Govt readies $1bn package to give fillip to footwear mfg

Sector Among Those Hit By 50% US Tariff On Indian Exports

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New Delhi: The Centre is readying a $1 billion package to boost footwear manufacturing in the country at a time when the sector is among those hit by the 50% tariff imposed by the US on Indian exports.

The department for promotion of industry and internal trade had earlier proposed a production-linked incentive for the sector, which did not go through in the wake of a revamped govt policy. Subsequently, it has drawn up a comprehensive package that seeks to address the entire value chain from raw material to inputs and the finished product, offering benefits to investors in the labour-intensive sector. While the package is yet to be finalised, officials said that discussions are at an advanced stage and will be announced shortly.

STEPPING UP SUPPORT

- Although the **footwear package is yet to be finalised,** discussions are at an advanced stage and it will be announced shortly
- **US tariffs have upset the calculations** for many domestic players, who have become contract manufacturers for foreign players, as **more investment was lined up**
- Govt seeks to push **domestic consumption and exports** of footwear to enable Indian companies be part of global value chain
- Footwear market is expected to rise from **two-odd pairs a year (on an average) to three pairs** compared to international norm of six-seven pairs

India is the second largest footwear producer. It was a significant player in the leather footwear business until the landscape changed globally and sports shoes and athleisure became the dominant segment, with China taking the lead and Vietnam joining with mega plants.

Although several domestic players have become contract manufacturers for foreign players, especially those from Taiwan, the US tariffs have upset the calculations as more investment was lined up in the sector.

In any case, domestic manufacturers complain that the lack of capacity for production of inputs, which ends up coming from China. Besides, the tariff structure for the raw material that goes into manufacturing soles and other parts of a shoe have high duties that hurt domestic production, resulting in imports, industry executives said. In case of electronics, the Centre is working on a comprehensive package, where components are also covered now.

The move comes at a time when govt is looking to push domestic consumption and exports of footwear so that Indian companies are part of the global value chain. It also coincides with India's aggressive free trade agreement drive, with the European Union likely to join the list soon along with the UK. These markets are expected to offer duty concessions as well for Indian goods, which will help channelise the additional capacity that may come up in the coming months.

Domestically too the footwear market is expected to rise from the current two-odd pairs a year (on an average) to three pairs, while the international norm is six-seven pairs.