benefactor of this as per World Bank**

13.2 Top importers of product code 570241

S. No	Importers	Value Imported in 2019(USD Thousand)	Average Growth between 2015-2019
1	USA	USD 77,984	0%
2	UK	USD 16,862	1%
3	Saudi Arabia	USD 15,187	-12%
4	Germany	USD 14,964	2%
5	Australia	USD 13,105	15%
6	UAE	USD 12,380	16%
7	Japan	USD 9,266	5%
8	Canada	USD 6,282	12%
9	Italy	USD 5,721	44%
10	Thailand	USD 4,615	97%
11	Sweden	USD 39,39	28%
12	Russia	USD 3,636	4%
13	Austria	USD 3,631	16%
14	Spain	USD 3,445	48%

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